FOREIGN TRADE — 1994
(GENERAL)

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GATT 'hurts rural areas'

B/Day 11/2/94

KELVIN BROWN

GATT could result in a better standard of living for SA's urban population but a poorer quality of life in the rural areas by the turn of the century, latest research carried out by the World Bank and the OECD shows.

The report found partial trade reform as envisaged in the Uruguay round of GATT would cause real incomes in SA to rise 0,8% by the year 2002 compared with the period 1985 to 1990, but the country's terms of trade would worsen by 1,7% as export prices fell more than import prices.

SA was likely to experience a 1,2% decrease in food prices as greater competition arose because of the scrapping of the significant protection given to the agricultural sector in the past.

But lower food prices together with a reduction in tariffs on manufactured items would lead to an expansion of the urban economy as pressure on wages would be relieved.

The report concluded that the overall effect would be a 10% reduction in unemployment in urban areas and a 1,5% increase in value added at the urban level to the economy.

The picture was not as bright in the rural sector where the ratio of rural income to urban income was expected to fall 3,6% by early next century.

The main reason for this was a reduction in the level of protection to the agricultural sector, a fall in subsidies and lower export prices of key agricultural commodities.

"SA farmers lose significantly as agricultural protection is reduced," the report said.

It was estimated the rural sector would add 2,3% less value to the economy by the year 2002 than was the case in the period 1985 to 1990.

But the final outcome at the rural level could be better if the OECD countries experienced a good growth rate over the decade, the report said.

A 18% rise in the real income of the OECD counties by the year 2002 would cause the value added at rural level to be up 0,5%. (74)

Rising incomes in OECD countries would result in higher international agricultural prices.

"The increase in world agricultural prices is passed on to farmers and this leads to an increase in rural GDP and farm incomes," the report said.

New customs union to take a wider view

S/Times (Buss) 20/3/94

The future of the Southern African Customs Union, which has governed the sub-continent's economy for almost a century, is under debate. SVEN LUNSCHE considers its problems and its options.

SOUTH Africa's trade and economic relations with its neighbours will change dramatically after its first non-racial elections in April.

The Southern African Customs Union (SACU), which has governed trade in the region since 1910, is under pressure from both SA and the partners — Botswana, Lesotho, Swaziland and Namibia (BLSN states).

They have agreed to renegotiate the pact, but SA faces pressure to make the SACU a wider regional organisation.

The Transitional Executive Council has asked a technical working group to provide guidelines on how to improve the SACU and re-define its role in the Southern African context.

Gerrie Breyl, acting director-general in the Department of Trade and Industry, says the group has to complete its task by the end of March.

The task group includes academics and government and business representatives and critics of SA's role in the SACU — including the Development Bank of Southern Africa (DBSA) and University of Western Cape's Rob Davies, who is close to the ANC.

There is agreement on the need to transform SACU's internal workings, but the framework in which to achieve them changes by the day.

Until a year ago it was speculated that the new SA would herald the death of the SACU with all its colonial trappings.

Now it is seen as the foundation of an economic agreement for Southern Africa, displacing other regional organisations, such as the Southern African Development Community (SADC) and the Preferential Trade Area (PTA).

It is not surprising, says Mr Breyl, that the primary objective of the SACU task group is a restructuring that will allow others to join it. Zimbabwe is seemingly candidate No 1. (74)

The group is examining a permanent SACU secretariat, provisions for dispute settlement, a collective labour policy and closer co-operation on monetary and exchange-rate policies.

The African Development Bank (AfDB) says the SACU "should be designed with the thought that it may need to accommodate or back itself into a wider common market or free trade area withing the southern African region over the longer term".

None of these laudable aims will be achieved, however, if the SACU cannot change the cumbersome rules that govern revenue distribution among member states and have apparently led to skewed industrial development in SA's favour.

The SACU is commited to the free flow of goods and services.

All customs, excise and sales duties as well as import surcharges go to a consolidated revenue pool managed by SA and then distributed to members quarterly according to an agreed formula.

Professor Davies says: "In many ways, the SACU can be seen as an arrangement in which SA acquired captive markets in BLSN in return for a disproportionate share of the revenue pool."

BLSN have voiced concern about aspects of the agreement retarding their industrial development.

SA, on the other hand, considers that its fiscal burden has become too onerous. It received only about two-thirds of R9-billion generated in the SACU last year and has to distribute a large amount to its homelands.

Once the homelands have been reincorporated, this share will return to SA. But the R3-billion for BLSN is still considered a burden.

The payments make a large contribution to BLSN revenue. For Botswana it amounts to 15%, Swaziland 32%, Namibia 44% and Lesotho 57%.

Although SACU income accounts for only about 5% to 6% of imports to the union, SA's partners are guaranteed payment of at least 17% of their imports.

This generous disbursement is the result of two factors in revenue calculation: a 42% enhancement factor and a stabilisation one. Combined, they can add more than 77% to the original amount.

They were introduced to compensate BLSN for disadvantages associated with SACU membership:

☐ Loss of fiscal discreti — excise duties are set SA, without consultation.

☐ Trade diversion becau BLSN are effectively forc to import goods from S even if they are cheap elsewhere.

☐ Polarisation, which ha occured as industries se tled in the most develope area in the SACU — SA.

One solution suggested by SA sources is to replace the formula with a calculation granting member states a lower percentage yield (possibly 9%) of their imports with other payments reclassified as development assistance. However, SA would also benefit from such an agreement.

Africa north of the Limpopo has become an important market for SA goods and services, accounting for about 25% of its manufacturing exports last year. But SA is a high-cost producer compared with industrialised countries with which it competes in Africa.

The AfDB says: "For SA to expand its regional trade further it would need to take advantage of a tariff regime vis-a-vis its regional trading partners more favourable than that which they currently apply to industrialised countries."

However, many African governments fear that expanding trade in manufactured goods with SA "could hinder efforts of individual countries to rehabilitate their industrial sectors".

The practical workings of the SACU agreement have already inhibited the growth of these sectors considering SA's manufacturing strength.

Another drawback for BLSN has been sharing a high common external tariff with SA, which has largely prevented the import of intermediate and capital goods at competitive world prices.

Their position has been supported by the DBSA which said in a recent report that BLSN producers were discouraged "by SA non-tariff barriers, aggres-

SACU pay-outs

	1990-91	1991-92	Increase (Decrease)	1992-93	Increase (Decrease)	1993-94	Increase (Decrease)
	R-million	R-million	%	R-million	%	R-million	%
BOTSWANA	661	1034	56,4	1342	29,8	1106	(17,6)
LESOTHO	355	424	19,6	548	29,1	747	36,3
NAMIBIA	335	946	182,2	735	(22,2)	765	4,1
SWAZILAND	338	356	5,4	359	0,7	454	26,5
BLNS total	1689	2760		2984		3073	
SACU total	7661	7922		8500		N/A	

Graphic: FIONA KRISCH

Source: DTI

GERRIE BREYL . . . DTI's director-general

sive counter-action by SA concerns and certain articles in the Customs Union treaty".

A BLSN priority is an open and uniform competition policy to allow their producers unrestricted access to SA markets.

Part of this policy will be forced on SA when tariffs are reduced and non-tariff barriers removed under the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt). For example, says Mr Breyl, in the next few years food products from the region will be imported more freely into SA.

In clothing and textiles SA will have to be cautious because unrestricted access from non-SACU countries could disrupt its industries.

BLSN also claim to be at a disadvantage because of policies such as regional industrial development incentives and export subsidies. The DBSA says they attract industries to SA, not its neighbours.

SA also receives an effective interest-free loan because it transfers revenue only after two years.

In spite of these factors, there is a willingness by member states to move ahead rapidly.

To achieve the best-possible scenario, the AfDB recommends that members negotiate a new agreement covering a transitional five years, allowing sufficient time to adjust to a wider free-trade area involving other Southern African countries.

SAA flights resume to Kinshasa

CT 22/4/94 (74)

By AUDREY D'ANGELO
Business Editor

TRADE with Zaire is growing rapidly — and South African Airways (SAA) will re-introduce its weekly service to Kinshasa on Tuesday, May 3, after suspending it for 20 months.

The airline's corporate relations department announced yesterday: "Previously the flight was combined with the Abidjan operation. Now SAA will serve Kinshasa individually."

SA Foreign Trade Organisation (Safto) economist Carlos Teixeira said trade with Africa was improving.

Exports to Zaire had grown from R291m in 1992 to R314m last year and imports from R11m in 1992 to R262m last year.

Teixeira said that exports from SA to Zaire last year included R45m worth of vegetable products, R40m worth of machinery and appliances and R24m worth of prepared foods and beverages.

Paul Runge, Safto senior manager (Africa), said that Zaire "has been a very troubled market until now.

"One of the biggest problems is that it has no agreement with the International Monetary Fund and business confidence has been dented by that.

"It is a very tricky market. But it is one of our top 10 trading partners in Africa and I have just come from a client who speaks very highly of it as a place to do business."

Runge said a number of airlines, including Sabena and Air France, had stopped serving Kinshasa during the troubles there. But a plus factor was that through an agreement with the Congolese it could be reached across the river from Brazzaville "which is two destinations in one."

Wesgro director David Bridgman said the real potential growth in trade with Africa lay up the west coast, rather than the east. "The West of Africa has a total production three times that of East Africa.

"Air links between cities are the best way of developing trade."

In view of this, Bridgman said, he hoped to see direct air links between Cape Town and West African cities soon "if not provided by SAA then by some other airline."

The SAA statement said: "The weekly nonstop flight from Johannesburg to Kinshasa will depart from Johannesburg on Tuesday at 8 am, arriving in Kinshasa at 10,55 am and will return from Kinshasa the same day, departing at 11.55 am and arriving in Johannesburg at 16.55 pm.

"The introduction of this flight brings the total number of destinations served by SAA in Africa and the Indian Ocean Islands to 15, with 41 flights per week from SA.

"The list of destinations includes Cairo, Nairobi, Lilongwe, Blantyre, Maputo, Harare, Victoria Falls, Luanda, Lusaka, Windhoek, Mauritius, the Comores and a code share agreement with Air Afrique to Abidjan and Brazzaville."

Healthy boost in trade surplus

CT 22/4/94 (74)

By AUDREY D'ANGELO
Business Editor

Figures for March hit 2-year high

SOARING exports lifted the trade surplus to its highest level for two and a half years in March, in spite of a steep rise in imports resulting from the continuing economic recovery.

Exports rose to R8,2bn compared with R6,5bn in February and R6bn in March last year. So although imports rose to R5,7bn compared with R5,4bn in February the surplus still rose by 135% to R2,6bn.

The trade surplus for the first three months of this year is R4,7bn, with exports totalling R20,5bn and imports R15,8bn.

But Old Mutual economist Rian Le Roux pointed out that the continuing capital outflow meant that reserves were still under pressure despite the "healthy" trade figures, reducing the likelihood of an early cut in interest rates.

SA Foreign Trade Organisation (Safto) economist Carlos Teixeira said: "The main categories responsible for export growth in March were diamonds, base metals and machinery, all of which showed accelerating growth.

"The cumulative growth for these categories was 67% for diamonds, 16,6% for base metals and 16,2% for machinery and electrical equipment.

"Of the three, the performance of diamonds was the most significant. Despite the erratic anature of this category one can expect sales to increase further this year in line with increased demands as world economy improves.

"Improving international conditions have also impacted on metal prices, which are up by about 20% on November 1993.

"The base metals category is reflecting these improvements. Despite high levels of stocks internationally, the commodity cycle is turning and prices should improve."

Teixeira said other noteworthy categories, in view of their poor performances last year, included chemicals, with exports 61% higher than in the January to March period last year, plastics and rubber, up 12,3%, pulp and paper, up 12% and vegetable products, up 165%.

"With the continued depreciation of the rand and the gold price on average 16% higher than last year — it was $329 an ounce in March last year and I don't think it will fall to that level — and with positive economic growth in our major trading partners, all export categories should continue to improve."

Teixeira said the growth in imports of industrial materials and capital equipment such as transport goods "moderated somewhat in line with the slowdown in sales and production in the first quarter of 1993.

"A further moderating influence on import growth was the unclassified category, which is down by 50% compared with the first three months of last year."

Teixeira said exports to Africa were 23% higher than in the first quarter of last year and imports from Africa 73% higher. "Trade with Europe is also up substantially on the first quarter of 1993. Exports are up 33% and imports up 39%.

"This is mostly due to improving trade with the UK. When the economies of Germany, France and Italy improve it will really have an impact on our exports."

Southern Life economist Sandra Gordon said the export figures showed SA was benefiting from the continued rise in commodity prices. "We are also benefiting from the end of the drought."

She estimated that the trade surplus would be R18bn for the year as a whole.

Boland Bank economist Francois Jansen said: "I am surprised by the size of the improvement in the trade surplus. It is a fantastic figure — 38% above the first quarter of last year in spite of the higher imports.

"Exporters are doing very well, especially as the steep decline in the rand came too late to affect these figures."

Jansen said he thought the trade figures, combined with improving political news, would go a long way towards curbing pessimism.

But Old Mutual economist Rian Le Roux said the reserves indicated that capital flight from SA was still high.

The growth in the economy suggested that imports would continue to rise and this, against a background of low reserves, meant a cut in interest rates was unlikely.

West Africa trade gets shipping boost

(74)
AAG 7/5/94

CAPE TOWN businessman Chris Hellinger has invested R8 million in the purchase of a multi-purpose "ro-ro/lo-lo" ship to serve the growing trade between South Africa and West Africa.

The 1 100-deadweight-ton ship was renamed Sonja, after Chris's wife, at a champagne ceremony attended by 150 guests in Table Bay harbour.

The ship was aquired from former Norwegian owners and after spending a short spell in the Robinson drydock being spruced up, was moved to a working berth to begin loading her first West Africa-bound cargo.

The ship was built in 1983 for the state-run Icelandic shipping company Skipautgerd Riksiens, and sailing as Esja was deployed on the Icelandic coastal route.

The versatile cargo-handling package-vessel includes stern and side ramps, pallet-loading system, an hydraulic deck, main-deck catch-covers and a 35-ton deck-crane.

These time-saving facilities will enable Sonja to work her own cargo at ports of call, thus eliminating costly delays — common in West African ports.

Sonja can carry a wide range of general and palletised commodities, as well as having capacity for 55 containers, with 25 reefer-points.

In addition, the ship can carry eight 16-metre trailers on the ro-ro deck, or 55 cars.

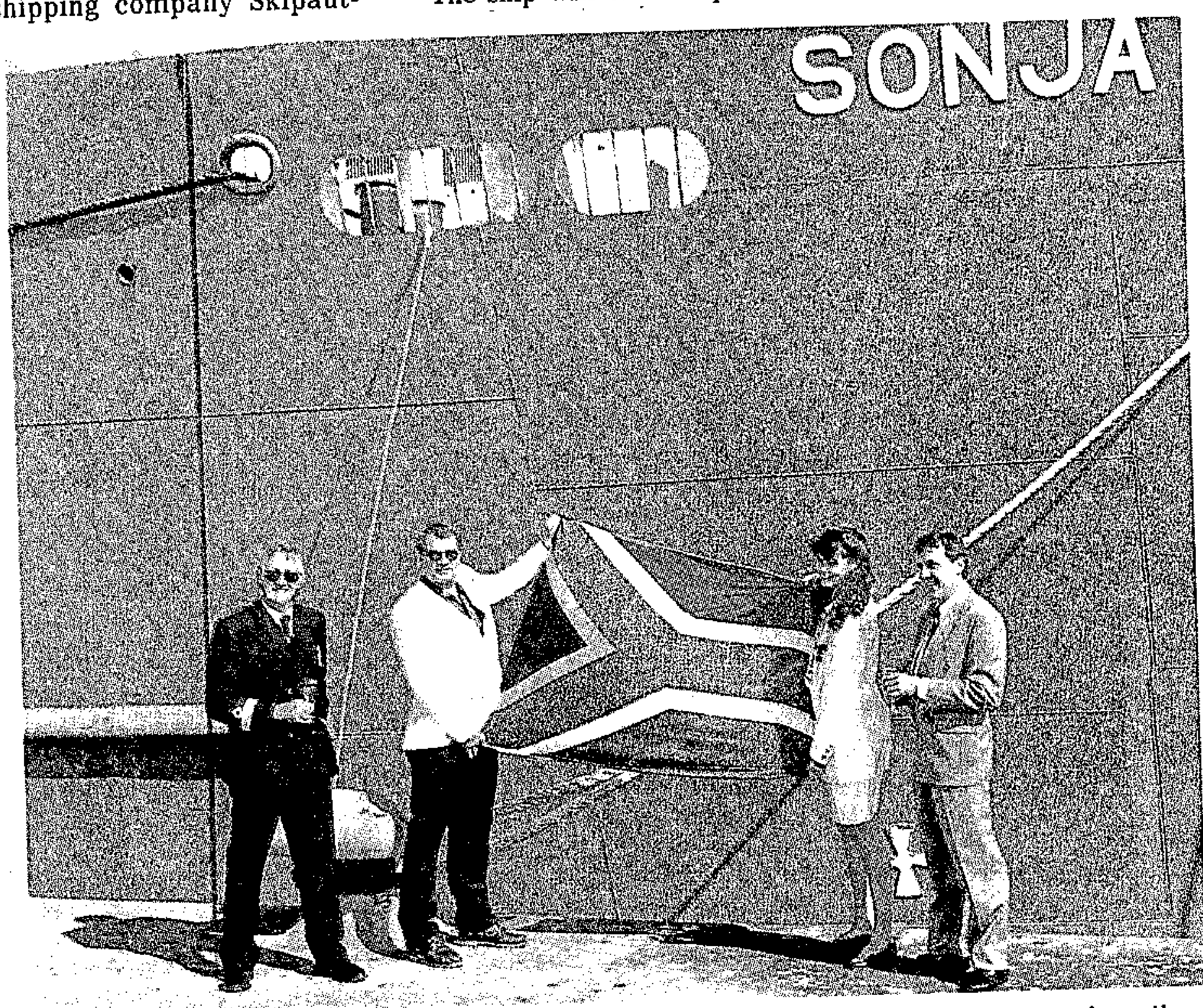
The ship will offer importers and exporters bi-monthly sailing opportunities between Cape Town and Walvis Bay, Luanda, Namibe, Lobito, Cabinda and Malonge.

Chris Hellinger also owns the vessel, Roan Osprey, operating in the Gulf of Guinea and covering the route between Sao Tome and Principe.

Among his many business interests is the Metropole Group in Cape Town.

At the ship's naming ceremony he said he strongly believed in South Africa's future and foresaw an expansion in trade between this country and Angola.

Grindrods are the cargo handling agents for Sonja while Strauss Shipping are the ship's port agents.



□ **NEW SERVICE:** Sonja, wife of Chris Hellinger, owner of the ship Sonja, receives the South African flag for the newly named ship in Cape Town this week. From left are Captain John Woodend, Port Captain, Chris Hellinger, Sonja Hellinger and Neels Hubbinger, Port Manager.

Gatt deal will have major repercussions for industry

(74) ARG 9/3/94

Business Staff

JOHANNESBURG. — The full implementation of the General Agreement on Tariffs and Trade (GATT) in South Africa will lead to a restructuring of local industries, irrespective of what political parties may desire in terms of development, say Deliotte & Touche.

"Furthermore, as its full impact is felt the rand may well weaken."

Deliotte's latest Tax News notes that the effective date of implementation of the Uruguay round is expected to be July 1 next year and that South Africa will probably have to phase in the tariff reductions over five, eight or 10 years, depending upon the industry.

The downside for developing countries and countries like South Africa, is that labour intensive industries are likely to benefit least from the GATT accord.

The economies of developing countries may also be vulnerable to dumping.

Deliottes says the impact on the motor industry is likely to be significant rationalisation with far fewer models being manufactured locally.

"The motor industry is to be allowed eight years to phase down the ordinary customs duty on fully assembled vehicles from the present level of 100 percent to 50 percent.

"The ordinary customs duty ceiling on CKD vehicles and components will be 30 percent, also after eight years."

Sensitive industries such as clothing and textiles have been allowed a longer phase-in period for the new maximum duty rates, it says.

"Ceiling duties at the end of the phase-in period are: fibres 10 percent, yarns 17,5 percent, fabrics 25 percent, home textiles 20 percent and clothing 45 percent.

"The final offer on most iron and steel products will be 10 percent, higher than the current duty applicable to certain items.

"For agriculture, the GATT accord probably means greater access for South Africa's exports to world markets and greater domestic competition."

"However various forms of protection such as import licencing and other non-tariff barriers, equating to a duty of 10 percent over and above the existing import duty, have tended to insulate the local market from international competition.

Deloittes says the General Export Incentive Scheme (GEIS) will need to be phased out as it is in contravention of the GATT export subsidy provisions.

For importers, once the phasing in of the new ceiling rates has been completed, the rates of ordinary customs duties on manufactured products will fall to between 15 percent and 20 percent.

... not disintegrated into violence

GATT chief foresees more jobs

KELVIN BROWN

THE implementation of GATT could create more job opportunities in SA, GATT director-general Peter Sutherland said yesterday. BDM

Sutherland arrived in the country at the weekend at government's invitation to help SA develop its trade policy and plan for the changes GATT will bring. 16/2/94

He said GATT would create more jobs as exports would be boosted by the availability of foreign markets, causing the economy to grow.

Sutherland said: "If this is accompanied by political stability, it will act also as an incentive for inward investment in the country, leading to even further job opportunities."

Some of the greatest benefits GATT would bring SA were on the agricultural front, he said. "SA has the capacity to increase its dependence on agriculture, helping to develop the economy further."

Further opportunities could occur in the manufacturing sector where the trade reform agreement would enable SA to develop more secondary industries to process agricultural commodities, he said.

Industries that were likely to suffer included textiles and motor vehicles.

Sutherland said it would be in SA's interests to seek membership of the Lome Convention or other trading agreements, if it would help develop the country's economy.

On reclassification, Sutherland said: "It could be a mixed blessing to be reclassified as a developing country. Although it will allow SA more time to lower its tariffs, it could skew the development of the economy away from what is desired."

Even if SA wanted to be reclassified, it was unlikely this would happen as the necessary consensus did not exist in the international community, he said.

Sutherland commended SA for some of the hard choices it had to make in agreeing to GATT and the political courage this took.

"Discusssions I had with government, the ANC and trade union representatives have given me a considerable degree of confidence about SA's overall commitment to the Uruguay Round of GATT."

(74)

SA must prepare for a 'trade war'

CT 16/2/94 (74)

JOHANNESBURG. — South Africa should prepare for a virtual trade war in which it was vital that it produce value added goods for export, South African Chamber of Business deputy director general Ron Haywood said.

The Uruguay round of the General Agreement on Tariffs and Trade would lower tariffs internationally, and while this might open certain markets it would also expose South Africa to international competition, he said.

"The trade war has only just begun," he told a conference on trade and investment in Africa.

"I believe we are entering the most competitive period of the century as regards endeavouring to increase trade and in doing so to also endeavour to improve, encourage and attract investment," he said.

At present many of South Africa's industries were not up to speed with the most modern plant and equipment and this meant a lot of its manufactured products were not necessarily up to international standard in pricing and quality.

At the same time it faced a lot of products, such as extremely competitively priced textiles, which would be increasingly directed at its market with the lowering of duties.

He said some R25bn seemed likely to go into mnufacturing and mining development projects, as well as agrofood related industries, over the next three to five years, and this would provide a platform to become more manufacturing orientated.

He said the formation of trading blocs such as the European Community and the North American Free Trade Zone created new markets, but they would also be difficult to penetrate.

The Far East offered considerable potential for South Africa's commodities, but many of its manufactured goods faced difficulty entering that market.

