



INTRODUCING MTHENTE'S "CONVERSATIONS SERIES"

Based in Cape Town, South Africa, Mthente Research and Consulting Services (Pty) Ltd is a small black owned business that was started six years ago by Dr Mills Soko and Heidi Villa-Vicencio. Mthente currently employs 13 people – a team of economists, social scientists and business consultants with the common goal of promoting excellence in Africa by providing applied research and practical business services to private firms, the public sector and non-profit organisations.

The aim of the Conversations Series is to give our staff the opportunity to learn and interact with key personalities in politics and business. As evidenced in this document, we also hope to report on the outcomes of "the conversation" on our website to share the discussion, to promote dialogue on important topics and to expand Mthente's network of clients and associates.

Our approach with this Series is an intimate and informal dialogue over some of the issues facing our province and country. Much of the research we do is aimed at helping our clients achieve greater impact and profitability. To do this, our research team needs to constantly stay in tune with the context and key stakeholders in the private and public sector. We look forward to sharing the insights that emerge from this Series and express our thanks to the guest speakers who have participated so far.

24 June 2011 – Our Conversation with Mr Nils Flaatten, CEO of WESGRO

Introducing the Speaker



Nils Flaatten completed his high schooling at Paul Roos Gymnasium, in Stellenbosch. He then spent a year as a Rotary Exchange Student at Spooner High School in Wisconsin (USA). After obtaining a Bachelors of Art degree from Stellenbosch University he worked in London for Dresdner RCM Global Investors and then Barclays Global Investors in Jersey (Channel Islands).

Nils then moved to Hong Kong where he worked for Citigroup as the Asia-Pacific Regional Marketing Manager in the bank's Global Corporate and Investment Bank division. While in Hong Kong he also served as the Chairperson of the South African Business Forum.

He then returned to London where he worked for the Capital Markets Company (Capco) as a management consultant. Here his assignments included work on European stock exchanges, the acquisition of an outsourced trade service company, financial services outsourcing and capital market process management.

He returned to South Africa where he served as an advisor to the provincial Minister for Development, Economics and Planning and as Managing Director of the African Carbon Trust. He is currently the Acting CEO for Wesgro – the Western Cape’s Official Trade and Investment Promotion Agency.

Nils also guest lectures at the Stellenbosch University Graduate School of Business on Doing Business in China and China Market Access. He sits on the board of an NGO called Young in Prison and his interests include wine, rugby, golf and offshore sailing.

Mthente has completed a number of research projects for Wesgro in the past in the areas of trade and investment, including factsheets on export strategies, clustering for competitive advantage, and the agribusiness sector in the Western Cape.

Recapping the Conversation

Nils began by outlining Wesgro’s role within the Western Cape, emphasising the Trade and Investment Promotion Agency’s mandate to attract and retain foreign investment into the province. Nils explained further that Wesgro works closely with the City of Cape Town and is required to report to the provincial Parliament. Nils also emphasised Wesgro’s involvement in supporting provincial trade through export development programmes and outward trade missions.



In discussing current trends in the global economy, Nils expressed the belief that we are in the midst of a fundamental power shift in the world, with a clear shift eastward away from the advanced economies of the north. Within the context of the growing prominence of emerging economies, Nils indicated that he was extremely bullish about Africa’s future growth prospects.

Much of this optimism is fuelled by Nils’ assessment of South Africa’s future prospects. For instance, in the context of the growing influence of social media and technology, Nils expressed the belief that South African can play a prominent role in software development and telecommunications. In Nils’ opinion, growth in South Africa’s middle class represents another potentially major source of future economic growth.

Nils did caution, however, that South Africa has work to do to get to the point where it is considered an attractive location for major investors. Moreover, he cautioned that South African businesses “need to be clever” on the continent and that work needs to be done to address the prevailing ‘hostility’ in some quarters towards South African businesses. To this end, Nils suggested that South African businesses need to be culturally sensitive in their operations on the continent. Nils emphasised that this can be achieved, pointing to the example of South African companies such as Shoprite, which operates successfully in a number of African countries.

Nils’ optimism in terms of Africa’s growth prospects was not confined to South Africa. He pointed to the growing influence of mobile phones on the continent, highlighting the fact that prepaid airtime in countries such as Kenya and Malawi has become a major source of revenue; and mobile phones have become an important element in business transactions in Africa. In this sense, Nils explained that many African economies have essential bypassed fixed-line telephones and embraced the dynamic benefits of mobile phones.

Elsewhere on the continent, Nils outlined his belief that there will be fundamental political change in Zimbabwe within the next five years, which should unleash a plethora of business and investment opportunities. For instance, Nils felt that when that point is reached the biggest challenge in Zimbabwe will be to ensure that there is an adequate and reliable supply of electricity, creating opportunities for investment in renewable energy.