"However, in my opinion, the one area which offers considerable potential to South Africa is Africa itself and in particular southern Africa," he said.

Competitive advantages in this region included knowledge of the market and development of products suited to African conditions and shorter trade routes with cost and time benefits.

Trade with Africa had grown significantly in recent years and could rise even more rapidly with stability and increased investment in the region.

But it was important that South Africa becomes a partner in the region, and that the regional economy and not just South Africa's should grow. — Reuter

IDC spells out Gatt strategy

ARGT 13/1/94 (74)

Business Staff

JOHANNESBURG.— The Industrial Development Corporation (IDC) has set out its timetable and strategy for final tariff schedules in terms of the recently concluded agreement with Gatt.

General manager Philip Kotze said yesterday the schedules should be ready by July, a year before the first tariff cuts come into force.

"Finalisation of the actual schedule will entail consultation with industry and reaching consensus in the National Economic Forum.

"The schedule will be in a format showing the protective rates applicable for each year from the first to the last of the down-phasing period (1999)," Mr Kotze told a conference on the implications of Gatt.

Outlining details of the IDC's approach, he said that the rates and phasing-in periods offered by South Africa would only be applicable on January 1, 1999, or later for certain tariff.

"The actual protective rates to apply in the meantime can thus be higher or lower than the rates offered, gradually moving to the offer rate by 1999."

He said it was essential "to get away from tinkering with tariffs on a day-to-day basis and eliminate the differentiation in the levels of protection between industries".

He proposed a detailed programme to achieve the new tariff regime:

- The conversion of import quotas, formulas and specific duties to ad valorem duties; and
- The standardisation of ad valorem rates into six categories — zero, five, 10, 15, 20 and 30percent — instead of the present 94 rates, and reduction of the differentiation among products and industries.

In the motor, clothing and textile industries, protective rates would remain higher than 30 percent.

The lowest protection (zero or, in exceptional cases, five to 10percent) would be granted to primary and semi-primary materials and capital goods.

Components would attract tariffs of 10 percent and, in exceptional cases, 15 or 20 percent, while consumer goods would receive the maximum 30 percent protection.

Ad valorem duties would be down-phased in equal instalments over the five years to 1999, with the first cuts being applied in July next year.

The down-phasing period had been extended to eight years for chemicals and motor components and 12 years for textiles and clothing.

Armscor tops in trading

CT 3/1/94

Own Correspondent

JOHANNESBURG. — Armscor is the only South African company with an active counter trade policy, says an article in the latest edition of Salvo, Armscor's official publication.

Armscor requires foreign companies from which it buys to buy goods from South Africa for at least half the value of any deal exceeding R5 million.

The company's counter trade division has been operating since 1989 and has negotiated seven counter trade agreements with a value of R2,5 billion. Three other contracts are being negotiated. Credit granted to date is R1,3bn, which exceeds the contractual commitment by 18%.

(74)

The deal to buy the Pilatus trainer aircraft is a case in point. The R500m agreement calls for at least 55% of the cost to be sourced in South Africa. Although the contract does not specify which items are to be bought in South Africa, or from whom, it has been agreed that the entire avionics suite for the aircraft will be bought locally.

Reforms will cut farm support 20%

BDay 14-11-94

GRETA STEYN

SA's agricultural trade reform in terms of GATT entailed a 20% cut in domestic farm support, Trade and Industry deputy director-general Gerhard Breyl said yesterday.

Subsidised exports would be sliced 36% in value and 21% in volume and all import barriers would be converted to tariffs which had to be cut 36% on average over six years.

A World Bank and OECD study said 90% of the global benefits due to trade liberalisation would come from farm trade reform, with the rest reflecting tariff cuts on industrial goods. Most countries, rich and poor, would gain on balance but some, notably the poorer net importers of food, would be worse off. The European Union's consumers would receive the most benefits.

Overall, the GATT farm deal could lead to an eventual increase of 10%-30% in world agricultural prices as it outlawed the dumping of subsidised food on world markets.

However, Breyl said the study omitted mentioning that there would be advantages for developing countries. These included regeneration of domestic food production as imported food became too expensive, gains to services sectors (especially as a result of enhanced access to technology), and increased market access for higher value-added exports of tropical and natural resource-based products. (74)

Since the inception of GATT, agriculture, with its strong cultural and political connotations, had generated a great deal of sensitivity and had become problematic in international trade negotiations.

To bring agriculture within the ambit of the world trade watchdog had been "a major feat".

Breyl noted SA's trading partners had been emphatic that it could not be classified as a developing rather than developed country.

To be reclassified as developing would mean preferential treatment in SA's export markets.

"In the circumstances, it is hardly wise to place any reliance on a reclassification. Ultimately, this country's economic future depends on its ability to grow competitive, outward-looking industries," he said.

THE RAND FM 14/1/94

Rabbit in the hat

(74)

The arrival of the US$850m IMF loan last month has given the Reserve Bank powerful ammunition to use in the currency markets. It is now in a position to buy rands and sell foreign currency, driving up the value of the

FM 14/1/94

local unit. This doesn't mean the Bank can't be outgunned. In September 1992, a number of European central banks spent tens of billions of dollars in a failed attempt to keep their currencies in the EC's exchange rate mechanism.

(74)

The currencies were, of course, being held at inappropriately high levels which made them easy prey for currency speculators. This is not the case with the rand which has been falling steadily for a number of years in the wake of political turmoil. Its future depends on growth in the economy and therefore political and social stability.

So the unit is wavering uncertainly waiting for direction. Bank Governor Chris Stals will no doubt husband his new resources to use at the most effective time.

Between the middle of 1988 and the closing months of 1992, the Bank intervened heavily in the foreign exchange market. This was made possible by the rise in foreign reserves; and its purpose was to manage the rand gently down. By allowing the nominal trade-weighted value of the rand to decline in line with the inflation differential between SA and its main trading partner countries, the Bank kept the rand relatively stable in real terms.

Then political developments — the Boipatong massacre and the breakdown in negotiations in mid-1992 — gave the rand its own downward momentum. As reserves declined from an August peak of R2,74bn, the exchange rate fell from R2,80 to the dollar on July 31 to R2,90 in October, R3 in November and R3,10 in December. The fall continued in 1993 and by October the currency had declined by 12,9% in the year with the exchange rate standing at nearly $/R3,50.

At that stage it was into a downward spiral as importers speeded up delivery and payments as much as possible, while exporters slowed down delivery and delayed payment as long as possible. Whatever the original reason investors lose confidence in a currency, this process — unfavourable leads & lags — speeds net outflows and weakens it further.

First National group economist Cees Bruggemans says the cyclical US dollar strength and capital outflows were creating a self-perpetuating fall in the value of the rand, which could be broken only "by strong action."

So the Bank intervened in the second week of October, in a significant shift in policy: "From tracking the weakest of the major currencies, the D-mark, the rand has since followed the strongest, the dollar."

After recovering to a high of $/R3,34 on October 15, the unit has floated gently down cont

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once again.

Capital and trade flows will ultimately decide its fate. But its immediate prospects depend on the sentiment of market participants — whether unfavourable leads & lags have been successfully stemmed and whether the Bank can reverse them now it has the resources.

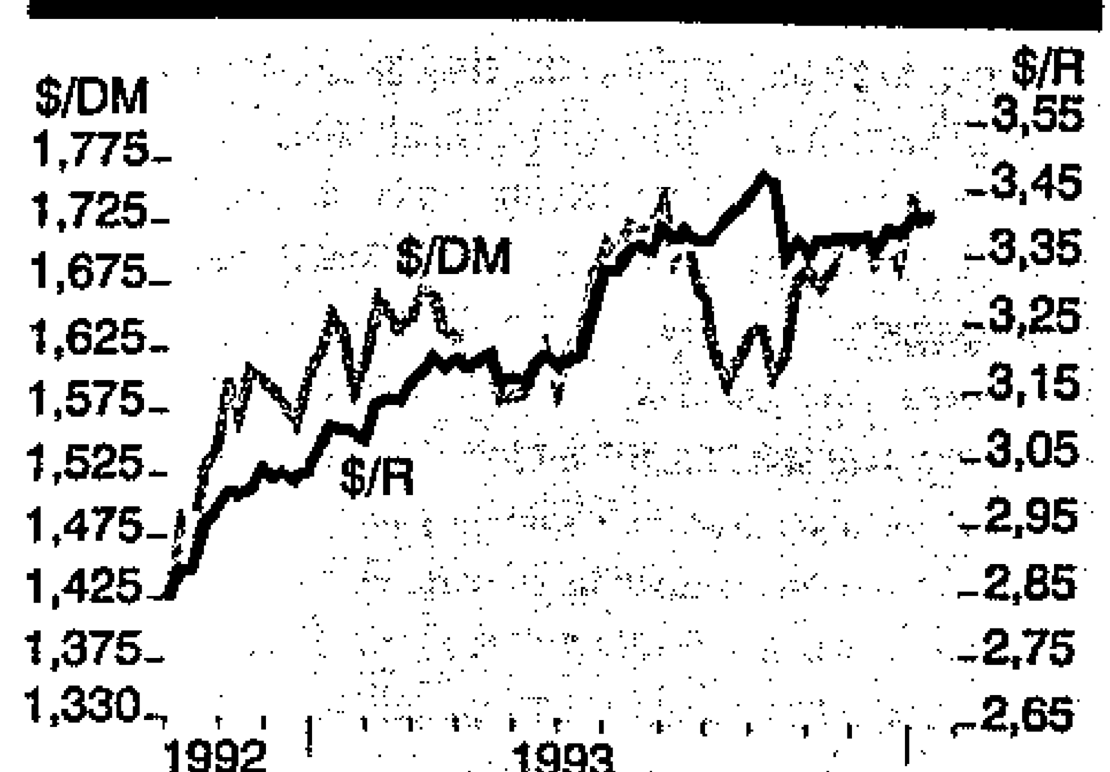
(74)

The decline in the rand since the start of the new year is probably not significant as the dollar is going up against both yen and D-mark. But Bruggemans says the Bank may intervene to maintain present levels until capital outflows cease — "in which case the Bank will allow the rand to depreciate by about 1% in each quarter to about $/R3,50-$/R3,55 by the end of the year."

Many dealers doubt the Bank's will to intervene at this point. "The fact that there were still large capital outflows in December, and that a large debt repayment of about R600m is due in February, could persuade them to stay out," says one.

Absa international treasury head Malcolm Chapman says the rand is likely to get support within its current band from the market. "I don't see much pressure on it at least until March — importers usually keep

The rand: quo vadis?



Source: I-NET

stocks down close to February, which is year-end for many of them. And there's little negative feeling ahead of the election."

Chapman believes the rand may still track the D-mark if that currency weakens to break $/DM1,75. "But central banks won't want to see the dollar run away, so I don't think it will go further than $/DM1,77. The rand could hit $/R3,50 again but shouldn't go too much further than that." ■

GATT farm proposals offer benefits

GERALD REILLY

PRETORIA — The success of GATT efforts to scale down governmental support for surplus agricultural exports would greatly benefit SA, possibly to the extent of tens of millions of rands a year, SAAU chief economist Koos du Toit said last week.

For a large section of the SA farming industry, the playing field in the international trading environment was not only uneven but badly rutted.

However, GATT had placed strong focus on the prodution of greater trading discipline and diminished state involvement.

Du Toit said GATT had issued guidelines aimed at compelling participating countries to determine import tariffs for farm products. Quantitive control had become unacceptable. BIDA

He said large-scale state interference in international trading in agricultural products had resulted in unwieldy surpluses and a disruption of production patterns.

World prices, especially of grains, had been disrupted to an extent where developing countries had barely been able to export. The biggest culprits were the major powers. 74

The level of support given to agriculture in countries such as the US, EC and Japan had become too costly for them.

A reliable analysis showed about 50% of the value of production in the EC resulted from state involvement. In Japan it amounted to 70% compared with an estimated 10% in SA. 17/1/94

GATT had directed that state involvement, including export incentives, should be scaled down.

The Agriculture Department, with assistance from branches of industry, had evaluated agriculture in accordance with the directive and a proposal was submitted to GATT late last year.

The proposal was discussed with other participants including the US, Australia, Canada, and the EC. Feedback indicated it had been generally accepted, except for certain technical adjustments.

While the underlying principle of the entire project had been to determine the international rules for the game of trade in farm products, SA could not distance itself from the process, Du Toit said.

Trade surplus slips

CT 18/1/94 (74)

SA on track for current account surplus of R7bn

By MAGGIE ROWLEY
Deputy Business Editor

THE SA trade surplus narrowed as expected in December but the current account surplus for 1993 was still in line for a bumper R7bn, economists said.

Figures released by the Department of Customs and Excise show that the trade surplus slipped 4% in December to R1,98bn from R2,07bn in November on the back of a 14% drop in exports to R6,27bn from R7,34bn the previous month.

Imports were down 19% at R4.29bn against R5,27bn in November.

The trade surplus for 1993 was R20,41bn or 38% higher than in 1992, implying that even with an increased level of service payments there should be a healthy current account balance for the year, said economists.

Old Mutual economist Ursula Maritz said the December figures were broadly in line with expectations and the country was on track for a current account surplus of R7bn for 1993.

Although this was a record in rand terms. In dollar terms it represented about $2,2bn — the same level seen in 1991.

According to Safto economist Carlos Teixeira, December's drop in exports could be attribnted to a decline in the momentum of growth for precious stones and to an appreciation and stabilisation of the rand in the final quarter of 1993. The rand averaged R3,36 to the dollar in November and R3,37 in December.

He points out that in spite of the decline in exports from November to December, exports last year were 18% ahead of 1992 in rand terms.

This could be partly attriubted to the depreciation of the rand against all major currencies and to the improved gold price which caused the uncalssified good category to reach 22% growth in 1993 over 1992.

Other significant categories which suported export growth included mineral products (up 19%), precious stones (42%), machinery and electrical equipment (31%) and transport equipment and components (16%).

Poor export performers which limited SA's export success were agricultural categories, chemicals, base metals and pulp and paper.

The decline in imports in December was due to a contineud decline in agriculatual imports particularly vegetable products which were down 25%.

In addition the importation of lower volumes and value of crude oil following the lifting of the UN oil embargo and the lower oil price also contributed to the lower imports in December and to the unclassified category of imports showing a 17% decline in 1993.

Imports overall for 1993 were up 12,5%, in rand terms over 1992. A drop off in agricultural and oil imports was offset by an increase in imports of cerntain industrial materials and cpaital goods with the greatest growth being seen in chemicals (up 14%), plastics and rubber (17%), pulp and paper (19%), machinery and electrical equipment (15%), transport equipment (35%) and professional equipment (21%).

Southern Life economist Sandra Gordon said that the export of manufactured goods and textiles had been disappointing but the increase in the import of capital goods showed that there were signs of life in the economy.

Gordon and Maritz however forecast a smaller trade surplus for 1994 as the economy picked up resulting in a greater demand for imports.

Maritz said due to the economic upturn, a smaller surplus of between R5,5bn to R6bn could be expected this year as imports were likely to increase. Gordon was even less optimistic forecasting a trade surplus of R5bn for the year.

Besides increased demand for imports there were also signs that the Gross Domestic Fixed Investment Cycle was turning and with a number of large capital intensive projects coming on stream this was likely to put some pressure on the current account surplus during 1994.

They said while exports were also expected to pick up with SA's greater accessibility to world markets and the improvement in world economies, no major improvement was forecast.

According to Safto said significant export markets in 1993 in terms of growth included Africa and Asia.

Exports to Africa, particularly Mozambique and Zamiba increased by 16% in 1993 over the previous year while exports to Asia, whose economic growth continued to astound, rose 17% in the same period.

Significant import markets in terms of growth included Africa, Asia and Europe with SA imports from Africa rising 25% and imports from Europe 13%. Imports from Asia, received a value boost from the depreciation of the rand against the yen.

Engineers wary of rapid development

BiDay 19/1/94

MUNGO SOGGOT

A RAPID and unplanned redevelopment programme would damage SA's construction industry, the SA Association of Consulting Engineers said on Monday.

Executive director Hennie Lemmer said it was imperative that development was structured and gradual.

"SA has suffered severely due to the lack of a structured development plan. There was either a feast or a famine ... which was detrimental to the country and the economy," he said.

Long-term vision was now even more necessary as SA was poised for redevelopment, said Lemmer, who believed 2020 should be the year of its completion.

"It is indeed a challenge to achieve a total First World nation by 2020. It is important to optimise capacity in SA," he said.

If the industry was pushed into building 300 000 houses a year over a short period, certain essential materials would have to be imported.

SA Federation of Civil Engineering Contractors executive director William Vance said Lemmer's proposed timescale might be too ambitious. "A year is a long time in the civil engineering world."

He agreed the cyclical, "boom and bust" nature of SA construction had to end, but said his federation favoured a more realistic five-year plan.

"What matters is that the construction industry is not the tap government uses to switch the economy on and off."

He said the federation had repeatedly asked government to adopt a longer-term approach to construction.

Vance said it had had "no visible success" with its requests. Its policies were more in line with those of the National Economic Forum, "where everyone wants long-term planning".

Murray & Roberts construction chief Arthur Coy said it would be "good to get the stress out of the industry".

However, the realities of life would make this difficult and political demands might outflank the need to "soften the industry's ups and downs".

Telk

LLOYD COUTTS

TELKOM will have to increase productivity and efficiency to generate additional profit against a background of tough economic conditions and a high interest burden, according to a Telkom brochure, Telkom Hello.

Telkom said that in commercialising its operations, it had inherited a gross interest-bearing debt of R10,2bn and a debt-to-equity ratio of 2,14:1, affecting its ability to commit funds to capital expenditure.

Income on telecommunications in the corporate sector had decreased and insolvencies had had a negative impact on Telkom. This trend would not abate until the economy showed signs of recovery.

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Elections fund starts up

BiDay

WILSON ZWANE

THE Independent Business Elections Fund, established by a group of major corporations last month, comes into official operation tomorrow with the appointment of a policy-making board of directors.

This board, appointed by donors, will choose a secretariat at its first meeting to carry out its decisions. The secretariat will also ensure that all expenditure is assessed, justified and carefully monitored. 19/1/94

Murray & Roberts CE David Brink, who is a member of the committee entrusted with getting the fund off the ground, said yesterday money was being raised from 27 sectors.

"The response is very encouraging," he said. The exact amount raised so far would be known soon.

Among the fund's objectives is to support, reinforce and promote political tolerance, freedom of association and the secrecy of the ballot.

Nafcoc helps blacks into import-export trade

BiDay 19/1/94

THEO RAWANA

THE import-export programme launched by Nafcoc in September had led to black businessmen linking up with markets in Europe, the US, Africa and the Far East, Nafcoc said this week.

Nafcoc foreign trade manager Edwin Moloto said the initiative, which moved black businessmen from the confines of retailing to markets abroad, had been instigated by the German embassy.

The embassy, flooded with inquiries from countries seeking contact with local businessmen, seconded an expert on foreign trade through the German Chamber of Commerce to run programmes in conjunction with Nafcoc for aspiring black exporters.

Moloto said the programme was in line with Nafcoc president Archie Nkonyeni's intention to get black businessmen involved in the import/export trade, exposing them to foreign markets.

"At least 200 businessmen have gone through the scheme and the feedback is that they are doing well in their newfound trade," Moloto said.

The German chamber's Hans Riemann started the programme with seminars familiarising local businessmen with foreign markets, customs regulations, trade fairs and other issues, including GATT provisions.

In turn, foreign traders looking for partners in SA were taken through courses demonstrating the spectrum of trade in SA.

Moloto said: "The programme is not designed solely for Nafcoc members.

"All businessmen with an eye on the import/export trade are invited to benefit from this scheme."

Fruit exports set to flourish

EDWARD WEST

CAPE TOWN — Fresh deciduous fruit export production and earnings in 1994 were likely to be substantially higher than last year, a spokesman for the industry's marketing company, Unifruco, said yesterday. BiDay

Unifruco expected deciduous fruit export production to grow more than a fifth to about 45-million cartons this year compared with about 37-million cartons last year.

The spokesman declined to forecast potential export earnings as it was still too early in the exporting season, which ends in September. But he said industry prospects looked "extremely goods so far" and 1994 could end up a "vintage year" in terms of quality. 19/1/94

Last year deciduous fruit export earnings totalled R1,45bn, substantially lower than the R1,7bn earned the year before. The decline was due to climatic factors and difficult market conditions in Europe.

World recession was affecting markets, but local climatic conditions had improved substantially.

Early crops had tended to produce slightly smaller fruit than usual, reducing margins, but this problem usually ironed itself out later in the season.

The fresh deciduous fruit industry, with an annual turnover of about R1,7bn, makes up about half the total fruit market production, with the other half producing dried and processed fruits.

'GATT will lower agricultural prices'

B/Day 21/11/94

KELVIN BROWN

SA could look forward to lower prices for agricultural products and higher earnings from agricultural exports under the Uruguay Round of GATT concluded recently, Agriculture Department economist William Helm said yesterday. (14)

The GATT deal — to be implemented in the middle of next year — would result in the replacement of import quotas on agricultural items with tariffs that would be reduced by an average 36% over a six-year period. Agricultural subsidies would be restricted to 21% in volume terms and 36% in value terms.

Helm said the Agriculture Department was assessing the impact the trade reform agreement would have on SA.

Preliminary results indicated GATT would have a significant impact on the agricultural industry, and the whole country would gain from the reforms.

Currently, consumers often paid more than the world price for agricultural products as control boards set local prices and were the only parties that could import, he said. But once GATT was introduced anyone would be able to import, creating more competition that would lower prices. Exporters would also benefit as new markets opened up and the reduction in subsidies increased prices in world markets.

"On average the GATT farm deal will lead to an increase of between 10% and 15% in world agricultural prices as it outlaws the dumping of subsidised food exports on world markets." Export subsidies, especially by the US and the EC, had recently depressed world prices.

For example, there would be 50-million fewer tons of subsidised wheat on world markets between 1995 and 2000, changing the wheat trade from one almost dominated by subsidies to one approaching free trade.

It was estimated that the world economy would be boosted by at least $212bn a year at the end of 10 years. About 90% of the benefit would come from farm trade reform as the agricultural sector was the most protected area of world trade, Helm said.

"Although the industry will initially undergo a shake-up it will eventually lead to SA concentrating on producing products in which it has a comparative advantage and importing the others."

THE RAND FM 28/1/94

Opening hand

The rand weakened against the US dollar last week, falling from $/R3,3988 at last Wednesday's close to around $/R3,42 late on Tuesday. It has now lost 0,5% against the US currency so far this year, which annualises to about 5,2%. (74)

The moves have had more to do with recent dollar strength than rand weakness, with only slight weakness against the cross currencies; though, against the yen it weakened from about R/Y33 to R/Y32,6, against the D-mark the rand has stayed relatively steady at around R/DM0,5118 this year.

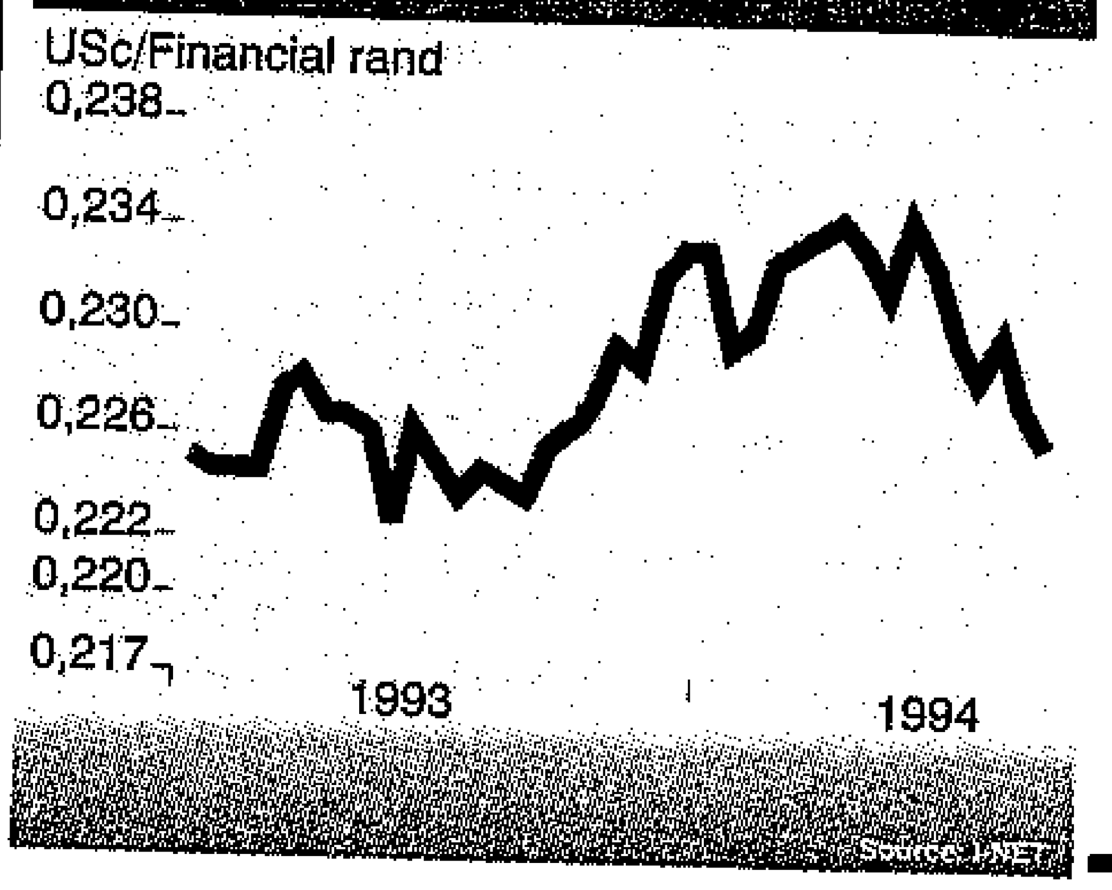
The dollar is gaining against the D-mark. This is said to be due to a market perception that the Bundesbank's reluctance to cut its domestic rates will delay German economic recovery. (Though usually relative strength in interest rates tends to create a corresponding strength in the currency.) The dollar rose quickly from around $/DM1,74 last Friday to $/DM1,75 on Monday, after a rumoured cut in the German discount rate failed to materialise.

The dollar was seesawing against the yen, from anywhere between $/Y110 to $/Y113, in the first weeks of the year. While the US currency could gain on news of a potential parliamentary crisis in Japan, fears of a lack of progress in US-Japan trade talks could prompt calls by the US for further yen appreciation.

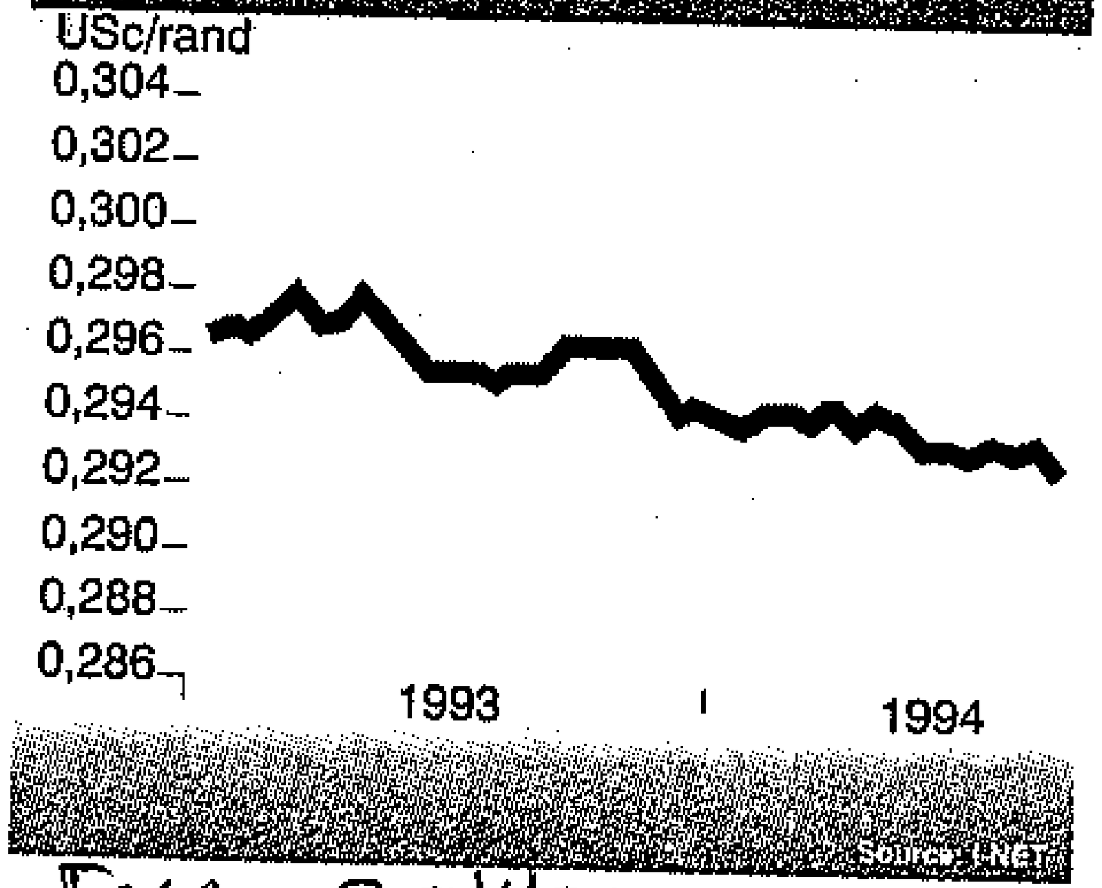
The dollar is expected to gain overall in the months ahead against most currencies, however. So the commercial rand/dollar rate is bound to weaken too.

The topsy-turvy ride of the financial rand should continue as well. Because it's a thin market, the unit is highly susceptible to large foreign sell orders. At the start of the week it was suffering as the fall in the gold price, from $392/oz late last week to $382/oz on

Finrand: losing ground



The rand: long slide



FM 28/1/94

Tuesday, reduced investor demand for gold shares. The financial rand rate climbed to $/FR4,40 from R4,27. (74)

Gilt sales contributed to financial rand weakness. When the E168 moved down to 11,8% early in the month, foreigners saw prospects of further capital gains diminish. The sell-off, both foreign and local, pushed the E168 rate back up to 12,4% last week. ■

First trade mission to go to Iran

(74) CT 28/1/94

JOHANNESBURG. — SA will make its first official trade visit to Iran in May, director-general of the Department of Trade and Industry Stef Naude said yesterday.

Speaking at the launching ceremony for SA's second trade fair in Dubai, to be held from May 29 to June 1, Naude said: "The department attaches great importance to the development of trade with the Middle East region and with the oountries of the Gulf in particular."

He said visits to Saudi Arabia, Tehran, Bhrain and Dubai would be made by senior government officials and business representatives before the Dubai exhibitionn to promote trade and ultimately, mutual investment.

The trade fair is a joint venture between the Department of Foreign Affairs and the SA Foreign Trade Organisation.

Following the first trade fair in Dubai, held in October 1992, SA exports to the Gulf jumped from R313m in 1992 to around R541m rand in 1993, he Said.

● Three trade missions were also scheduled to the Far East, northern Europe and southern Europe in April, May and June respectively. — Sapa

SA fair in Egypt a success

CAIRO. — Many South African exhibitors at the trade fair here concluded successful business deals, the fair's organiser said yesterday. (74)

"Most of the participants signed on an Egyptian agent or got orders for their products," Mohamed Sakr said.

Thirty-seven SA small and medium-sized companies spent the last two weeks in January exhibiting their products and services in a four-day trade show and following up contracts.

The fair was visited by 3 620 businessmen including some from other Arab countries. CT 8/2/94

The South Africans said Egyptians were keen to do business, the market tended to be price-conscious and import duties were high — although these were expected to decrease in line with Egypt's IMF economic reform program and new GATT rules.

Officials listed chemicals, construction equipment, motor vehicle spares and wood products as potentially successful exports. — Sapa

'Trade with Canada assured'

JOHANNESBURG. — Canadian businesses won't be frightened away by political violence in South Africa, Canada's trade minister said yesterday.

Roy MacClaren said the violence was not widespread, and he believed it would decrease after the election.

"Whatever violence is occurring is not a deterrent to the growth in trade between our two countries," said MacClaren, who brought representatives of Canada's aviation, electronics, banking and manufacturing industries with him on his South African mission.

(74) CT 4/2/94

Oman trade link opens

BIG opportunities have opened up for South African goods in the Middle East with the opening a trade office in Johannesburg by Oman.

Sheik Yaqoub Bin Hamed Al-Harthy, chairman of the Oman Chamber of Commerce, said his country was well placed for re-exporting South African products into Africa, the Middle East, India and most Asian countries. (74) ARG 12/2/94

The office would speed up documents for South African exports into Oman, the United Arab Emirates, Kuwait, Saudi Arabia, Bahrain and Qatar.

South Africans stood to gain, too, by taking advantage of Oman's huge mineral wealth.

"Oman needs the technology and expertise of South Africa, and this could be the beginning of joint investment" said the Sheik.

W Cape has most to gain from GATT

(74) CT 12/2/94

By ARI JACOBSON

THE Western Cape could gain more than the rest of SA from the revised General Agreement on Tariffs and Trade (Gatt), says University of Cape Town (UCT) trade policy researcher Alan Hirsch.

In an interview yesterday Hirsch pointed out that "all research shows that the Western Cape is well placed in terms of an export orientated focus on light manufacture".

The revised Gatt round in Uruguay favoured this type of industrial policy. "The changes are not radical but big enough to provide a larger impetus for the small to medium sized manufacturer."

Hirsch stressed that this type of manufacture was a "dominant part" of the Western Cape region, together with the clothing sector, footwear, printing, food and agriculture.

Previous SA trade and industrial policies had favoured heavier industry and this had led to a bias in export incentives, rebates and even financing facilities.

However the industrial and trade policies to be developed in response to the new Gatt arrangement "would serve the needs of the smaller and medium sized firms".

He warned that even though tariffs protecting most sectors would be reduced only gradually, over several years, and that in the case of clothing they would reach their final level "as far down the road as the year 2 006", the need to restructure the economy must not be forgotten.

"We must be dissuaded from slowing down in the quest to restructure and become competitive".

Hirsch said that local competiteveness would be helped by improving technology, better management and labour training and greater access to international inputs at reasonable prices.

However he still doubted that SA would be able to compete on price with the likes of China, the Phillipines and Indonesia at the bottom end of the market.

Instead SA manufacturers could find a niche by concentrating on product quality and reliability in the middle of the market.

For example, Cape-based manufacturer Rex Trueform had become a successful exporter with its clothing products that were "well-made with good fabrics" but at the same time were "not the latest fashion garments — or for that matter the cheapest".

US moves to lift trade tariffs on SA

74

ARG 15/2/94

Be prepared, exporters told

PETER FABRICIUS
The Argus Foreign Service

WASHINGTON. — The United States government is moving "expeditiously" to lift trade tariffs on a range of South African exports into the US.

The South African embassy's economic office here has advised South African exporters — especially small manufacturers — to ready themselves for the removal of the tariffs, which they forecast will go in two months or less.

This will be the result if — as expected — the US designates South Africa as a "beneficiary developing country" under the Generalised System of Preferences (GSP).

Finance Minister Derek Keys formally applied to the US Trade Representative for GSP benefits on January 21.

This week the Federal Register is expected to publish a notice issued by the US Trade Representative's office announcing its intention to grant South Africa GSP status.

Howard Reed, the US Trade Representative's special counsel for financial and investment policy, said yesterday that he expected no problems.

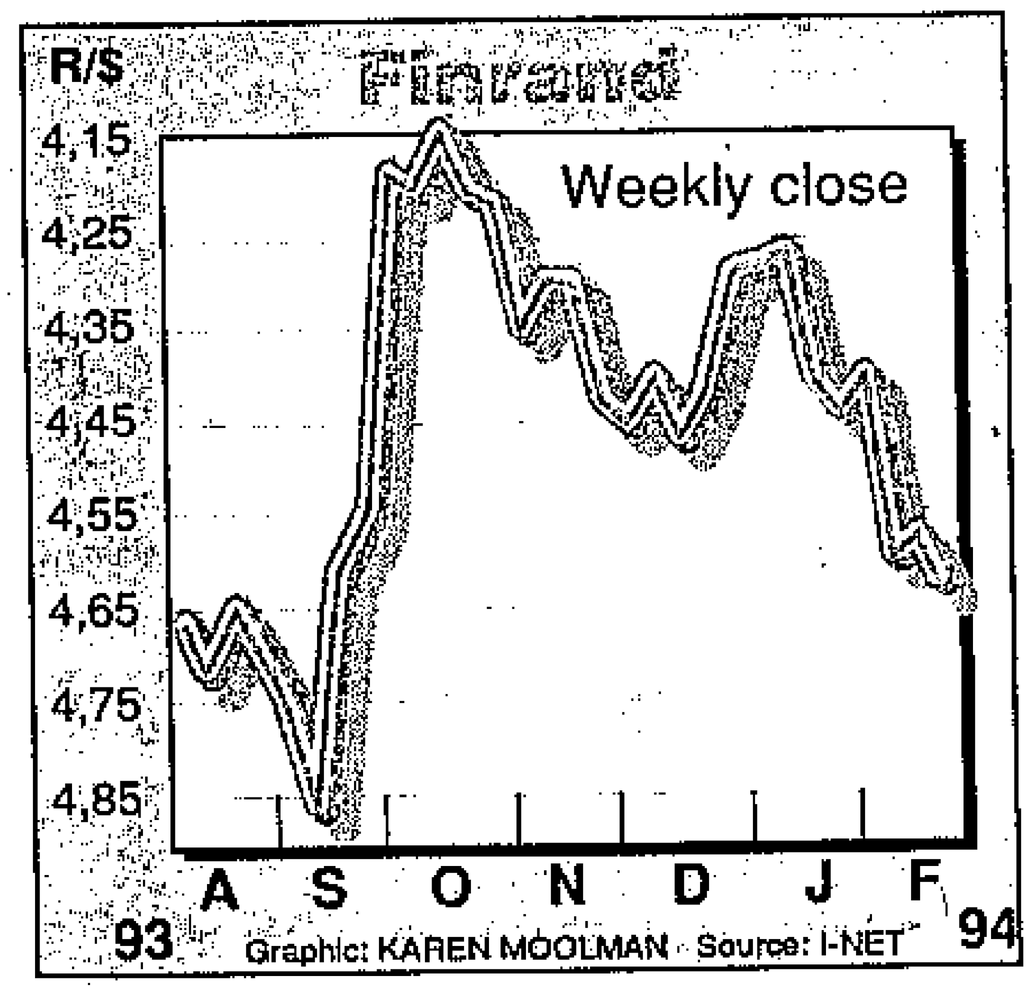
"We expect this to be of tremendous benefit to South Africa," he said, adding that the tariffs could be lifted within 60 days.

But the likely benefits are hard to quantify. In 1992 South Africa exported about $1,7 billion (R5,78 billion) worth of goods to the US and paid tariffs mostly in the three to six percent range.

However, this does not give much of a picture of likely savings. The trade representative has recommended removing tariffs on a list of about 4 300 export items. Many of these are not things which South Africa exports and some of South Africa's exports to the US are not included.

IN addition, many goods which might now benefit from the lifting of tariffs have not so far been exported because they would not have been competitive in the US in the past.

They could now become competitive. Trade experts here believe that the greatest benefit could be felt by specialised manufacturers for niche markets



Finrand sinks through key mark

PETER GALLI

POLITICAL uncertainty and a steady demand for dollars continued to batter the financial rand market yesterday, with the investment unit slipping 6c to breach the R4,60 resistance level. B/Day

The finrand ended the day at a five-month low of R4,6350, from a R4,5750 Tuesday close, after testing the R4,65 resistance level. 17/2/94

Dealers said the currency continued to weaken on poor sentiment about political and economic developments. (74)

One said a constant stream of dollar demand sent the unit to its R4,65 intraday low, adding that the inflow of dollars for finrands from the large offshore funds seen earlier in the year had dried up.

"The finrand is supposed to be a barometer of offshore sentiment towards SA. If this were the case, it would be far weaker than it is, but past intervention by the Reserve Bank has cushioned its fall."

Another said the Bank was not visible in the market yesterday. "I expect some resistance again at the R4,65 level, but should there be continued pressure on the currency it will weaken further."

The commercial rand continued to test the R3,45 resistance level, ending at R3,4498 to the US currency from Tuesday's R3,4408.

Players said there was firm resistance at the R3,45 level, but they expected the rand to break through this on the back of a firmer dollar and continued local exporter demand for dollars.

Bank Governor Chris Stals said on Tuesday that a sharp depreciation of the rand was avoided last year by the net sale of more than R8,5bn of foreign exchange.

Steep decline in January trade surplus

(74)

CT 19/2/94

By AUDREY D'ANGELO
Business Editor

A STEEP fall in the trade surplus in January — as exports dipped and imports rose — was due to seasonal factors and is not part of a trend, economists said yesterday.

The monthly trade surplus plunged by 46% to R1,06bn compared with R1,97bn in December 1993. But it was higher than the surplus of R954m in January last year.

Exports fell by 8% to R5,7bn compared with R6,2bn in December and R5,1bn in January last year.

Imports rose by 9,5% to R4,6bn last month compared with R4,2bn in December and R4,2bn in January last year. The rise was due mainly to a 35% increase in imports of machinery and mechanical appliances to R1,6bn.

Economists said this was mainly due to plant replacement and the propensity for higher imports which normally accompanies economic recovery.

Most export categories showed an increase over January last year. But exports of precious and semi-precious stones dropped to R277m compared with R400,6m in January last year.

Although these figures run counter to the trend of steadily improving economic indicators over the past few months, Sanlam chief economist Johan Louw said they gave no cause for concern and did not undermine hopes for a cut in interest rates in the second half of this year.

"They are following a seasonal pattern," he pointed out. "The normal tendency is for exports to be at a low level in January, after factories have been closed, and for imports to be up."

Pointing out that there was a deficit on the service account and a surplus on the current account, Louw continued: "There are indications that the capital outflow in January was much smaller than in previous months.

"So I don't think we are at the beginning of a tendency for the trade surplus to fall. I expect it to recover this month."

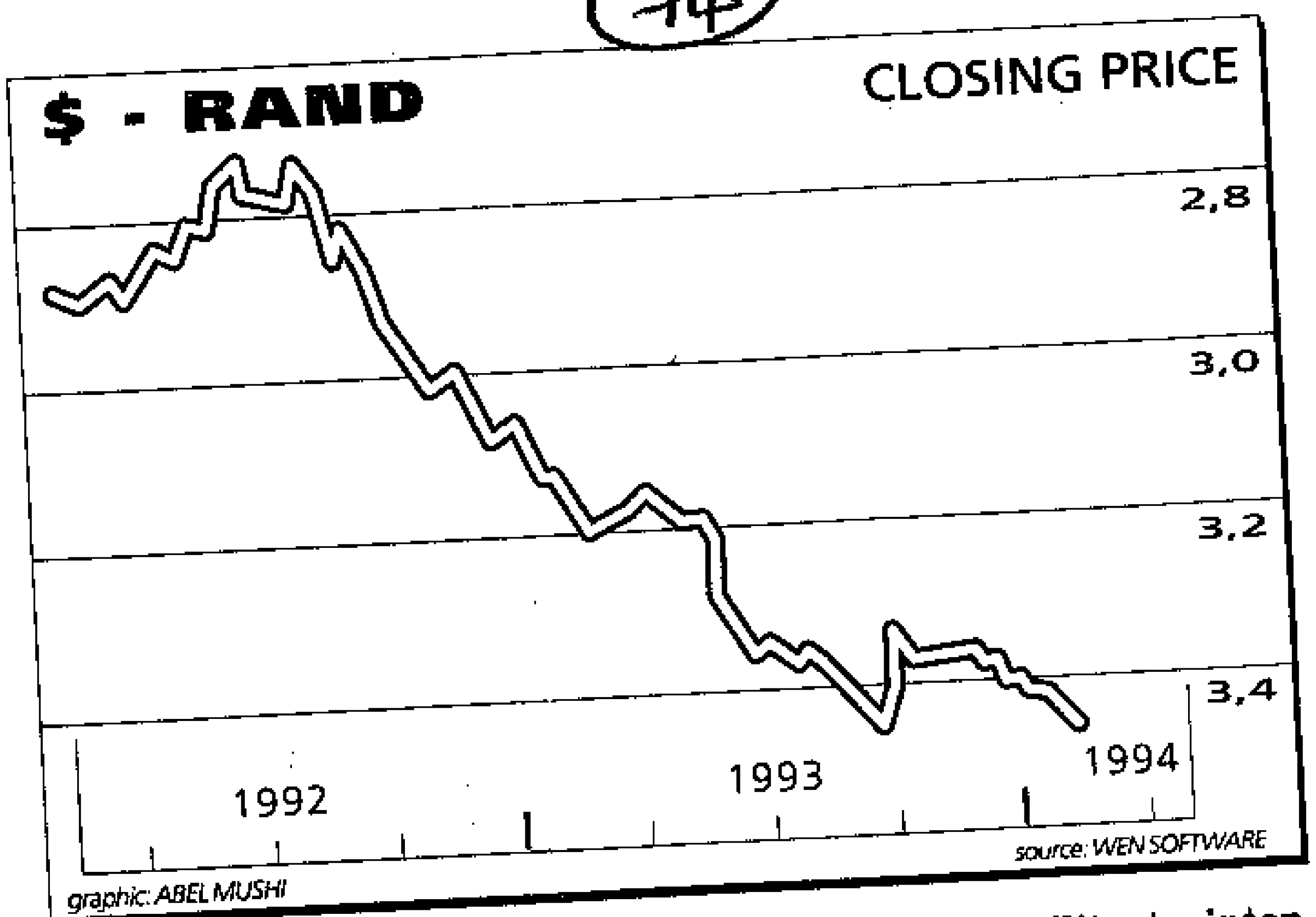
Currency trading at all-time low of R3,463/dollar

Star 22/2/94

Rand under pressure

(74)

THE weakness is attributed to a market belief that the Reserve Bank, because of its low level of foreign reserves, is unable to support it



■ BY CLAIRE GEBHARDT

The commercial rand nose-dived yesterday under a gathering cloud of negative political perceptions.

The currency has been showing a distinctly softer bias over the past couple of weeks, but yesterday's fall took the market by surprise.

Currency dealers said the rand's soft political underbelly had been exposed by market perceptions that the Reserve Bank would not be able to support it.

By the close yesterday the rand had weakened by almost 1,2c to trade at an all-time low of R3,463/dollar from a morning fix of R3,451.

During January the rand traded in a narrow band of R3,407 to R3,435 against the dollar.

The belief in the market, where more importers than exporters want to cover forward, is that the rand will remain under pressure for the time being and, perhaps, right up until the April election.

Dealers note that the Reserve Bank's ability to intervene in the market in support of the rand will remain limited because of its current low levels of foreign exchange reserves.

The Governor of the Reserve Bank, Dr Chris Stals, told an investment conference recently that expectations concerning the rand's near-term depreciation last year were averted by the net sale of more than R8,5 billion of foreign exchange.