According to Nils, we are living in ‘Africa’s decade’ and there is a need to develop a coherent ‘African strategy’. He felt that African companies should take greater advantage of existing free trade agreements with Europe and export to the European Union. At the same time, Nils highlighted the need to increase the volume of exports to

the BRIC countries (Brazil, Russia, India and China); and suggested that a greater level of support from government is required to boost exports to these countries.

Question and Answer

Following the Nils' presentation, Mthente's staff members posed several questions to him.

Q: Dr Mills Soko (Mthente's Founding Director) asked whether Wesgro had undertaken any evaluation of foreign direct investment (FDI) into the Western Cape over the last five years. And whether any assessment has been made as to why investors seek to invest in the Cape.

A: Nils indicated that Wesgro has not undertaken anything of that nature. He stated that Wesgro does not know precisely why people want to invest in the province or, at the other end of the spectrum, why in some instances they no longer invest in the province.

Q: Dr Soko asked whether the data on FDI that Wesgro requires is systematically collected.

A: Nils' stated that Wesgro does not currently have the capacity to collect this data. He added that the national rules governing investment are tough and that things have to move a lot faster with respect to investment.

Nils indicated that many foreign investors looking to invest in the country ask him whether corruption is a problem in South Africa. He explained that when investors want to invest R1 billion in the economy, "you don't want to freak them out". Therefore, Nils indicated that he usually tells interested investors that South Africa's legal system is based on common law and, hence, it would be difficult to move money out of any account and into someone's pocket. Furthermore, Nils was of the opinion that although South Africa might have low ranking officials engaging in corruption in municipalities, big business can move above that. In terms of state procurement and semi-privatisation deals, Nils felt that South Africa does not really have a problem with overt corruption.



Q: Thokozani Norushe (Researcher and Consultant) asked how Wesgro has responded to the global economic crisis.

A: Nils' indicated that the global economic crisis has placed pressure on Wesgro. Having said that, Nils questioned whether South Africa has fully capitalised on opportunities to export non-agricultural produce into the rest of Africa as well as into Europe.

Nils added that the breakdown in the Doha Round of trade negotiations at the World Trade Organisation has led to more bilateral trade, which means that the dominant players in global trade are protecting their own interests. In line with this, he is of the opinion that South Africa has somewhat bearish trade negotiators who have not been effective in concluding trade agreements.

Q: Dr Soko asked who currently collects trade-related data in the market. He added that he would have expected Wesgro to collect this sort of information.

A: In response, Nils stated that Wesgro does collect this information. He went on to explain that Wesgro works in line with the Harmonised System (HS). In accordance with this system, goods are organised on a schedule, with system based on two, four or six digits. Nils explained the process through an example, looking at bilateral trade in cartridges between two countries (A and B). In this respect, he explained that one can look, for example, at HS4 which gives you more granularity. Using this system, Wesgro can study trade figures at the national level and provide historical figures of how many cartridges were sold. This sort of information assists Wesgro to connect businesses across countries and to connect businesses with the government, thereby creating linkages between countries.

Q: Lwazi Sikiti (Junior Researcher) mentioned that there has been talk that countries may be considering trading in their own currencies (rather than trading in US dollars). He asked whether it would be prudent to drop the dollar as the global trading currency.

A: Nils responded by saying that the countries trading in different currencies are doing so in small volumes. He explained that large companies are not willing to come on board with the idea because of the lack of volume. He posed the question as to what a cartridge seller in Cameroon is supposed to do with South African Rands. Nils did, however, mention that he believed that the Euro may, in the future, become the dominant currency in global trade.

Q: Dr Birungi Korutaro (Programme Manager) stated that Nils mentioned that Wesgro works with some other trade and investment agencies. She asked which organisations in Africa does Wesgro work with on a bilateral level.

A: Nils explained that most African countries do not have an agency that is similar to Wesgro. As a result, Wesgro deals predominantly with national and provincial governments and chambers of commerce in other African countries.



Q: Neil Balchin (Senior Researcher and Consultant) asked what the Western Cape economy is likely to look like in 25 years time given that Nils believes that global economic growth in the next 25 years will be driven by agriculture.

A: Nils responded by saying that is a political question. He went on to say that the growth of the agricultural sector will be determined by what the national and provincial governments do.



Dr Soko closed Mthente's Conversation with Nils Flaatten by thanking him for taking the time out to speak to Mthente's staff about trade and investment affairs in the Western Cape.

Nils thanked Mthente for the opportunity and invited all Mthente staff to connect with him through LinkedIn, adding that he loves networking and believes that it is a critical component of successful business.

We Invite Your Feedback

We would like to hear from you! If you have a comment or question about the discussion above, or would like to be one of our next guest speakers, please contact **Neil Balchin** at neil@mthente.co.za.

If you would like more information about Mthente, please email **Andre Le Grange** at andre@mthente.co.za or download our company profile from our website.



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