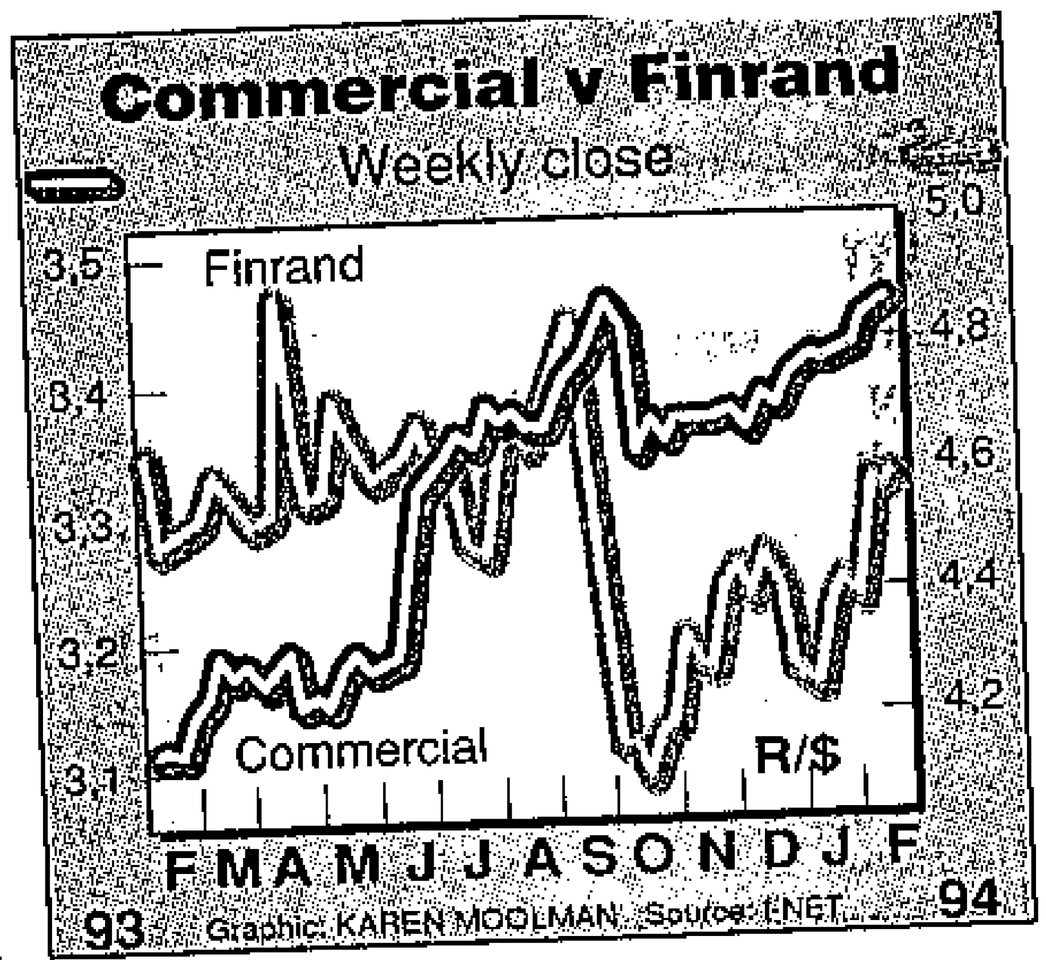
But he warned that the Reserve Bank would find it difficult to continue to "lean against the wind" if capital outflows did not abate.

Another negative factor is that the dollar is expected to strengthen, despite its recent declines in the wake of the breakdown of trade talks between the US and Japan.

Standard Bank, in a recent economic report, suggested that the Reserve Bank's challenge would be to leverage the reserves to an extent that removed the balance of payments constraint in order to support a non-inflationary recovery.

"The first step in that direction is likely to be the floating of a long-term SA government stock issue on European capital markets, closely followed by the resumption of Eskom's overseas borrowing programme."

Nedbank's latest economic report forecasts that the rand will decline to R3,618/dollar by year-end.



Rand slides to new low against dollar

PETER GALLI

THE commercial rand slid to another record low yesterday, closing at R3,4628 to the dollar from Friday's R3,4548.

The rand continued losing ground on dollar strength ahead of US Federal Reserve chairman Alan Greenspan's testimony before the US Congress today as well as the forthcoming Group of Seven meeting, dealers said. BDay 22/2/94

The dollar's strength came despite the closure of the US market for the President's Day holiday. It is expected to strengthen further as investors wait for another US short-term interest rates rise.

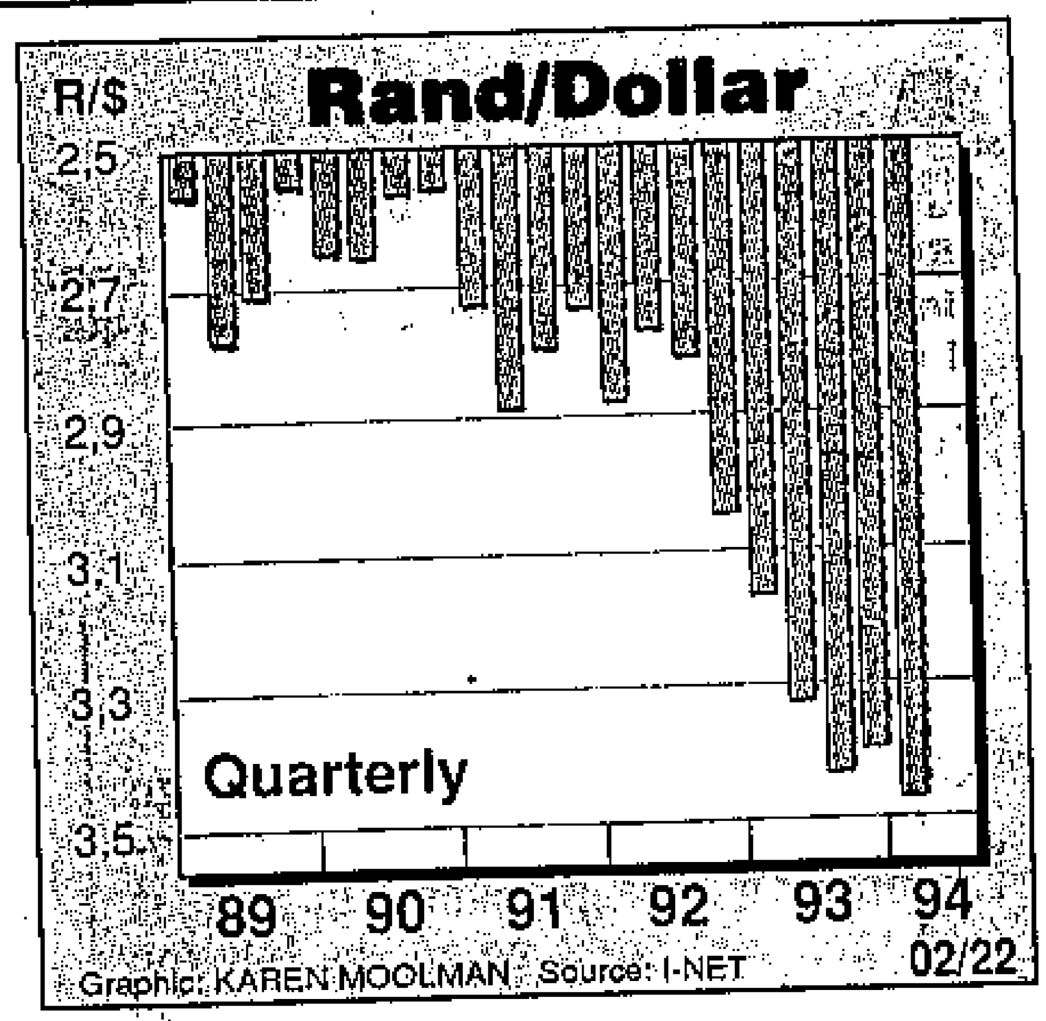
"On the local market there was continued importer demand for dollars, but activity was fairly quiet and the weakness could be a bit exaggerated," a dealer said.

The rand could weaken to R3,47 this week if the demand for dollars continued. But he could not say at what level the Reserve Bank would enter the market to protect the currency. (74)

Another dealer said there was little point in Bank intervention as long as strong importer demand for dollars continued. "But once the currency moves become speculator driven, we will see the Bank step in and aggressively protect the rand."

The finrand was little changed at R4,5800 to the dollar from Friday's R4,5750, as political jitters continued to dampen foreign interest. It is trading at a 24,4% discount to the commercial rand.

There had been a "sudden" inflow of dollars into the market, believed to originate from the Reserve Bank, which lifted the unit from its earlier weaker levels, a dealer said.



Rand slides further against the dollar

PETER GALLI

THE commercial rand has depreciated 2,4% against the dollar since the start of the year and is expected to post one of its largest quarterly declines in the period to end-March, analysts say. BDay

It has weakened more than 11% against the dollar over the past year, versus a 9,7% fall the previous year. 23/2/94

The rand lost more ground yesterday to close at a record low of R3,4773 to the dollar — after hitting an intraday low of R3,4810 from Monday's R3,4628 close.

It traded at R3,1262 on February 22 last year. (74)

A bank treasury analyst said the Reserve Bank had intervened in the market yesterday morning and again in the afternoon, taking the rand off its lows.

"The rand's weakness is largely due to dollar strength and continued importer demand for the US currency. But such sustained demand is unusual," he said.

Another analyst said it was interesting that the currency had failed recently to reflect dollar weakness, although it always weakened when the dollar firmed.

The finrand also weakened markedly on gilts selling and as foreign investors "scurried from the market" as the possibility of the Freedom Alliance taking part in the elections became more remote.

The finrand was last traded 4,5c weaker at an intraday low of R4,6250 to the dollar from Monday's R4,5800 close. Dealers said it would reflect negative sentiment until a political settlement was reached.

● Comment: Page 16

Exchange control 'must go'

B/Day 2/5/12/94

GRETA STEYN

THE ANC would strongly suggest to the government of national unity that exchange control be abolished at the earliest possible opportunity, ANC secretary-general Cyril Ramaphosa said yesterday.

Addressing businessmen at a Johannesburg Chamber of Commerce and Industry luncheon, he said capital controls could be abolished as soon as SA's business community showed confidence in the country by keeping its capital here.

He appealed to business to reassert confidence in the economy by investing, saying the ANC had facilitated investment by guaranteeing property rights, strict fiscal and monetary policy and a ban on unsustainable budget deficits.

He noted that there was uncertainty over the ANC's plans on exchange control, as well as on the Reserve Bank and on its overall approach to state intervention. On the central bank, he said there was an "incorrect perception" that the ANC would take away its independence and introduce a regime of unchecked money printing. The Bank should exercise its powers independently, but needed to be "dynamically linked" to the Finance Ministry. 74

"People are beginning to have doubts about the ANC's ability to manage the

☐ To Page 2

☐ From Page 1

Exchange control

B/Day 2/5/12/94

economy.... They think the ANC wants to undermine the market with a commandist economy," Ramaphosa said. He emphasised the ANC wanted to reach economic and welfare goals without jeopardising the operation of markets. It favoured the German model of a social market economy.

The party wanted an "effective and meaningful" partnership with the private sector. Government and business had to operate at close range with the views of the private sector known to the state. The private sector could play a role in making parastatals and government departments function more efficiently.

He invited business to take part in discussions on the reconstruction and development programme, "not by throwing the occasional smart point at the ANC", but by making suggestions. (74)

The role of government within the context of a market economy was to provide a macroeconomic environment for economic activity, directed by national economic planning without commandist control. When markets failed, state intervention was necessary, but "state failure" could also occur.

Report by G Steyn, TML, 11 Diagonal St, Jhb.

Exchange control 'must go'

Bi Day 25/2/94

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Track flight of capital, say economists

ARG 26/2/94 (74)

TONI YOUNGHUSBAND
Weekend Argus Foreign Service

LONDON. — A monitoring agent to keep track of trade transactions would do much to stem South Africa's capital outflow, British economists suggested.

Current estimates suggest that from 1970 to 1990 between $12 billion (about R42 billion) and $80 billion (about R280 billion) left the country illegally.

But more significant was the capital that was allowed to leave the country legally.

"It is not illegal capital flight that has made the difference, but legal," said John Sender, a member of the editorial board for the Macro Economic Research Group (Merg) report.

"What needs to be disclosed is what grounds are applied when application is made to export capital.

"At the moment this process appears to be ad hoc and somewhat secretive. It needs to be done out in the open."

The Merg report, published in South Africa in December, was introduced to Britain at a one-day conference yesterday.

London University's Laurence Harris, another Merg editorial member, was quick to emphasise, however, that the only capital controls envisaged by Merg would be to maintain existing controls which had shown their worth over the decades in South Africa.

Merg did not want to discourage foreign investment and capital inflow by imposing strict controls.

Merg also suggested that transfer pricing by mineral exporters was a major source of illegal capital outflow.

A special audit on the transfer pricing of mineral exports was necessary to stem this, said Professor Sender.

The economists said they had been surprised by the recent upturn in South Africa's economy. Indeed, it had caught the South African government, the ANC and the investment community by surprise.

'New govt will abolish finrand'

BDay 10/3/94

KELVIN BROWN

THE question was not whether the financial rand should be abolished but rather when this was likely to be done, Reserve Bank exchange control GM John Postmus said yesterday. (74)

He told an international tax institute seminar on exchange control that Finance Minister Derek Keys, Reserve Bank Governor Chris Stals and ANC secretary-general Cyril Ramaphosa had agreed the finrand would be abolished when the time was right. "From the authorities' point of view it is one of the first things we would like to do. But any decision to do so will be taken by the new government in consultation with its advisers."

Postmus said it had to be remembered that the financial rand was introduced as a defensive mechanism to protect the country's foreign exchange holdings. Its ancillary role was to make foreign investment in SA more attractive.

It would make sense to remove the dual exchange rate system only once there was stability, economic growth, an investment-friendly environment and direction from government. "In the current uncertain environment we are finding foreign investors are still largely holding back on investing in SA," he said.

SA desperately needed direct investment, but any move to abolish the financial rand in the wrong environment could have a detrimental effect on reserves which were already at a very low level at only one month of import cover, he said. "Governor Chris Stals has gone on record saying the international norm used to judge a comfortable level of reserves is three months of import cover."

At the end of December there had been a large pool of financial rands worth R4bn lying with the banks. "If the dual exchange rate was abolished tomorrow it would allow the foreigners who owned these finrands to take the money out right away, at the cost of the country's reserves."

Investments by foreign investment funds had had little effect on the financial rand rate. A key reason for this was that the financial rand pool acted as a buffer preventing a proper demand and supply situation. "The overhang of these funds bothers us and we would like to see this pool disappear."

Market forces should eventually mop up this overhang. The pool had come down considerably in the second half of last year following the change in sentiment towards SA, he said.

Shot in the arm for SA on world markets

(74) ARG 10/3/94

Business Staff

SOUTH Africa's ability to compete meaningfully as it re-enters the global market place received a major shot in the arm with the launch today of the British Telecommunications PLc (BT) Global Network Service, or GNS.

"Key to international competition is the speed with which a company is able to access, utilise and respond to critical information," Ian Alston, BT's regional manager, said at the launch of GNS in Johannesburg .

"All the successful companies around the world today are those who exploit technology as a means of acquiring and managing information to secure their competitive advantage.

"It is no surprise therefore that over half of the Fortune 500 companies, 14 of the world's top 20 banks, and 80 percent of Times Top 100 companies along with some 1 500 leading international companies, are users of the world's most extensive managed data network — BT's GNS."

GNS is a portfolio of internationally managed and enhanced data networking services provided over BT's global communications network.

It offers global connectivity and instant electronic communication to more than 100 countries, provided and supported by BT on an end-to-end basis in 36 countries, either alone or in collaboration with local partners.

The company BT selected as their South African partner is FirstNet, First National Bank's specialist value added network services (VANS) subsidiary.

FirstNet managing director, Mike van den Bergh, said: "South African companies have responded well to the wide range of local managed data network services we have offered to date and are pleased with the benefits they have derived from these services.

"Clearly, the introduction of GNS will mean that the huge benefits — from more than just a cost and efficiency point of view — will now be available internationally, through a single point of connection into FirstNet, but fully supported and guaranteed by BT."

Essentially, GNS is used in three ways: inter-company networking, where GNS provides the communications platform between companies and their customers, suppliers and distributors; on-line information distribution and access, both internally and externally; and corporate networking, which is increasingly vital for companies seeking to reduce costs and improve performance. In other words, GNS can be used by a company for all its data communications needs, as a back-up or as an extension to an existing corporate network.

Companies in South Africa will be able to tailor their use of GNS according to their data networking requirements, and benefit from full international one-stop-shopping.

This "virtual anywhere-to-anywhere" network will give management access to up-to-date information and the flexibility to run whatever applications they want on the network.

"The real Beauty of GNS," says Mr Van den Bergh, "is that it allows companies the flexibility, confidentiality and 'control' of the entire network, whilst divesting themselves of the headaches and costs of running their own network and being able instead to concentrate on their core business."

According to Ian Alston, FirstNet wat BT's clear choice as its local partner in GNS: "We evaluated a number of companies in South Africa and opted for FirstNet for a number of critical reasons. Key to our decision, was the size and strength of the FirstNet and First National Bank combined technology infrastructure, which clearly outstrips their competitors.

"I believe that South African companies have a host of dynamic opportunities facing them at this point, and now also have the technology to help them capitalise on such opportunities."

Chamber spearheads key trade initiatives

74

CT 22/3/94

By AUDREY D'ANGELO
Business Editor

THE two trade missions organised by the Cape Chamber of Industries (CCI) this year are aimed at very different markets, CCI deputy director Colin Boyes said yesterday.

The mission to Dubai is mainly for exporters of finished consumer goods. But a mission to Mexico City planned for September, following the success of one to Argentina and Chile last year, will probably lead to joint ventures in a rapidly growing economy.

It was tentatively planned that this mission should go on to Houston, Texas. But Boyes said yesterday: "We have been advised that Miami is a better point of entry to the US."

He said members were showing a great deal of interest in joining both missions.

"Dubai seems to have struck a chord in a number of local industrialists.

"And economies in South America, which have been restructured with rampant inflation brought under control — and are now growing fast — offer more opportunity at present than traditional markets in Europe."

SA is now allowed to benefit from the US Generalised System of Preference which allows duty free entry of about 4 400 products.

The CCI is holding its fifth export forum on Monday. Speakers will include Francine Beudekker, regional manager of the SA Foreign Trade Organisation (Safto), John Richards, manager of the export division of Cape Gate Fence and Wire Works and Albert Schuitmaker, assistant director of Cape Town Chamber of Commerce.

Meanwhile two senior executives with Credit Guarantee warn that although export markets offer tremendous potential it is vital to be selective about markets and customers.

Senior economist Luke Doig points out that recovery in the industrial countries will be slow and weak. "Output from the European Union (EU) contracted by 0,5% in 1993 after expanding by 1% in 1992. Only a moderate and slow recovery of the order of 1% is forecast for this region in 1994."

Regional analysis

But, Doig says, "a regional analysis brings more cheer. Asian growth will remain in the 7% plus region while Latin America is expected to grow by 3,5% in 1994 — the same as in 1993.

"Developing countries in the Middle East and Europe appear set for an expansion of 4,5% after 3,5% in 1993. Even Africa is projected to grow by 2,5% in real terms."

Doig says that although company failures in Europe seem to have reached a peak, "some startling new facts have emerged.

"The Natwest Review reveals that older companies (in the UK) survived the recession better than younger companies.

"But 10% of companies formed in the 1890's, which survived two world wars, failed between 189 and 1993. And of the 128 000 firms incorporated in 1987, almost 100% survived into 1989 but 47% had failed by 1993."

Assistant GM Cliff Simons says Credit Guarantee paid more than R3m in export claims in December 1993. "By far the major portion of the claims have been in respect of well known companies in established markets, namely Portugal and Italy.

"The defaulting company in Portugal, which was established 50 years ago, collapsed as a result of the difficult trading conditions in the steel industry.

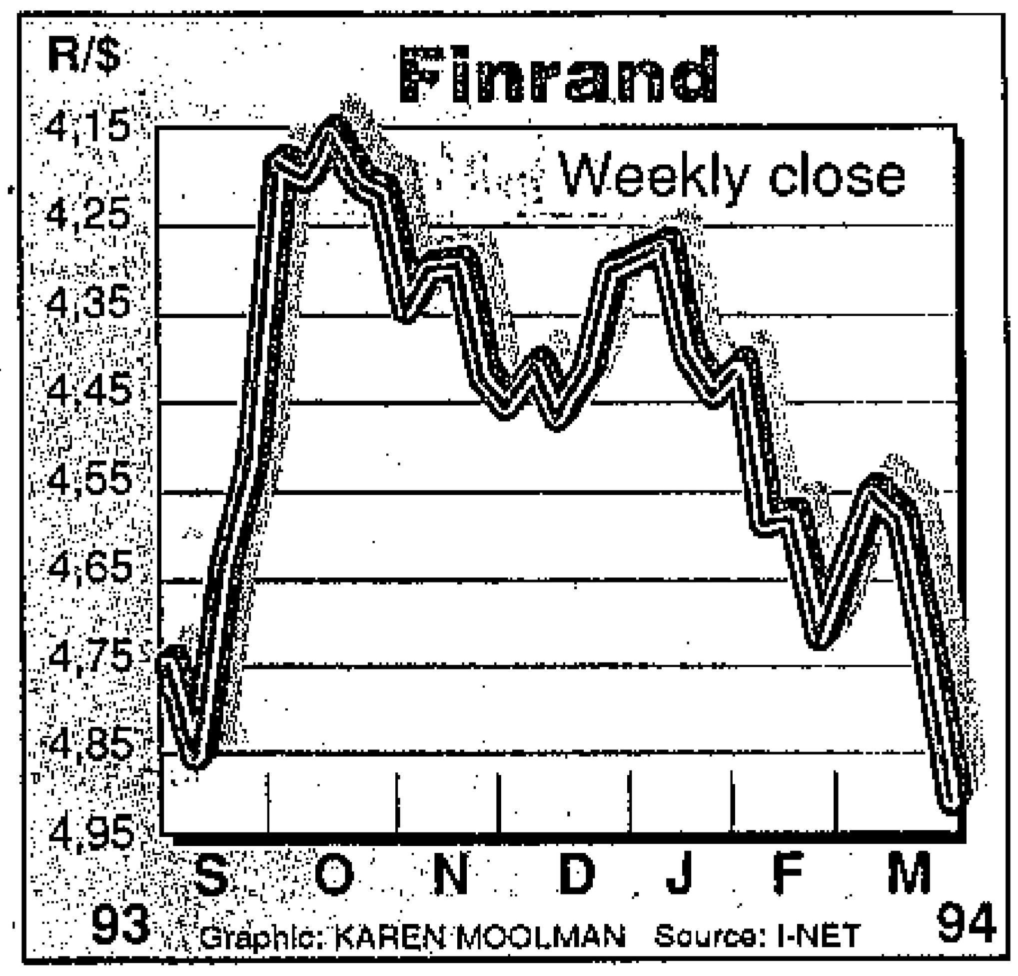
"The defaulting firm in Italy was a spinning mill which we have been underwriting for more than 20 years."

He points out that Germany's 14th largest industrial group, Metallgesellshaft, was recently saved from bankruptcy when a rescue package worth about R7bn was hammered out with banks and creditors.

And, he warns, even letters of credit from iforeign banks are no guarantee that exporters will receive payment.

"Many countries, especially in Africa and Eastern Europe, suffer from an acute shortage of foreign exchange and the payments cannot be remitted to SA."

Exporters must exploit new opportunities. But "at the same time they must take steps to ensure that they will get paid."



Finrand slumps to a six-month low

B/Day 31/3/94

MERVYN HARRIS

THE finrand slumped to a six-month low amid war talk over the elections, with the sharply lower investment unit supporting leading share prices in rand terms on a faltering Diagonal Street.

(74)

The unit fell 3,2% to R4,92 to the dollar from R4,77 and currency dealers expected it could test the closing low of R5,05 reached last year after the political crisis triggered by Chris Hani's assassination.

Dealers on the JSE said the declining unit was a "large contributor" to the recovery of the market from its sharply lower levels on a combination of the political uncertainty and a sliding Wall Street.

Leading shares such as Anglo and De Beers opened markedly lower after Tuesday's fourth successive sell off on Wall Street on concern over interest rates.

Nibbling by local institutions of shares at the lower levels helped the JSE overall index recoup more than half its losses to end the session 33 points down at 4 935. Share declines led advances by 113 to 34.

After slumping more than R10 to R194, Anglo recovered to close at R201 and associate De Beers recouped losses of 275c to close at R103,75.

Dealers said the graphic scenes on overseas TV of the violence in Johannesburg had put off potential investors and the industrial index finished 68 points (1,1%) down at 5 695 after touching a low of 5 668.

The negative sentiment rubbed off on the gold board. The index shed 31 points to 1 995 but was off a low of 1 965. This came despite gold holding relatively steady, ending $1,20 lower at $386,55 in London.

ANTI-DUMPING LEGISLATION

FM 1/4/94

Finding a new form of protection

(74)

In the pre-Gatt days, SA businesses that felt the hot breath of foreign competition could take their complaints to government and, more likely than not, get a tariff slapped on the offending imports.

But with SA's commitment to Gatt to lower tariffs (the measures may go into effect as early as January), businesses and governments are looking instead to anti-dumping laws as a way to protect local industries. And SA is not the only country turning to this powerful protectionist weapon.

"The use of anti-dumping legislation will be increasing worldwide," says Webber Wentzel trade partner Leora Blumberg.

Board on Tariffs & Trade member Ruel Heyns agrees. "A result of Gatt is that countries are more limited in what measures they can apply. In the past SA used tariffs and import control, but with Gatt binding our tariffs, that's not possible, so dumping will become more important."

The Wall Street Journal attributes much of the rise in dumping laws worldwide to America's example. "There's a global trend toward abdicating trade policy to lawyers, and Washington leads the way by imposing statutes designed to make sure domestic cry-babies always have a friend in the courts. Other countries hearing the US preach about free trade assume this is how the game is played, and now most of the world is putting dumping laws on their books."

One sign of the trend in SA is that the board established a special section to deal with dumping complaints last year. Since 1992, the board has dealt with 23 applications and agreed with 10 of them, including four against China. In comparison, the US, the leading penaliser of so-called dumped products, issued more than 80 rulings last year alone and found foreign companies guilty in almost every decision.

"SA companies have been fairly slow in coming forward," Heyns says. "But I believe it will increase as the Uruguay Round starts biting."

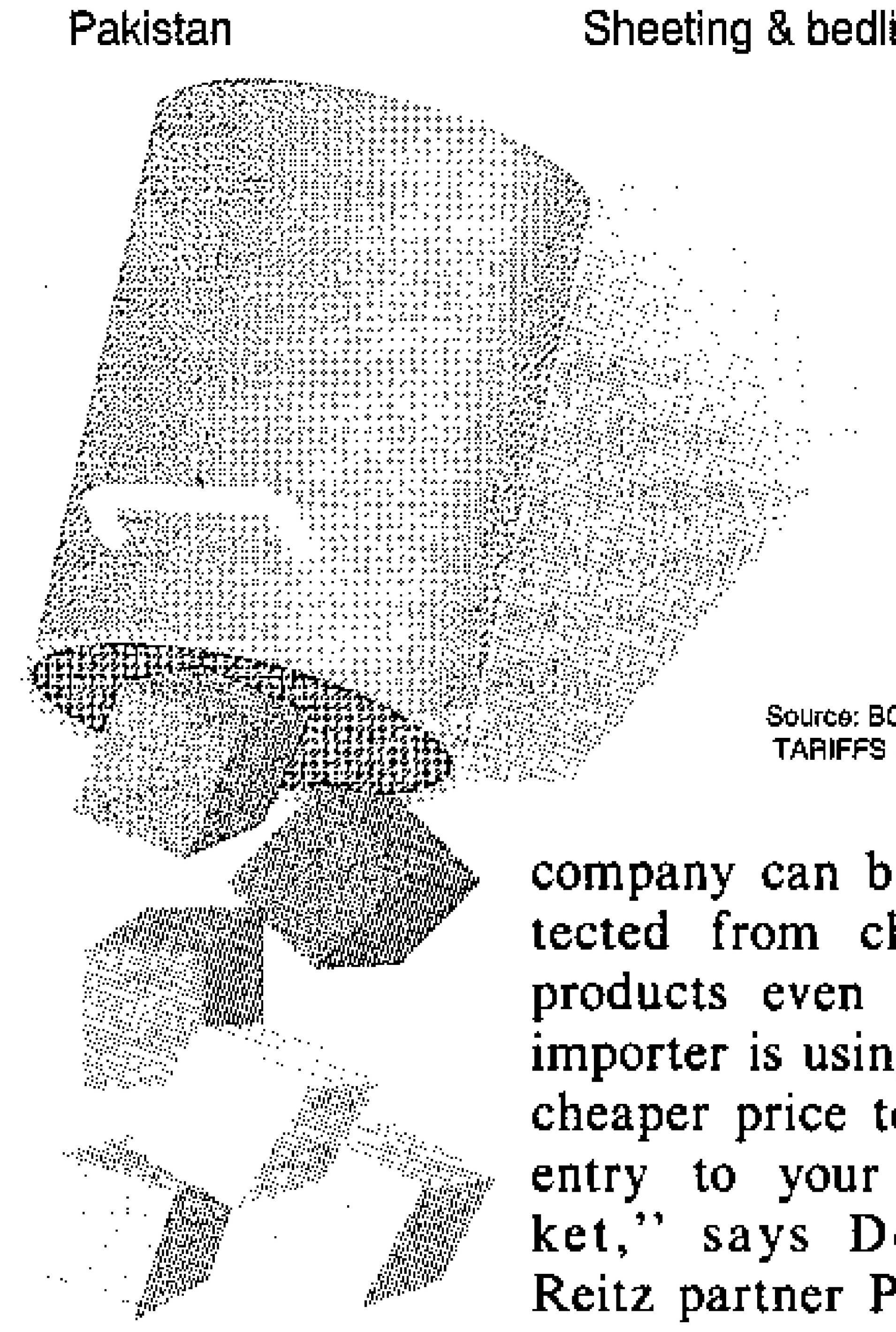
Ministerial representatives from the 200-plus Gatt-member countries, including SA, will meet in Morocco this month to submit final changes to the 550-page Gatt accord. Members then have to the end of the year to decide whether to subscribe to the agreement in its totality. At one point it looked as though Gatt would come into effect in July of next year, but now it appears as though tariffs will begin coming down in January. That's when charges of dumping are expected to boom.

Dumping is defined as when a company charges a lower price for a product in an export market than in its home market. "This doesn't mean, however, that a local company can be protected from cheaper products even if the importer is using that cheaper price to gain entry to your market," says Deneys Reitz partner Patrick Jackson.

Dumping on SA?

Local companies have filed 23 dumping complaints against foreign importers since mid-1992. These 10 were upheld:

Australia	Domestic clothes dryers
US	Roller bearings
China	Spades, rakes, forks & picks
China	Flat glass
China	Hoes
China, Hong Kong, India	Acetaminophenol
Netherlands	Calcium propionate
UK	Formed wire
Taiwan	Knitted acrylic jerseys
Pakistan	Sheeting & bedlinen



Source: BOARD ON TARIFFS & TRADE

In deciding a case, the board has to be convinced that not only was the product dumped, but that the dumping injured the local company's business. "Technically, there is a lot of dumping," Heyns says. "But that doesn't mean we act against it unless there is injury. Dumping is fairly easy to determine because we work with specific figures. The injury test is more complex."

As opposed to other forms of protection, dumping is charged against a specific product, manufacturer or importer. In other words, a local company can complain to the board about specific jerseys coming in from a company in Taiwan, but not about imported jerseys in general, as was the case in the days of import control and surcharges.

"If goods are flooding in here at below-market prices, there are mechanisms within Gatt that say that's not normal competitive business, it's dumping," says Rod Lichkus, an international trade consultant with Price Waterhouse Meyernel.

Experts also say another growth industry of the future is the application of countervailing duties. These are applied when imports are found to have been subsidised by the country of origin and caused injury to the local manufacturer. The board has not heard any such complaints so far but Heyns believes that it will become more of an issue, though it is more sensitive because it's countries accusing each other.

Critics of anti-dumping legislation, such as US trade expert James Bovard, say dumping penalties are the epitome of the New Protectionism — arcane trade barriers often concocted behind closed doors by government bureaucrats accountable to no-one. "The dumping law is the Big Lie of modern trade policy. Instead of openly raising tariffs, governments create convoluted trade laws that allow them to convict almost all foreign companies and yet deny that they are subverting free trade."

Heyns says the board is fully aware that protection stifles economic growth. "When you protect a particular sector you protect the status quo and other sectors can't grow. By protecting one company, consumers may be hurt, as well as downstream industries because input prices become too high."

SA's revised dumping legislation, which went into effect in mid-1992, is widely criticised for being weak. The board follows guidelines, rather than strict regulations. "It has to be beefed up," Lichkus says. "It's very biased toward specific SA industries and does not take cognisance of the material damage to new industries."

Adds Webber Wentzel's Blumberg: "The dumping mechanism is contrary to Gatt because the definitions are too broad."

ANC trade adviser Alan Hirsch believes that the system will have to become more transparent "so that it doesn't result in arbitrary protection that inflates prices."

Deneys Reitz's Jackson believes that the board is trying to be as transparent as possible, but is hampered by having only guidelines to follow. "With that type of de facto situation, it opens the board to criticism because there is too much discretion left to the members."

Lichkus points out that Gatt calls for a tribunal, rather than a government office, to rule on dumping issues, which could take the power out of the board's hands altogether.

Heyns acknowledges that the board has a lot of discretionary power, but adds that the current philosophy of the board is to use anti-dumping rules defensively, not protectively. "In the future, I don't know. It will depend on who is on the board. I hope they will be used defensively, but they can be misused."■

Commercial rand takes a battering

BDay 8/4/94

GRETA STEYN

BEARISH sentiment combined with dollar strength to batter the commercial rand yesterday, pushing it to its lowest close on record of R3,5446 against the dollar.

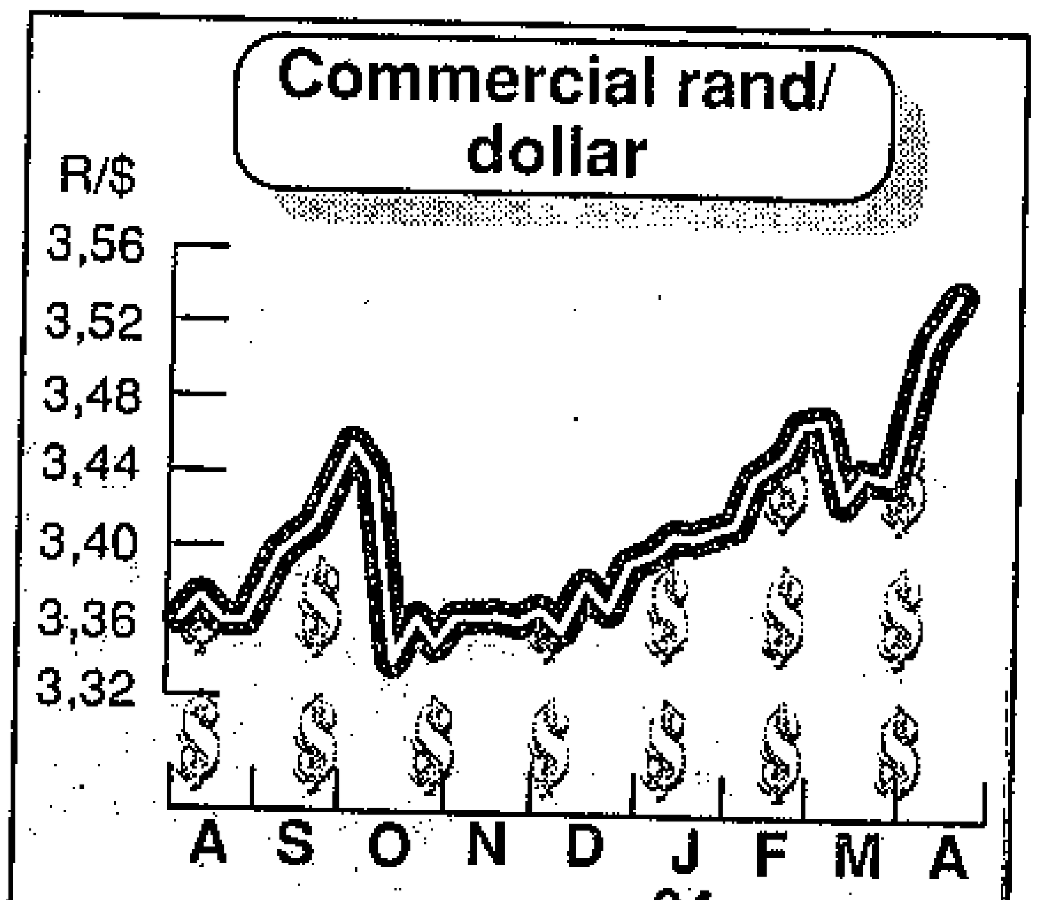
The rand entered new territory despite the dollar pausing for breath on international currency markets. The US currency, which had raced ahead over Easter on interest rate jitters, was trading at about DM1,7123 when SA markets closed yesterday — slightly below Wednesday's levels.

An economist noted negative sentiment on the rand had been aggravated by uncertainty over the SA economy ahead of the elections. Importers were rushing to buy foreign currency, and speculators were also getting in on the act. The rand had fallen at a more rapid rate than the dollar had risen against other currencies, suggesting inherent weakness. When the US currency was last at these levels, the rand was comfortably below R3,50.

Traders said there had been no sign of Reserve Bank intervention, breaking the pattern of recent weeks. A dealer said intervention before the elections would be a waste of dollars.

(74)

The SA currency was still off its record low in intra-day trade of R3,5650 reached in February. The lowest trade yesterday was before official dealing began at R3,5550. Light exporter selling of dollars lifted the rand off its day's lows. Reuter reported the currency was expected to trade in a R3,54-R3,55 range.



Graphic: LEE EMERTON Source: I-NET

The SA currency also weakened against the British pound, shedding more than 6c yesterday to close at R5,2086. Traders said sterling had benefited from a technical rebound as speculators took profits.

Against the Deutschmark, the Swiss franc and the yen, however, the rand was slightly stronger. The financial rand firmed marginally to R4,9425.

Closes at R3,5446 after slipping to R3,5520

Rand sinks to new low against dollar

Star 8/4/94

74

BY DEREK TOMMEY

The backwash from last week's heavy seasonal quarterly foreign payments and a rise in the exchange rate of the dollar against virtually all currencies severely depressed the rand in the Johannesburg foreign exchange markets yesterday.

The currency resumed Tuesday's slide to close almost 2c lower at R3,5446 to the dollar.

Earlier, it had touched a new low of R3,5520. Last Thursday it was R3,4788 to the dollar.

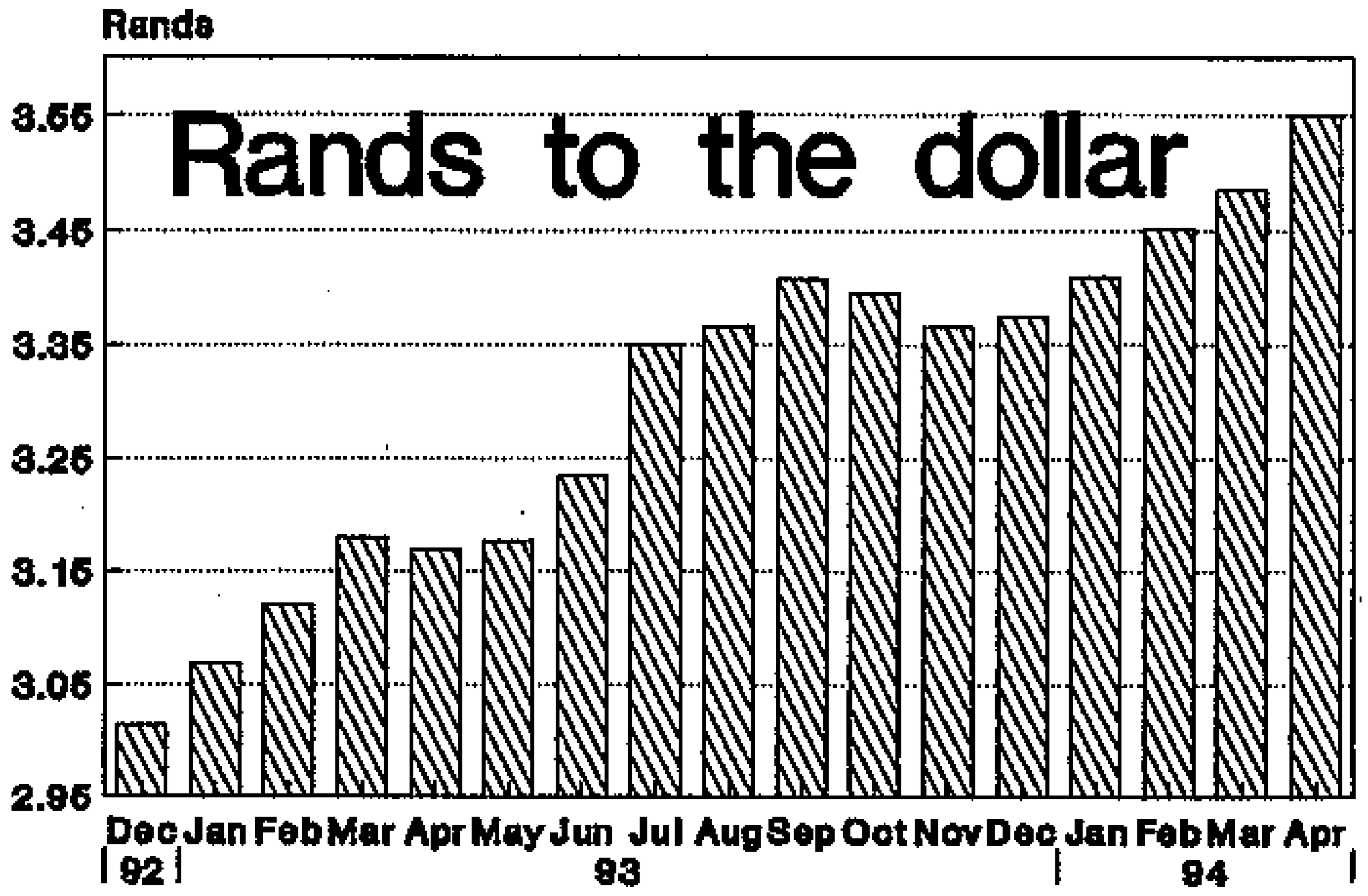
The rand also fell against the pound, closing at R5,22 from R5,1615 on Tuesday and R5,1411 a week ago.

These falls brought to 2 percent the rand's depreciation against the dollar in the past week and to 1,5 percent against the pound.

Dealers said the selling of foreign currencies had not been heavy, but a shortage of foreign exchange had intensified the slide in the exchange rates.

They said an increase in foreign payments last week had been expected.

Interest on many foreign loans falls due at the end of each quarter, as do certain loan repayments. But last week's outflow could have been heavier than normal.



Concern about ANC economic policy and its potential for generating inflation had led some foreign banks to refuse to roll over maturing loans to SA organisations and to demand repayment.

At the same time, fear that the rand might sink lower and increase the cost of foreign loans was making local borrowers accelerate loan repayments.

Chris Stals, Governor of the Reserve Bank, said yesterday he was encouraged by the way the exchange rate had stabilised, with only minor support from the Reserve Bank.

He would only know if there had been any special quarter-end tranasactions when he received the month-end returns from commercial banks.

He said it was difficult to forecast the future exchange rate as this would depend on developments in the political sphere.

Hans Falkena, Absa's chief economist, said the weakness of the rand was not unexpected, given the poor state of SA's fiscal policies and the resultant heavy pressure being exerted on the rand.

Last year he had forecast the rand would fall to R3,53 by the end of June.

But it had happened three months earlier.

He said SA's fiscal policies were in a mess as a result of the Government's heavy borrowings and the need for it to borrow more to meet interest payments.

He was concerned that the government's fiscal difficulties could weaken the Reserve Bank's monetary policies.

He referred to a recent statement by Stals that a central bank might find it difficult to refuse to create money for a new government.

Stals' remarks have also been echoed by Estiaan Calitz, Director-General of Finance, who recently said the new government faced a challenge in containing the rise in government consumption spending below the inflation rate.

Foreign exchange dealers said there was serious concern overseas about the outlook for SA inflation.

The heavy capital outflows of the past few years have depressed the rand, increased the cost of imports and generated serious inflationary pressures.

However, tough action by the Reserve Bank in recent years has contained these pressures.

But SA now faces the prospect of a new government embarking on a huge spending spree financed by borrowed money.

This would be highly inflationary and could trigger further capital outflows. This in turn could lead to more declines in the rand and to even more inflation.

US firms give millions for voter education

ARGT 8/4/94

PETER FABRICIUS
The Argus Foreign Service

WASHINGTON. — The South Africa Free Election Fund (Safe) has raised more than $6 million from American companies to finance voter education.

Safe president Johm Sims said here that the organisation urgently needed at least another $2 million (R6-m) for three projects — the voter card initiative, double ballot voter education materials and the Democracy Education Broadcast Initiative (Debi).

Safe collects money mainly from companies and businessmen and distributes it to 46 South African non-government organisations involved in voter education.

Five foundations or companies have donated more than $250 000 (R750-m) to the fund — the Charles Stewart Mott Foundation, the Teresa and H John Heinz III Charitable Fund, the H J Heinz Company, the Coca-Cola Foundation and the Ford Foundation.

The largest individual donor is Safe chairman Tony O'Reilly, who is also chief executive officer of H J Heinz and the new owner of Argus Newspapers in South Africa.

Dr O'Reilly is the only individual in the "elector member" donor category, which means he has donated between $100 000 (R300 000) and $250 000 (R750 000).

O'REILLY: Gift of up to $½-m makes him largest private donor to US fund for voter education in South Africa.

Mr Sims appealed this week for a final two million dollars, mainly to distribute voter cards and provide transport to get voters to the polls.

He said the IEC had asked Safe to play a major role in providing two to three million voters with proper voter identification cards, especially in Bophuthatswana and Ciskei.

The Ecumenical Assistance Trust chaired by Dr Beyers Naude, recommends where the funds should go.

Parties which have received Safe funds include the Matla Trust, the Council of Churches, the Johannesburg Inner City voter Education Programme, Project Vote, the Cosatu voter education programme and the Dutch Reformed Mission Church.

The ANC has also been raising election funds in America through the Fund for a Free South Africa.

Former envoy appointed to smooth US-SA trade

74

ARGT 8/4/94

PETER FABRICIUS
The Argus Foreign Service

WASHINGTON. — US Commerce Secretary Ron Brown has appointed a top former diplomat and legal academic to be his personal adviser in South Africa and to co-ordinate the administration's trade programme with South Africa and southern Africa.

Mr Brown yesterday named former deputy assistant-secretary of state for human rights Millard Arnold, 47, as the first person to occupy the position of minister counsellor.

Mr Brown had announced in South Africa last November that he was allowed one personal appointment at this level and that he would make it in South Africa as a sign of the importance the administration attached to trade relations with the country.

Mr Arnold would be based in Johannesburg to serve as the principal adviser to Mr Brown and the US ambassadors in the southern African region.

He would be responsible for developing and managing United States commercial activities "in this emerging area of trade and investment opportunity".

"I am very pleased to designate Mr Arnold for this new position in an area of the world with great market potential for US business, trade and investment," said Mr Brown.

"The Minister Counsellor will co-ordinate the formulation of a commerical program in consultation with me and the Chiefs of Mission in the area to identify and stimulate optimum opportunities for US business in the region.

"Mr Arnold's experience and expertise make him a superb candidate for this important new post."

74

JSE claws back and index soars

JOHANNESBURG. — Shares on the Johannesburg Stock Exchange extended their gains in active afternoon trade yesterday as the financial rand weakened sharply ahead of the outcome of South Africa's four-leader summit.

A slightly stronger gold price helped to buoy sentiment, a dealer said.

Shortly after the offical close, the all share index was 95 points up at 4953 as the all gold index rose 38 points to 1951 and the industrial index surged 115 points to 5732.

Bellwether stock De Beers reflected the firmer trend on the market, clawing its way R2,50 firmer to R105,25, while associate Anglos rose R5 to R202.

On the gold baord Vaal Reefs added R11 to R419 and Dries 85c to R52,75, while among leading industrials Barlows rose R1,85c or 6,9 percent to R29,50 as shares worth R17,44 million changed hands — the highest value traded. Absa gained 35c or 5,11 percent to R7,20c.

The financial rand reversed early morning gains in hectic afternoon trade, plummeting on selling orders by overseas banks and political jitters in anticipation of the outcome of the four-leader summit, dealers said.

It breached the R5 level shortly after 3 pm and was trading at R5,0300 against the US dollar by 4 pm from a previous R4,9375 close.

"We've seen big vol-

Traders said the financial rand's direction depended entirely on the outcome of the four-way talks, in progress at an undisclosed venue.

The commercial rand ended marginally weaker against the US dollar on the back of importer demand for the dollar, a dealer said.

It closed at R3,5533 against the US dollar from a previous R3,5515 finish. — Sapa-I-Net

●Gold was fixed yesterday afternoon in London at $385,45 an ounce.

Rand rates

STANDARD Bank rand rates:

	Sell	Buy
US dollar	3,5425	3,5329
Sterling	5,2092	5,1920
Irish punt	5,0445	5,0253

Rates following quoted in terms of other currencies against the rand.

	Sell	Buy
Aus dollar	0,3935	0,3958
Austrian shill	3,4200	3,4400
Belgian franc	10,0200	10,0700
Botswana pula	0,7350	0,7365
Canadian dollar	0,3919	0,3934
Danish kroner	1,9040	1,9150
German mark	0,4861	0,4881
Dutch guilder	0,5457	0,5481
Emalangeni	1,0000	1,0000
Euro unit	0,2499	0,2515
Finnish markka	1,5587	1,5795
French franc	1,6683	1,6750
Greek drachma	71,0520	71,4926
HK dollar	2,1860	2,1980
Indian rupee	na	na
Italian lire	463,0400	465,7800
Japanese yen	29,9000	29,9900
Kenya shilling	na	na
Lesotho loti	1,0000	1,0000
Malawi kwacha	na	na
Mauritius rupee	5,2050	5,2245
Taiwanese doll	na	na
NZ dollar	0,4977	0,5001
Norweg kroner	2,1040	2,1162
Pak rupee	na	na
Port escudo	48,9600	49,2700

MINING

Security	Ruling price	Week's move	Div yield	Earn yield	Year's high	Year's low	Vol
MIN. - COAL							
AMCOAL	15000		3.1	11.9	15000	8500	1210
A-T-COLL	3900		6.0	7.7	4600	3800	
AT-COL6%P	430		5.9		430	250	
G-F-COAL	1200		8.3	10.5	1200	650	70433
RANDCOL	1550		2.9	5.6	1550	600	3600
TRANS-NTL	1475	-25	5.4	8.8	1650	900	57495
VIERFONTN	10			4.0	11	5	50
WANKIE	115		1.3	21.2	115	17	1100
MIN. - DIAMONDS							
ANAMINT	11000		3.0	6.8	12100	7750	
BROADACRE	60		16.7	41.3	60	20	250
CARRIGS	50				50	10	481700
CDC	175				50	15	
DE-BEERS	10525	+375	2.8	7.2	11600	7275	407074
ICH	2800	-100	1.1	.5	3425	2300	26100
MINVEST	430	-10	2.8	15.0	525	150	500
REXCOR	110			5.5	135	104	900
TRNSHEX	2200		3.2	10.1	2550	1650	50
MIN. - GOLD - RAND & OTHERS							
BENONI	35	+1	8.6	6.7	80	22	356150
MODDER	50	-2			165	45	373789
DBN-DEEP	4500	+100			5200	1800	850
E-DAGGA	725		7.0	6.2	1300	675	62010
E-T-CONS	330		3.9	7.2	475	185	165300
ERGO	915	-10	8.7	8.9	1350	560	181723
E-R-P-M	570	+5			1900	505	24600
EERSLNG	165		1.8	10.0	540	145	2088
GAZGOLD	18	-2		13.0	35	7	204500
GAZGOLD-P	15				16	15	
GROOTVLEI	875		6.3	7.0	1325	550	125000
KNIGHTS	41		4.9	9.8	67	28	450348
LINDUM	800	-75	13.1	15.2	1300	100	10167
PRIM-G-M	65			16.9	95	23	
PRIM-GM-P	70		6.5		70	2	
RANDFONTN	4650	+50	4.5	8.1	5350	2015	140780
RD-LEASE	20	-2		9.9	29	11	418580
SIMMERS	15				28	10	
STH-RODPT	22	SUSP	ENDED				
VILLAGE	150		16.7	19.0	240	125	
WIT-NIGEL	200	+20			250	20	29125
MIN. - GOLD - EVANDER							
BRACKEN	205		25.4	29.5	300	160	200
KINROSS	7300	+150	4.9	6.6	8100	4250	4300
LESLIE	565	+5	11.8	12.7	910	390	52700
WINKELS	5200		5.1	10.6	8000	4300	7000
MIN. - GOLD - KLERKSDORP							
AFR-LEASE	105		4.8		315	90	
BUFFELS	4500		7.3	11.0	6000	3050	1000
ESTVAAL	645	-15		.2	925	250	56946
FSD-EV-O	430	-30			625	125	28600
HARTIES	2200	+25	6.4	8.4	2950	1225	153520
SOUTHVAAL	14500		3.3	3.3	16400	6450	20680
STILFTN	675		15.6	7.3	800	350	50
VAAL-REEF	41900	+900	3.3	3.3	49000	21600	48533
ZANDPAN	380	+5	5.9	6.1	475	195	428000
MIN. - GOLD - O.F.S.							
BEATRIX	2500		3.6	3.8	3450	1175	14439
FREGOLD	6200		5.3	5.4	8000	3400	1151353
HARMONY	2575	-25		3.9	2750	1485	14894
JOEL	310			4.9	580	130	446000
JOEL-N	25	+5			45	20	810129
LORAINE	1450	-50		6.7	2400	290	17850
OFSIL	15800	-300	5.4	5.4	20000	8900	6950
ORYX	290	+25			665	250	29400
ST-HELENA	4700	-50	4.7	2.5	4950	2300	
UNISEL	700	-25	3.8	11.4	1425	625	6700
WELKOM	4800		5.0	5.0	5225	2275	
MIN. - GOLD - WEST WITS							
BLYVOOR	950			4.3	1225	550	20000
DEELKRL	725	+25	2.1	7.2	1125	400	57000
DOORNS	280	+30		24.7	640	150	35700
DRIES	5275	+75	3.2	6.3	6450	3750	726644
ELANDS	2550	+50	3.9	4.0	3850	1585	8919
KLOOF	4550	+200	2.7	9.1	6500	3450	213589
WES-AREAS	4100	+75	3.3	8.7	4250	420	121040
WSTN-DEEP	17750	+600	3.1	3.1	21500	8150	23873
WESWITS	335	+15	3.9	7.3	380	77	198600
MIN. - GOLD - CURT							
ROOIBERG	100				210	100	
SALLIES	25				120	20	
SUB-N	15				30	7	1900

Security	Ruling price	Week's move
COR-SYND	1000	
FIDELTY	1315	-10
FIDELTY-D	975	-25
FIRSTBK	9225	+25
GDM	340	
INVESTEC	4500	+100
INVEST-D	4700	
INHOLD	3800	
INHOLD-P	4025	
MERHOLD	340	+10
MERHOLD-D	300	
NBSHOLD	2025	
NEDCOR	2625	+25
NRB	500	
NRB-D	385	
NRB-8CD	450	
PAG	22	
SAAMBOU	110	
SASFIN	135	
SECHOLD	300	+10
SECHLD-N	4	+3
SA-RES-BK	8500	
SBIC	9750	+100
FIN. - INSURANCE		
AFLIFE	575	
AVINS	19	SUSP END
AVF-GRP	83	+1
CUSAF	9100	
CRULIFE	135	SUSP END
FEDSURE	1325	
FEDSURE-P	1850	
GARDIAN	6100	
HCI	55	
I-G-I	40	SUSP END
LIB-HOLD	20500	-500
LIBVEST	1400	
LIBERTY	8000	
METLIFE	3100	+50
MOMENTM	1200	-85
M-&-F	4450	
PROSURE	3100	-100
RMBH	2350	
SAFLIFE	90	-10
SAGE	640	
SAGE-P	660	
SANTAM	935	
S-A-EAGLE	4975	
SOTHERN	2875	
FIN. - INVESTMENT TRUSTS		
CORWIL	325	
CRENDEL	25	
ETINGTN	280	
FIT	2200	+100
GENBEL	730	+30
INTRUST	450	
LONFIN	235	
LONFIN-O	50	
NATRUST	455	
OPUS	3000	+500
TEMPORA	1900	
TOLUX	3700	
VESTCOR	170	
YABENG	400	
FIN. - PROPERTY		
ABBEY	65	
AMAPROP	590	-10
BARPROP	168	+8
BESTER	5	SUSP END
BOLPRO	75	
BRISTOL-I	145	-5
COMPASS	100	
CONFED	2100	
PROPFIN	350	
EQUIKOR	5	
FORIM	50	
GF-PROPS	610	-20
GROWALK	10	
MARCONS	160	
MARSHAL	380	
OVBEL	48	
PROPCOR	35	
PUTPROP	150	
RABIE	45	
R-M-PROPS	1425	

SA may back workers at Gatt talks

(74) ARGT 9/4/94

ALIDE DASNOIS
Business Staff

SOUTH Africa is likely to throw its weight behind attempts to include workers' rights in the programme of the World Trade Organisation which will replace the General Agreement on Tariffs and Trade (Gatt).

SA Clothing and Textile Workers' Union chief Ibrahim Patel, who is one of the labour movement's representatives on the National Economic Forum, said the unions were still discussing this issue with the government and business.

But he did not think it would be difficult to reach agreement.

The international labour movement has been pressing for the inclusion of a "social chapter" in the final act of the Uruguay Round of Gatt, to be signed in Morocco next week.

"We feel that there is a gap in international trade agreements on this issue," said Mr Patel.

"If freer trade is to be of benefit to everyone, then workers' rights have to be respected."

Minimum standards which should be respected by signatories to Gatt included:

- The right to freedom of association;
- The right to collective bargaining;
- the abolition of child labour;
- The abolition of slave or forced labour;
- Equality for men and women;
- The abolition of all discrimination based on race or ethnicity.

The industrialised countries, led by the United States and France, mostly favour the inclusion of a clause on workers' rights, but many developing countries are hostile.

At the end of this week trade negotiators in Geneva agreed on a compromise: though the social clause will probably not be part of the Gatt, it is likely to be included in the working programme of the World Trade Organisation.

■ See page 5

Gatt heralds hefty cuts in food prices

S/Times (Buss)

By SVEN LUNSCHE

LOWER food prices could be in store for consumers, says a recent government report.

The Department of Agriculture says in the document that average protection on more than 900 farm products will be cut by almost 40% by the end of the decade.

This follows on the implementation of SA's offer to the General Agreement on Tariffs and Trade, which will be formalised this week.

The department also says that state support for farmers, which averaged R40 000 each in 1991, will be scaled down as a result of Gatt.

Finance Minister Derek Keys will sign the Gatt protocols this week in Marrakesh, Morocco, subjecting most SA's farmers and manufacturers to lower tariffs.

The surprisingly frank report by the department shows that in 1991 state support for agriculture was R4,15-billion, 17% of farm production of R24,43-billion that year.

Of state aid of R4,15-billion, market price support (the difference between the SA and the world price of a product) accounted for R2,42-billion.

The state also offered export incentives under GEIS (R200-million) and so-called "green factors", which include development assistance, drought relief and financial back-up for training and housing.

Although small in relation to the amounts paid in many developed countries, the subsidies are enormous when compared with SA's per captia income, says the ANC-aligned Land and Agriculture Policy Centre (LAPC). 10/4/94

In a recent report the LAPC encourages reductions in protection beyond the current Gatt minimums.

"The high costs of protection in pursuit of self-sufficiency (which has failed to prevent malnutrition and hunger) have benefited a tiny minority at the expense of the majority in the form of higher taxes and food prices," the LAPC says.

The Department of Agriculture is surprisingly criticial of subsidies and asks whether SA can afford to support farmers at this cost.

"However, as tariffs are reduced to more realistic levels, local producer prices will tend to fall in line with international prices."

SA's agreement with Gatt will hasten the process because market price support will be reduced in real terms by 20% to R2,02-billion in six years.

More importantly, average tariff protection on 906 agricultural goods must be cut by 36% by the end of the decade from the level that applied in the base period of 1986 to 1988.

To illustrate the mechanisms involved in toppling protective walls, the department's economist William Helm uses the example of wheat.

Converting subsidies and other protection into tariff structures, the only subsidy allowed under the latest Gatt rules, 120% was added to the world price of wheat in 1986-88 to protect SA farmers. (74) (~~130~~)

Under the rules this protection (the base rate) will be reduced to 72% (the bound rate) by the year 2000.

Mr Helm stresses that the bound rate is merely a ceiling. In reality, he expects the average rate, to be set by the Board on Tariffs and Trade, to drop well below the ceiling rate.

For example, if the bound rate for maize is set at 50%, down from 68% in 1986-88, he estimates that the actual rate of protection could be as low as 10% by the end of the decade.

These are some of the protective tariffs applied in 1986-88: cheese 190%, butter 158%, sugar 124%, and 1 494% for alcohol. The ceiling bound rates on some products are still high — cheese 95%, butter 79%, sugar 105% and alcohol 597% — but at least they are below the previous high levels.

Finrand dragged down by the fears of the nation

12/4/94

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BDay 12/4/94

GRETA STEYN

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THE wave of hysteria which triggered stockpiling of dried milk and toilet paper hit the currency markets yesterday. As the political crisis drags on, fear of a foreign currency shortage joins the spectre of empty supermarket shelves to haunt consumers and investors. The scramble for dollars is on. How will SA avoid a "state of emergency" in the currency markets?

The financial rand's morning crash was unprecedented and brought to mind the chaos in the markets in late August 1985, after President P W Botha's Rubicon speech. The foreign exchange markets were closed, with Finance Minister Barend du Plessis saying the closure resulted from "abnormal pressure . . . unrelated to the healthy underlying economic conditions in the country". As the rand dropped to record lows, cries for "an immediate and imaginative political initiative" were heard from the dealing rooms. Those cries can be heard again.

In 1985, the traders had to adjust to more controls as the political initiative was still more than four years away. SA firmly joined the ranks of "exotic" investments by switching to a two-tier currency system. The financial rand was reintroduced in a move to protect the foreign exchange reserves. The new investment unit could only go one way — down. It hit a low of R5,55 in mid-1986. This level was breached yesterday morning as the investment unit shot past the R5,70 level without pausing for breath. Some traders, caught on the wrong side, described the day as "Black Monday".

Foreigners have become major players in SA's equities and gilts markets, holding billions of rands. A weak finrand, albeit triggered by small volumes and speculative positions, threatens a major sell-off in those markets as investors' stop-losses are triggered. The result is a ratcheting down of domestic asset prices. Already, the capital market has risen by almost 180 points on the back of foreign selling, raising the cost at which the new government will raise its first loans. What, if anything, should be done?

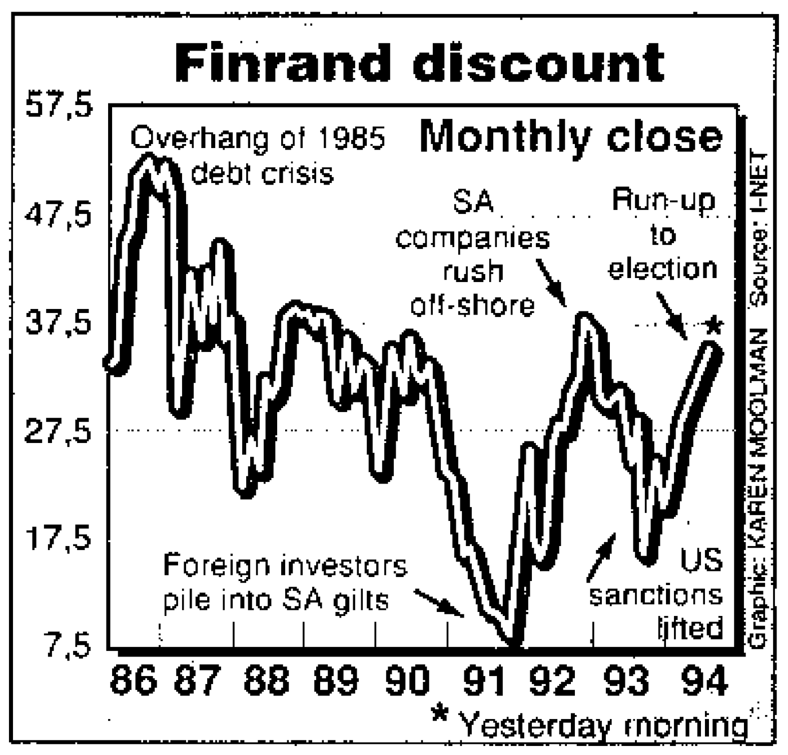
The last time the finrand was under major pressure since its reintroduction was in October 1992, during the wave of offshore investments by SA companies. When the currency hit a low of R5,11, the authorities responded by slapping controls on SA firms investing overseas. But tighter controls seem unthinkable at this stage. The next government might dislike the higher interest rates that a huge sell-off would generate in the market for government stock, and could move to block the outflow with controls. But the ANC's comments on the finrand and exchange control suggest such a step would be highly unlikely.

What about Reserve Bank intervention? The Bank's previous efforts at stemming the outflow through the finrand was greeted with derision by market players pointing at the futility of the move. At the end of February, the Bank spent about $50m defending the investment unit. The dollars were gobbled up by a market hungry for a cheap exit from SA. Dealers claimed the Bank was subsidising the foreign departure, with no discernible benefits to SA.

SA has committed itself in its statement of policies to the IMF to refrain from using its reserves for net intervention in the finrand market. The Bank's dealers say it is sticking to the commitment, but when the Bank is involved in two-way trade in the investment unit, its timing of the sale of dollars usually coincides with finrand weakness.

The Bank was conspicuous by its absence from the finrand market yesterday. But there is some speculation there were surreptitious dollar sales at R5,60 to test whether the levels were sustainable. As it turned out, they were not.

Fears of a dollar shortage spilled into the commercial rand market yesterday. Although the dollar remained below DM1,71 yesterday — down from close to DM1,7150 last week — the rand weakened from R3,5548 at the end of last week to an intra-day low of R3,61. The rand has, for most of this year, been weaker than the dollar's levels against other currencies suggest — reflecting a fundamental weakness in the rand.



The weakness is caused not only by an actual shortage of dollars, but also by perceptions. As short-term dollars become increasingly scarce, the scramble for foreign exchange begins, putting downward pressure on the rand. A weakening rand fuels perceptions of a dollar scarcity and the scramble intensifies. It is a vicious circle in which perceptions of a lack of foreign exchange reserves actually cause a lack of reserves.

The only way to break the vicious circle is by turning perceptions around through decisive central bank intervention. Timing can often be of the essence. One approach is for the Bank to stay out of the market while it is running away. As Bank foreign exchange GM James Cross puts it: "Don't stand in front of a runaway train." But once the market pauses and catches its breath the Bank should enter. An earlier entry would simply be a waste of dollars.

The Bank is apparently going to let the market first run out of steam. But such an approach can backfire. In February, its absence at the start of a bear run intensified perceptions that it did not have the foreign exchange to intervene. Bearish sentiment can work up to fever pitch while the Bank plays a waiting game, and cost it more dollars than if it enters the fray sooner.

The Bank has to intervene in the commercial rand market if the rand's exchange rate does not reflect economic fundamentals and movements on international currency markets. There is no need for political jitters to knock the commercial rand, as the Bank has a cushion of about R10bn in overseas credit lines it can use to defend the unit. The Bank has used only about R4bn of those facilities. The question to be asked on intervention in the commercial rand market is not whether, but when.

Former UK Chancellor of the Exchequer Norman Lamont learnt the hard way that billions can be wasted in an effort to turn around perceptions set in concrete. But economic fundamentals were dominating sentiment on the British pound.

In SA, the Bank has justified its decision to support the rand by arguing that economic fundamentals suggested it should. The Fiscal Review released last month noted it had "leaned quite heavily against the wind" because of progress in reducing money supply growth and inflation, and the fact that the drain on the foreign reserves had been created by an outflow of capital and not by a deficit on the current account. It added that the large capital outflows were likely to be temporary.

In the run-up to the election, the Bank should continue with its policy of staying out of the commercial rand market in the initial stages of a bear run. If the Bank is right, and the outflows are temporary, any other move would be a waste of dollars. But it should show its face now and again, just to stop the bears from going on the rampage.

It should stay out of the finrand market, where no amount of intervention will disguise the vote of no confidence that foreign investors are placing in SA.

Reserve Bank 'will not intervene'

Dollar frenzy sends finrand into a dive

BDay 12/4/94

GRETA STEYN

PANIC gripped the financial rand market yesterday as the frenzied scramble for dollars slashed about 14% off the value of the investment unit, which ended the day at a record low of R5,7150.

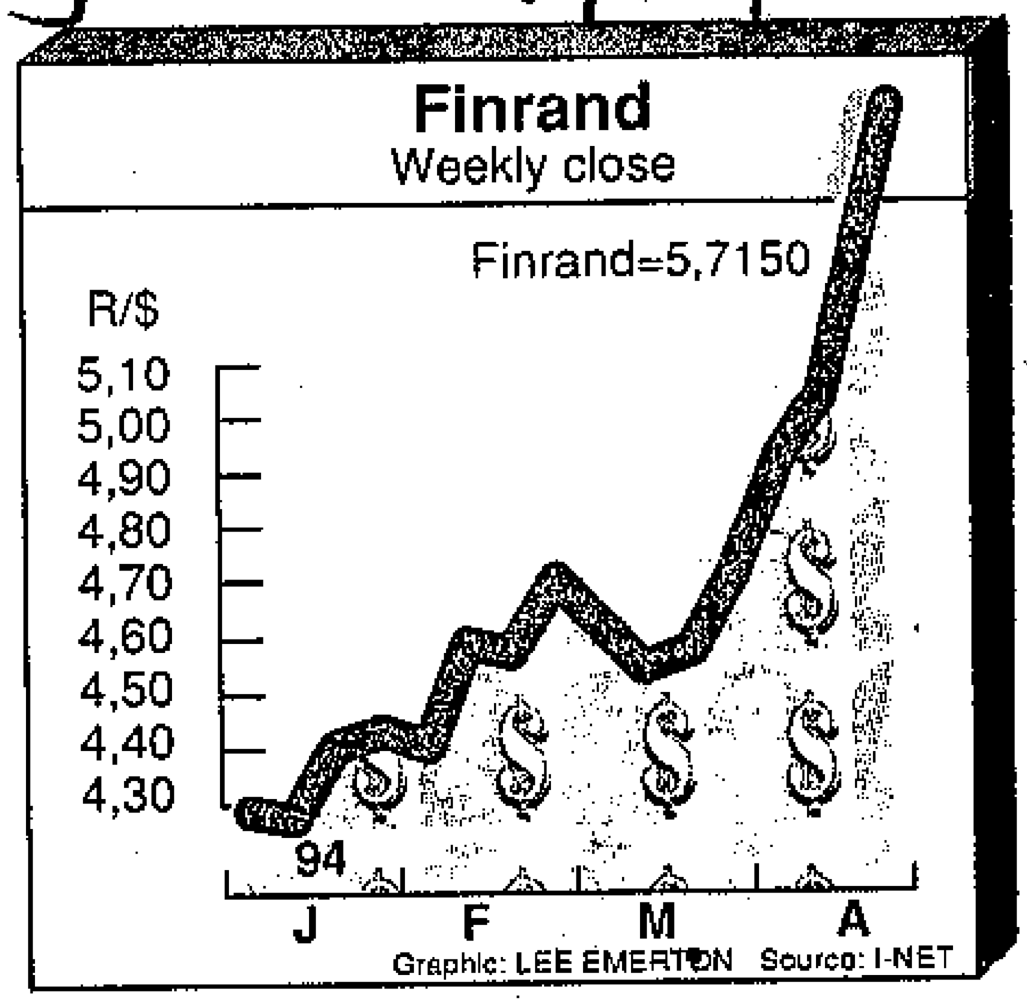
Shell-shocked dealers watched in amazement as the finrand went into an unprecedented free-fall. Bearish sentiment spilled into the commercial rand market, pushing the currency to a record low against the dollar.

Before midday, the finrand had plummeted to almost R5,70 from its R5,02 previous close. Desperate efforts to claw back were rewarded with only a brief respite.

The Reserve Bank signalled clearly it would stay out of the market. Foreign exchange GM James Cross said the finrand "must reflect the underlying situation. It would be a waste of foreign exchange reserves to intervene in the finrand market."

The unit strengthened to about R5,52 before collapsing again in the afternoon when American markets opened. Traders said the wave of selling started on Friday, when it became apparent that a sell order of at least $65m was in the market. Talk is that a US investor was liquidating a substantial portion of an equity portfolio. With a big sell order incomplete, Friday's inconclusive meeting of political leaders set the scene for a meltdown.

The finrand's previous low was R5,55, reached in mid-1986 in the aftermath of the foreign debt crisis. The average discount between the two currencies was almost



53% in 1986. The discount yesterday was about 37%.

The commercial rand market also experienced a scramble for dollars. The currency weakened despite a static dollar on international markets, touching a low of about R3,61 before recovering slightly to close at R3,5928 from Friday's R3,5525.

Cross indicated the Bank was ready to step into the commercial rand market if necessary. "Of course we don't like standing in front of an oncoming train. But the commercial rand market might find it has taken the move a bit far. We are still here."

Finrand dealers emphasised volumes were thin, with prices being marked down rather than reflecting a major sell-off of SA assets. The gilts market showed a muted response to the turmoil in the currency markets.

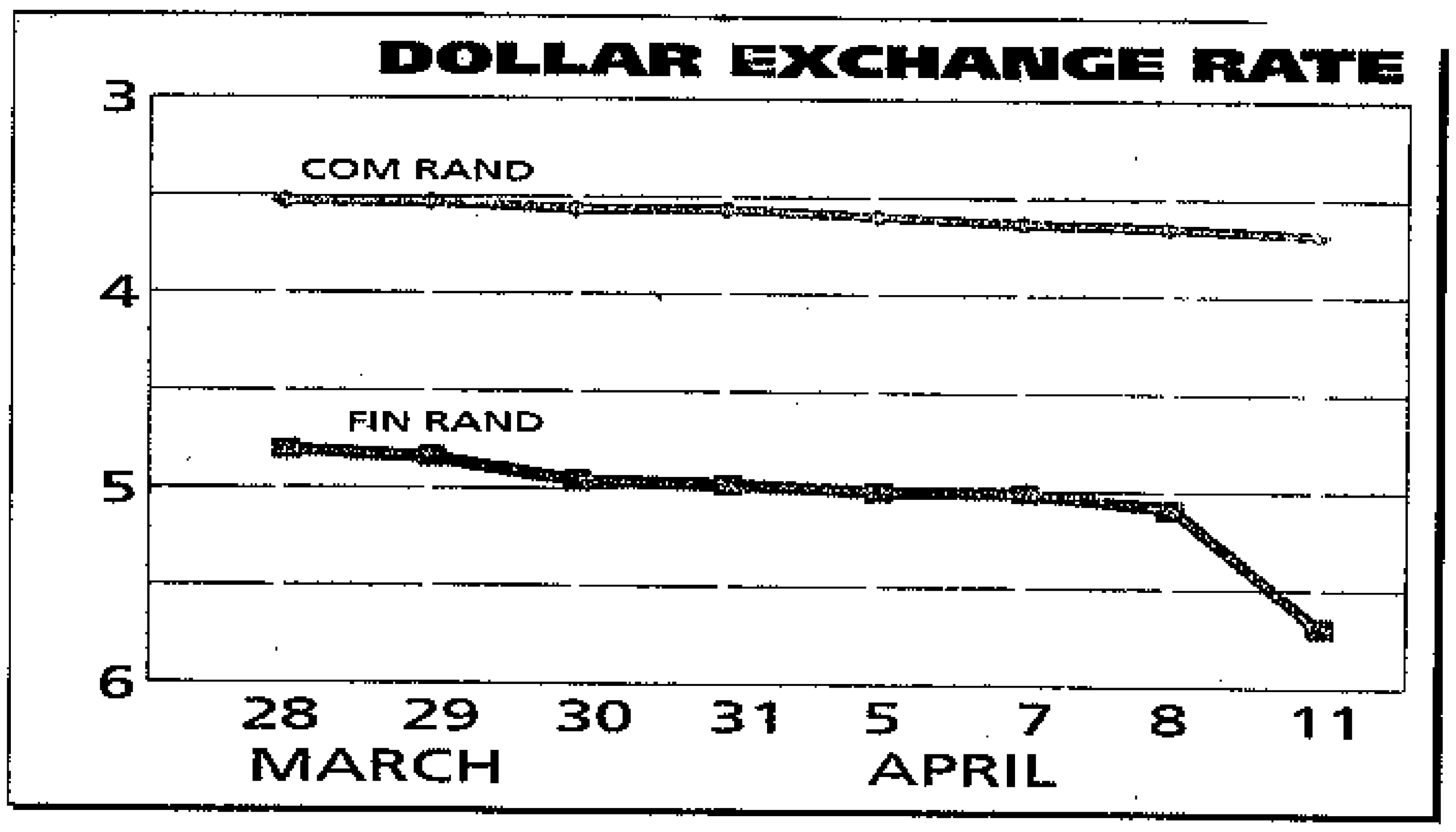
● See Page 10

Rush for dollars and KwaZulu impasse hits finrand

Currency market chaos

Star 12/4/94

RESERVE Bank does not intervene in 'market madness' for fear of damaging confidence in South Africa's liquidity



■ BY CLAIRE GEBHARDT

Growing fears that South Africa will not have a peaceful transition to majority rule, coupled with a scramble for dollars, plunged currency markets into chaos yesterday.

The financial rand, a key barometer of investor confidence, nosedived to R5,71 to the US dollar — a 13 percent collapse.

The commercial rand plummeted to an all-time low of R3,75 to the dollar before closing at R3,59 from an opening level of R3,55.

Analysts said the developments posed doubts as to whether the holding of the country's first democratic election by itself would lead to any increase in confidence.

"The markets are telling us that there is a danger that the violence, instability and uncertainty will not be reduced by the election process — in fact the opposite may occur."

Fears were also expressed that investors would be much harder to entice the second time around.

Yesterday's bearish sentiment came in the wake of Friday's failure by political leaders to come up with a solution to the KwaZulu impasse.

A strong demand for dollars exacerbated the fall.

In what was described as "market madness", the finrand dived on large selling orders after opening at R5,04.

Shell-shocked dealers monitoring the volatile situation reported 500-point spreads.

They labelled the massive collapse in the investment currency "unprecedented anywhere else in the world".

No Reserve Bank intervention in the market was apparent and some dealers questioned whether the Bank should not have closed the market, given the chaotic conditions.

However, a spokesman for the Reserve Bank said such a move would have severely impaired confidence in South Africa's financial markets, as well as liquidity.

"Far from alleviating the panic, such a move might have increased it," he said.

Low levels of gold and foreign reserves would have made the Bank reluctant to intervene, but the situation might have to be "stabilised".

Perversely, however, Diagonal Street benefited as currency weakness supported rand prices of leading shares and gold stocks moved sharply higher.

The Johannesburg Stock Exchange gold index closed 59 points up at 2010 while the overall index added 56 points to 5009.

The industrial index was 24 points higher at 5 758.

Blue chip De Beers was 325c higher at R108,50 and rand-hedged Anglos added 600c to R208,00.

Analysts said the finrand weakening would not affect the economy materially in the short term — "it is a non-resident market restricted to quoted South African securities".

The biggest blow, however, was to carefully nurture over-

▶ To Page 3

The Finrand – simply put

Financial rands are used by foreigners to buy and sell investments in South Africa. These financial rands, with a few minor exceptions, can be used only for making investments in this country.

When the value of the finrand slumps, it means there is a surplus of the currency because foreigners are selling their investments here and not making new ones.

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Finrand and rand tumble

Star 12/4/94

◄ From Page 1

seas confidence and investment.

Frankel Pollak Vinderine's Stephen Bacher said many businessmen had courted foreign investors. "To get them back again after this will be much harder."

Economists said the currency turmoil would make it more difficult to scrap the financial rand system as the discount, instead of narrowing, was getting wider.

"Newcomers to our markets will have received a very considerable shock and will probably look at our markets in a more jaundiced light in the future."

The commercial rand weakness would add to imported inflationary pressures, they said.

Ongoing bleeding on the capital account of the balance of payments would certainly push up interest rates and inhibit economic recovery.

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When the going gets tough the financial rand sinks

Star 13/4/94

(74)

■ BY BRUCE CAMERON

The financial rand is now at levels not recorded since former President P W Botha unwittingly set out to wreck the economy with his infamous Rubicon speech of 1985.

The financial rand was re-introduced in September 1985 in the wake of the speech as a wave of financial sanctions threatened, foreign banks moved to foreclose on existing debt and refused to roll over short-term debt, and foreign investors sold out at fire-sale prices.

Not only did the introduction of the currency protect the commercial rand by absorbing the political blows, it also discouraged the removal of money from the country because of the enormous losses that could be suffered.

The financial rand is considered the best barometer of international confidence in South Africa.

When the going is tough, it drops in value but improves rapidly when the future appears rosy.

Monday's drubbing of the currency is directly linked to the shooting of Inkatha supporters in the streets of Johannesburg and the failure of the government, the African National Congress, Zulu king Goodwill Zwelithini and Inkatha to reach a political accommodation at the weekend.

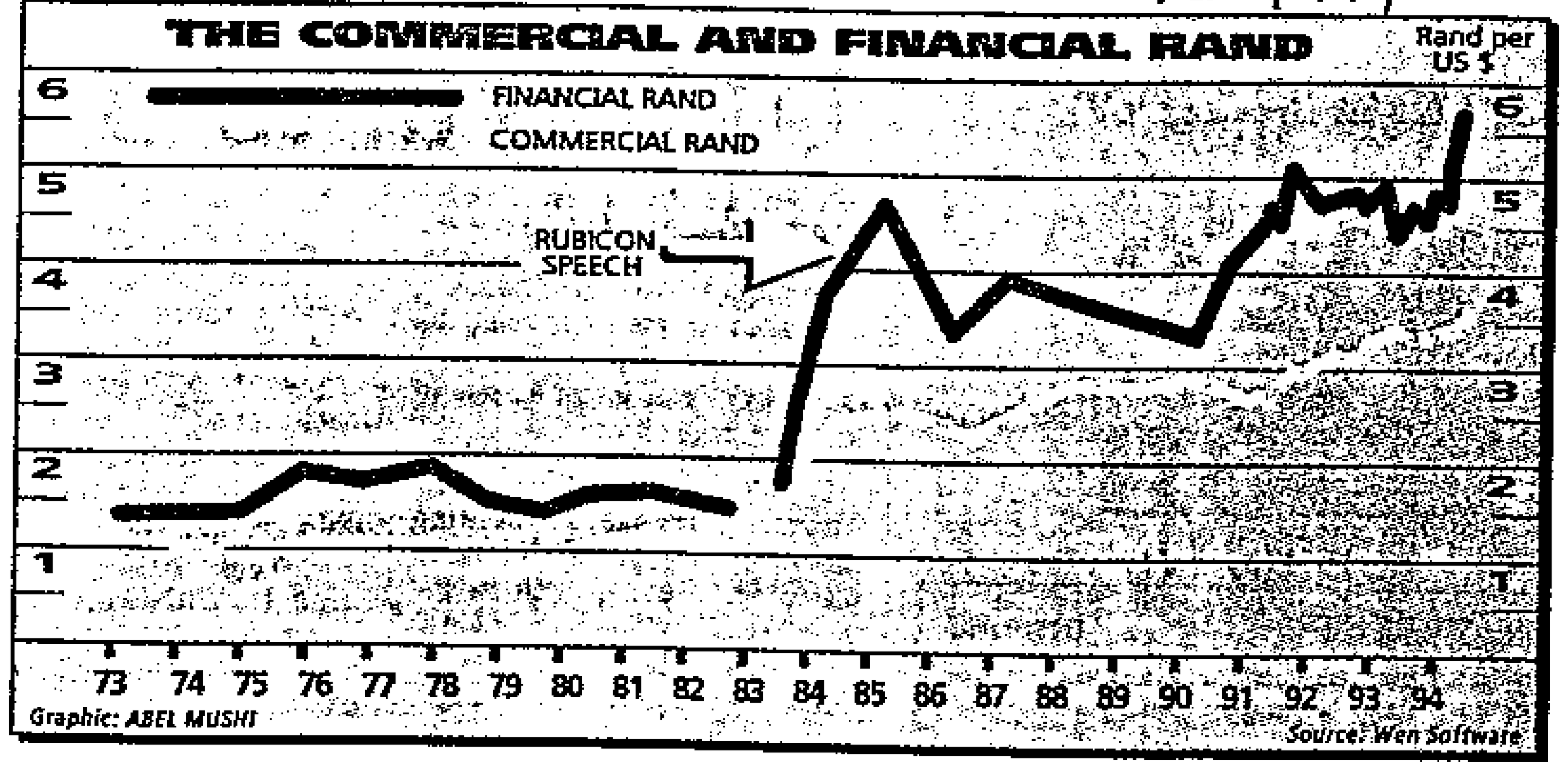
Disinvestment

The financial rand, which operates on a demand and supply basis, was reintroduced in 1985 to prevent disinvestment.

It was first created in 1961 in another form — the blocked rand — as a result of the first wave of disinvestment which followed the Sharpeville shootings.

It was changed to the securities rand in 1978 and to the financial rand in 1979 as banking authorities refined the system.

In 1983, as the country appeared to stabilise, the financial



rand was scrapped but its demise was shortlived.

It is a fixed pool of money determined by the SA Reserve Bank and has no impact on the country's critical gold and foreign currency reserve levels.

The total financial rand pool is equal to the total of non-resident investment in South Africa.

The cash pool of financial rands is determined by the cash proceeds of the sale of any of those investments.

Only when a non-resident buyer is found for a financial rand can one be sold.

If more people are seeking to withdraw money from the country the demand for the currency drops, resulting in the price against the US dollar going higher.

This happened on Monday when it traded ~~as high~~ as R5,715 against the dollar.

If there is demand for the currency, the cost drops.

Last month, when foreign buyers were coming strongly into the Johannesburg Stock Exchange, the currency was trading as low as R4,48 to the dollar — 27 percent below its current levels.

The currency is designed to absorb the political shocks to the economy while leaving the commercial rand to reflect the economic status of the country.

The initial result of the Rubicon speech was to knock the value of the commercial rand virtually overnight because the financial rand was not in place.

Generally, the commercial rand now tends to devalue at a rate more or less consistent in the medium-term based on the difference between South Africa's inflation rate and the inflation rates of the country's main trading partners.

The Reserve Bank intervenes in the commercial rand market to smooth out short-term ups and downs but stays out of the financial rand market, letting market forces take their toll.

As South Africa's inflation rate has been higher than those of the major trading partners, the commercial rand has been devaluing steadily over the years.

The financial rand is often quoted at a discount against the commercial rand to give a true indication of how it is performing.

In mid-1986, when the financial rand was at its previous low, the discount against the commercial rand was at 53 percent.

The discount now is around 37 percent.

Last year it averaged a discount of 21 percent and two years ago, before Codesa failed in the wake of the Boipatong massacre, it was trading at a discount of eight percent.

Although the currency was introduced as a disinvestment vehicle, it did not take long for investors to realise that a packet could be made out of the financial rand as an investment vehicle, while some extra-sharp South African businessmen also realised that large amounts could be earned dishonestly.

The financial rand has two major drawbacks:

■ It is open for crooked dealing, and

■ Any foreign investment entering the country through the financial rand does not add to the foreign reserves.

Investors coming in through the financial rand can only purchase financial rands that are being sold, so the number of financial rands hardly ever goes up or down while the price is extremely volatile.

Investors through the financial rand are entitled to withdraw the dividends they earn through the commercial rand.

In other words, the returns to people who have made investments through the financial rand are very much higher than those made through the commercial rand.

All you ever wanted to know about Gatt

74 Star 12/4/94

This week more than 120 countries — including South Africa — will meet in Marrakech, Morocco, to sign the world's most comprehensive trade liberalisation agreement. Trade expert Alan Hirsch, of the Development Policy Research Unit at the University of Cape Town, explains the ins and outs of Gatt for South Africans.

South Africa was one of 23 founder members of Gatt in 1947.

The General Agreement on Tariffs and Trade was rooted in the fear that the collapse of world trade, a major ingredient of the depression of the 1930s, could repeat itself unless something was done.

At the same time, Alan Hirsch explains, the United States had been converted to the notion that free trade was the key guarantor of economic growth and would undermine communism.

The Gatt treaty consists of a general framework of rights and obligations for members. It has been strengthened and revised several times since 1948, through extended bouts of multilateral negotiations called "rounds" which were named after the cities or countries where negotiations started.

The latest round started in Punta Del Este in 1986 and is called the Uruguay Round.

Concluded on December 15, the Uruguay Round will be ratified this week and implemented from July 1, 1995.

Gatt works according to three principles:

- Reciprocity,
- Non-discrimination and
- Transparency.

Reciprocity means that if one country lowers its protective tariffs against another country's exports, it can expect the other country to do the same.

Non-discrimination means that all ordinary members of Gatt must benefit from any country's decision to lower tariffs — though some forms of preferential trade agreements are allowed provided they create trade rather than divert it.

Transparency means that protection, where it exists, must be visible — tariffs rather than quotas on imports.

At first, says Hirsch, it was the industrialised countries which were the champions of trade liberalisation and the poorer countries followed behind. But since the late 1970s, the United States and Europe have used a range of measures to protect their industry from competition coming from the newly industrialised countries.

This "new protectionism" is a serious issue for countries such as South Africa which do not have preferential access to markets in other countries and rely heavily on the effective operation of Gatt to level the international playing fields.

Though the new agreement is less than perfect for the poorer and less competitive economies, the failure of the negotiations would have been "even worse", Hirsch says.

"It would have meant deepening anarchy in international trade, with the proliferation of unilateral and bilateral trade policy instruments to the advantage of the strong and at the expense of the weak."

The Uruguay Round has also led to the creation of the World Trade Organisation (WTO), a new dispute settlement arrangement, which could be used by the poorer countries to resolve problems.

The latest negotiations are a compromise between the requirements of highly industrialised countries and developing countries.

All members of Gatt agreed to a set of measures including:

- A phased-in 33 percent cut in all industrial tariffs, starting in 1995,
- Zero tariffs in industrialised countries and very low tariffs in developing countries on a variety of goods such as steel, beer, agricultural, medical and construction equipment, pharmaceuticals and toys,
- The conversion of all quantitative barriers to trade (such as quotas on imports) into tariffs,
- An average cut of 36 percent in agricultural tariffs over six years in industrialised countries and 24 percent over 10 years in developing countries — the poorest countries were exempted,
- Sharp reductions in domestic agricultural subsidies thought to distort trade flows (this sparked a long drawn out battle between the United States and European countries led by France, which was keen to keep some subsidies to farmers for political reasons),
- The avoidance of protective measures disguised as "sanitary" controls,
- A set of codes on various issues including intellectual property, export subsidies, rules of origin,
- A longer term programme to liberalise trade in services,
- The need to bring textiles and clothing into Gatt instead of segregating these industries in the Multifibre Agreement,
- The need to create a Multilateral Trade Organisation which will include dispute resolution mechanisms.

14

Signatories to Gatt are expected to make an "offer", that is, to tell their major trading partners how they intend conforming to Gatt requirements.

South Africa's original offer was made in 1990 at a time when the minority government's right to make far-reaching decisions unilaterally was increasingly being questioned.

The offer was never discussed with the country's trading partners who were mostly far too busy squabbling over agricultural policy reform and it was withdrawn in 1993.

The revised offer, prepared in July 1993, was discussed much more widely with representatives of business and the trade unions.

Though there was general agreement on the need to reform trade policy, there were differences of opinion on how to do it.

Some favoured the complete abolition of protection while others, especially in vulnerable industries such as textiles and clothing, argued that unchecked imports would mean devastating job losses.

Finally, South Africa promised it would:

- Rationalise about 12 800 industrial tariffs into no more than 1000, and fix maximum levels for almost all of them by multilateral agreement,
- Cut industrial tariffs by an average of 33 percent by 1999, with maximum levels for consumer goods being set at 30 percent, for capital goods at 15 percent and for raw materials at five percent,
- Cut agricultural tariffs by an average of 36 percent.
- Cut agricultural export subsidies by 36 percent over 10 years.
- Scale down textile tariffs over 12 years to a maximum of 25 percent on fabrics and 30 percent on household textiles and clothing tariffs to a maximum of 45 percent.

At first the country's main trading partners tried to insist on further cuts, particularly for textiles and clothing. But SA's negotiators stood firm, backed by a consensus reached in the National Economic Forum and by the support of the ANC.

The final outcome of the negotiations is relatively favourable for South Africa, says Hirsch, though there are some tricky points.

In time, SA will have to phase out local content measures in the automobile industry. The General Export Incentive Scheme (GEIS) will be illegal. But it may be possible to negotiate longer adjustment periods, particularly if SA is classified as an "economy in transition".

South Africa's participation in the Uruguay Round will discipline the country's economic leaders and encourage the development of a more competitive industrial sector. The government will benefit from new-found credibility on world markets.

FM 22/4/94

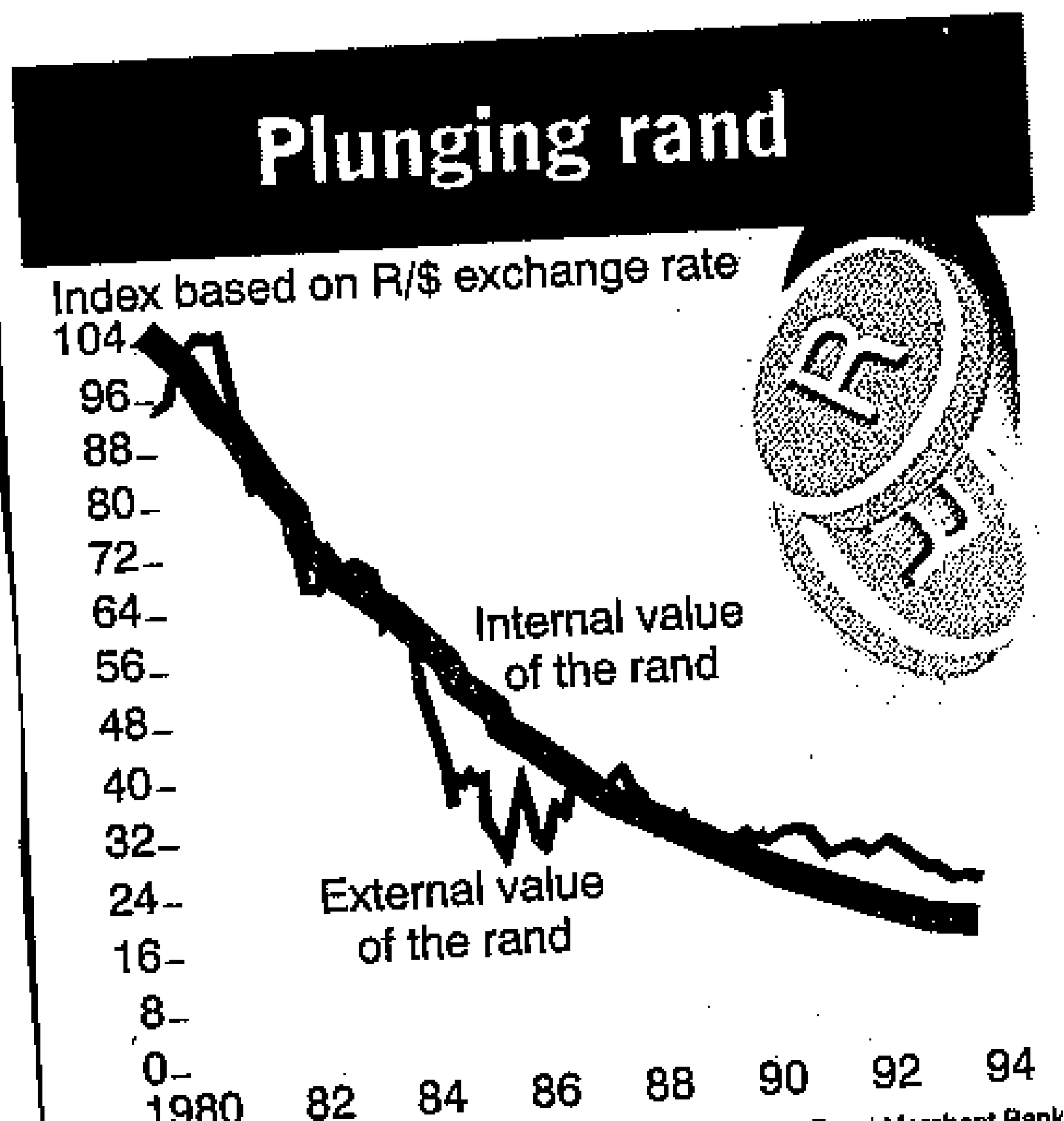
THE RAND FM 22/4/94

Confidence offensive

The rand's value, which has plunged in the run-up to next week's general election, can be expected to fall further before it recovers — as long as investor sentiment toward SA's future economic policies remains uncertain.

This level of economic uncertainty is now being addressed more seriously by the politicians. ANC president Nelson Mandela, almost certain to be the next State President, is preparing a major offensive to stabilise confidence in SA in his inauguration speech on May 10. It is understood work, by people not only in the ANC, is well under way for a speech that will emphasise sound economic policies and provide firmer quantitative details. (74)

This week the TEC is expected to put more detailed figures on the costs and financing of the ANC's reconstruction and development programme, which so far have been open to a wide range of interpretations. After the election international aid finance can be expected to be announced. And the



1994-1995 Budget, mooted for August, may be brought forward to June to cut short the period of uncertainty.

Despite international legitimacy of a new government, inflation at its lowest levels for years and the most robust GDP growth expected since the Seventies — underpinned by expansion of fixed investment — SA's currency and foreign reserves bear sorry testimony to what can happen when sentiment turns negative. (74)

This year has seen the rand tumble by 9,5% against the dollar (to around R3,60, an all-time low), 5% against the pound (R5,31), 12,5% against the yen (Y28,7/R1) and 6,5% against the D-mark (R0,47). The finrand hit an all-time low of R5,71 against the dollar last week before recovering to R5,40 by early this week.

Calculating the nominal effective exchange rate of the rand — measuring the rand against a weighted basket of the main currencies with which SA deals — Standard Bank estimates the rand's decline this year is so far almost 6%.

The rand is now, some economists reckon, undervalued. In terms of its purchasing power parity (PPP), Frankel Pollak economist Mike Brown calculates the currency's PPP should be around R3,65 by the end of the year. "It is already around these levels."

But calculating PPP is always controversial because it depends on the base year one starts off with. The graph from Rand Merchant Bank economist Rudolf Gouws shows the steady depreciation of the currency's external and internal value since 1980. The external value of the rand is an index of the rand/dollar exchange rate and the internal value is the rand depreciated for inflation.

Gouws feels the rand is near its PPP. He notes, however, that were exchange controls to be lifted the currency would fall. "On this basis it is overvalued."

Calculating the real effective exchange rate of the rand — using a weighted basket of currencies by taking into account inflation differentials between SA and its main trading partners — the Reserve Bank shows that the rand dropped almost 5% in 1993 (8,7% in nominal terms) — from 104,2 at the end of 1990 to 99,1 a year later (the index is 100 in 1990). Since 1990, the rand's real effective exchange rate peaked at 105,2 in July. Its low point was 95,1 in September. It is probably lower now but no figures are yet available. The real effective exchange rate dropped 5% in 1993 and rose 0,6% in 1992.

There is little the Bank can do — sentiment is too negative to reverse this trend.

Intervention to support the rand is expensive as it opens up foreign liabilities. SA might have open foreign facilities of R10bn-R11bn but pays for this — almost two percentage points above the Libor rate which is around 9,5%. Gold swaps are also not attractive with the relatively weak gold price.

In February the Bank tried, with limited success, to stem the flow against the rand by purchasing the currency. It is doing less now. ■

FINANCIAL MARKETS AND ECONOMIC FUNDAMENTALS

FM 29|4|94

Picking up the pieces

(74)

At the start of the week, the financial markets responded to Sunday's bomb blast in Johannesburg and the series of further blasts in various parts of the country on Monday morning. In the bond market, the rate on the R150 moved to over 12,8% on Monday afternoon, from Friday's close of 12,72%. And, in early trade, the rand rate against the US dollar hit a R3,6246 low before being rescued by Reserve Bank intervention.

Meanwhile sentiment had changed marginally in the money market, says Standard Bank treasury head John Lloyd. "Forex outflows drained liquidity, causing the market shortage to rise which put upward pressure on short-term interest rates such as the banker's acceptance rate." The three-month rate on this security had already jumped to a 10,55%-10,65% range on Friday from 10,35%-10,45% the day before and 10,15%-10,25% at March month end.

The exchange rate of the financial rand, at US$/FinR4,88 at the Monday close, was a little higher than Friday's close of FinR4,84 and lower than Thursday's $/R5,1427. The discount between the two currencies at the Monday close was only marginally higher at 26% from 25,8% at the Friday close. "This compares," says UAL economist Kau Msimango, "with the recent April high of 34,2% following the failure of talks to accommodate the Zulu king and Inkatha. But it is still well up on the 16% discount on October 8 1993, after ANC president Nelson Mandela called for lifting of sanctions late in September."

The shrinkage in the discount in recent weeks (see graph) reflects confidence of foreign investors, bolstered by the decision of Inkatha to take part in the election. They have not sold off huge chunks of their finrand holdings. And, on the JSE, the industrial index closed at 6031 on Monday afternoon, up on Friday's 5988.

This is because some important fundamentals are sound. Investec's Kevin Shames says: "On the face of it, our markets seem well underpinned. The major driving force is the industrial board. And it seems that foreign and local investors are biding by the maxim 'buy in the dips.' Any sign of weakness is met by a constant flow of buying."

Many investors have been prepared to ride out the turbulent pre-election period and wait for stability and the economic upturn which lies ahead.

Though consumer confidence appears to have fallen in early 1994, the latest foreign trade figures (see page 40) show imports of capital goods are rising which confirms the surge in gross domestic fixed investment. Southern Life economist Sandra Gordon predicts this will amount to 6% in the year.

Promising recovery

After the disruptive elections have taken place, last year's promising recovery, particularly in the manufacturing sector will continue.

Despite the output lost this month, growth is still expected in the year. Deputy Reserve Bank Governor Jaap Meijer says, while the Bank isn't in the public forecasting business, it does run an econometric model which "given a record of past events and fed a minimally adequate diet of relevant assumptions will mechanically produce projections."

This model still shows that 1994 will be a moderately good to "really quite a good year" with GDP growing up to 3%.

This would be the result of another "slight rise in real government consumption expenditure, quite significant further increase in real private consumption, a further rebuilding of real inventories and a return to positive real gross domestic capital formation during the calendar year for the first time since 1989.

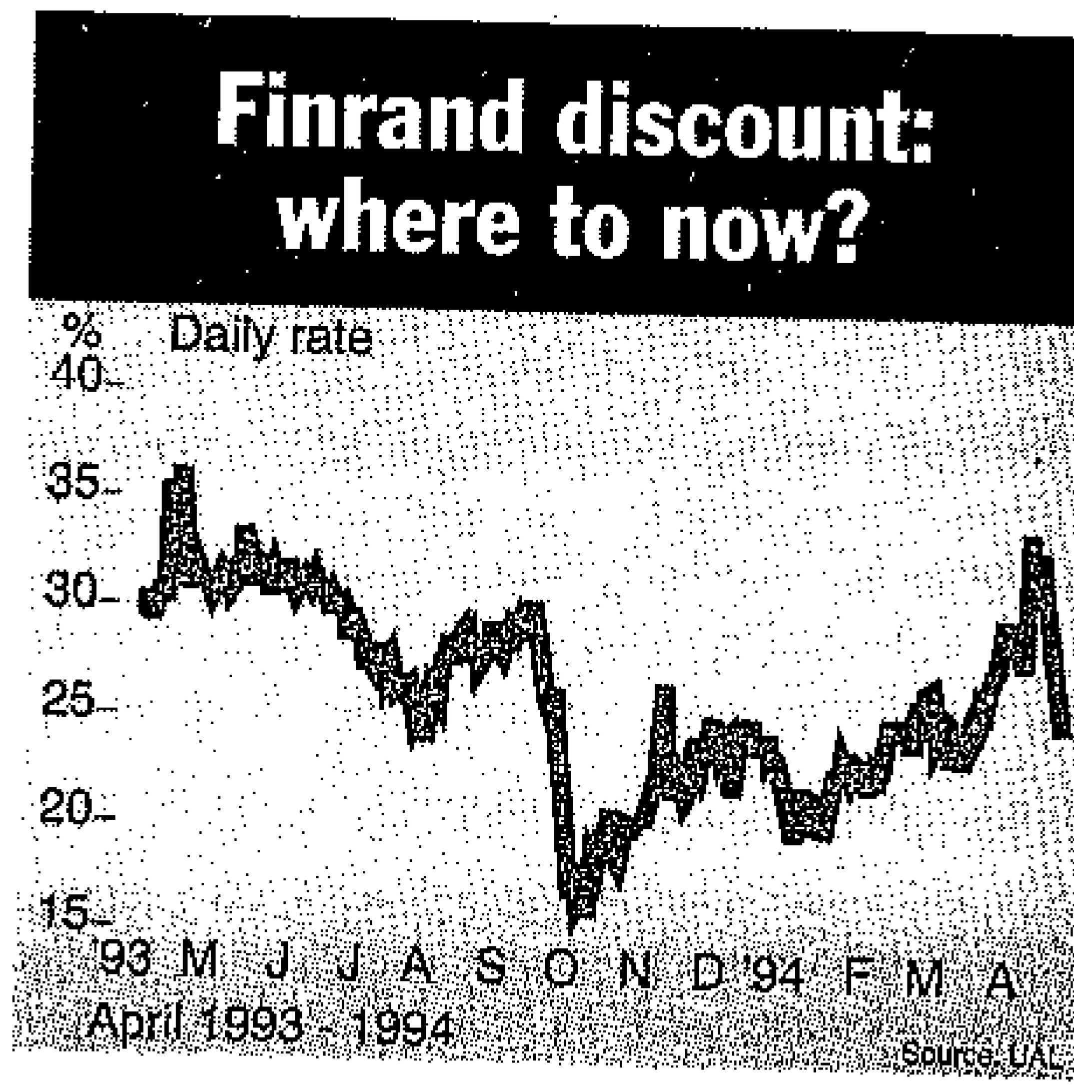
"The current account of the balance of payments should show another significant surplus, consumer price inflation would be of the order of 8% on average during the year." He points out: "The performance in 1993 — a year that was highly abnormal in many ways — provided evidence of the resilience of our economy, the irrepressible nature of many business cycle forces, and the effects of a variety of windfall factors.

"These windfall factors will still be operative in 1994.

"Among other things 1994 will show the direct and linkage effects of the excellent summer crops now being harvested. The ripple effect of the current crop will help sustain overall economic activity at recent levels. Because of the V-shaped nature of the decline in total domestic output in 1992 and its subsequent rapid recovery in 1993, a mere sideways movement of total economic activity from its level in the fourth quarter of 1993 would by itself raise total real GDP by 2,5% in 1994."

And inflation at 9% in March (0,9% lower than in February) is still safely in single digits so if forex outflows slow or stop, interest rates may decline further.

As for next year, a measure of encouragement comes from the IMF which expects the world economy to turn in its best performance since 1988. This will be a useful spur to SA's already vibrant export industry. ■



MORGAN STANLEY:

Morgan Stanley, the first US bank to enter SA since 1985, launched the first post-sanction SA fund to come to the international market. With the assistance of domestic bank, Standard Merchant Bank, it launched the US$228m Morgan Stanley Africa Investment Fund in February. The investment bank will open an office in Johannesburg in July.

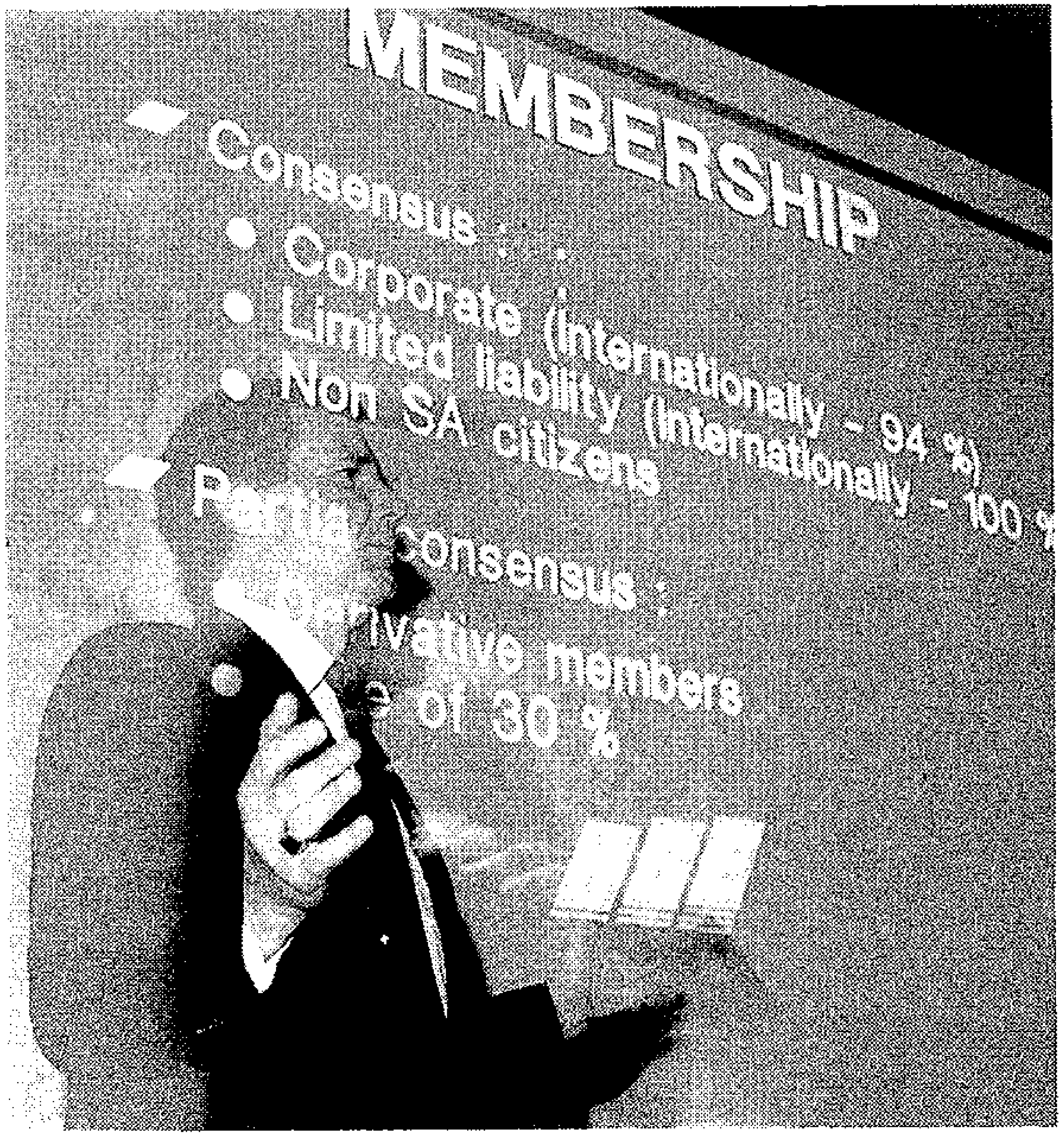
Morgan Stanley is not a returnee. It was not represented in SA before US banks pulled out in the aftermath of the 1985 State of Emergency, says Beth Mandel, who is to head the Johannesburg office.

Mandel

"At that stage, our worldwide expansion was in its early stages. We had offices only in the US, the UK, Japan, Canada and Australia." The firm now has offices in many of the world's financial centres including New York, London, Frankfurt, Hong Kong and Tokyo. It is also represented in emerging countries with offices in Moscow, Seoul, Shangai and Taipei.

"The Johannesburg office will focus on corporate advisory work and international capital markets," says Mandel, "and will also provide support for all of the other activities of the firm."

Mandel is a senior manager in JCI's corporate finance department, where she has worked since October 1992. She previously worked in corporate finance at Morgan Stanley in New York and London.



JSE president Roy Andersen presents the findings of the research subcommittee on the future structure of the exchange. Picture: ROBERT BOTHA

Commercial rand slides in the first four months

(74)

SAM SHARPE

THE value of the commercial rand, measured against a basket of currencies, plummeted 9,3% in the first four months of the year compared with a decline of 6,7% in the same period last year, the latest Standard Bank figures show.

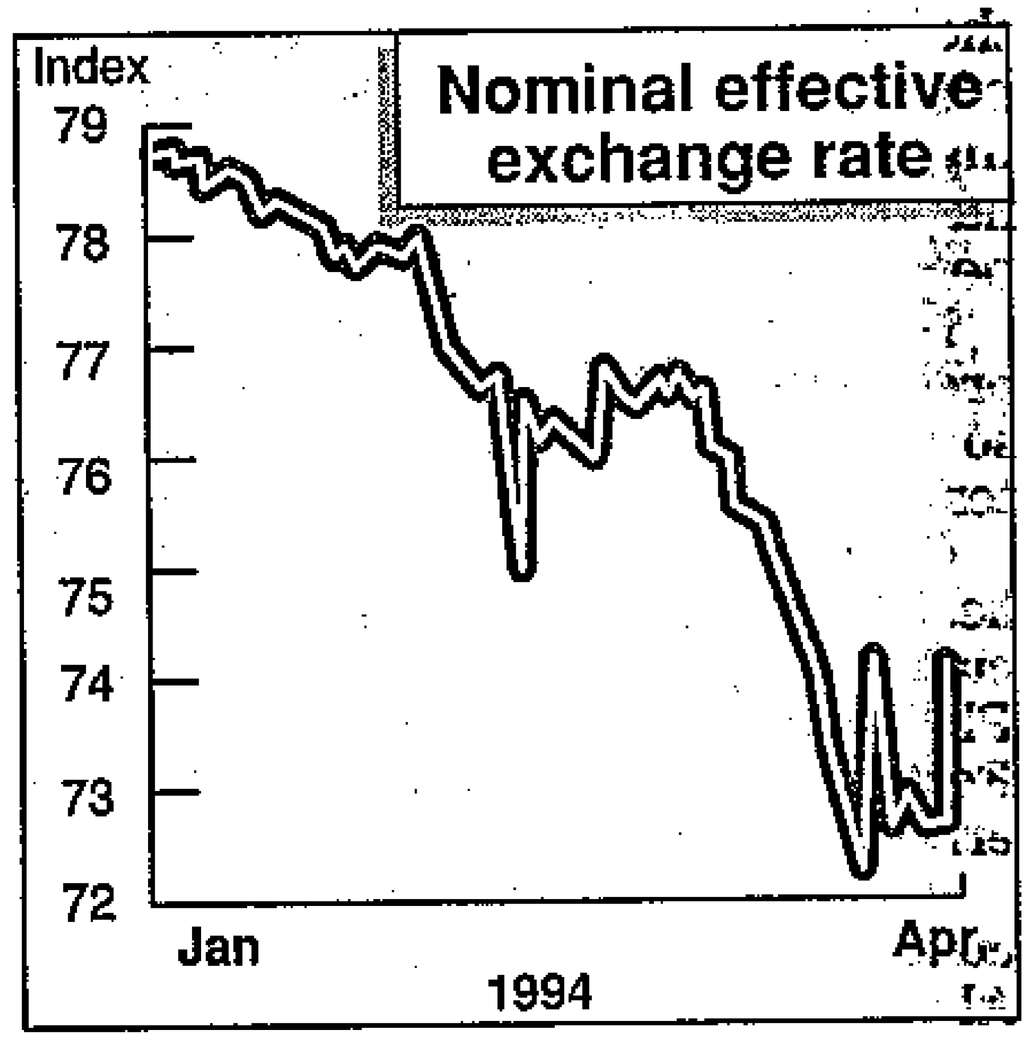
Analysts said the culprits responsible for the fall were the inflation differential between SA and her major trading partners and the country's balance of payments problems.

The magnitude of the fall in the past few months was in line with expectations in the run-up to the elections, they said.

Importers' fears that the financial rand would be scrapped after the election — combined with the conspicuous absence of the Reserve Bank in the market — sent the rand into a downward spiral.

The rand has depreciated 3,7% against the dollar since the beginning of the year, but the figure reflects a substantial recovery compared with record lows reached during April. Since the start of the year, the currency has slid 8,4% and 5,8% against the Deutschemark and the British pound respectively.

The dollar's weakness on international currency markets had benefited the rand, analysts said, but to a lesser extent than had been the case during previous periods of dollar weakness.



The dollar had failed to benefit from lower German money market rates, but was boosted by intervention by the Federal Reserve on Friday afternoon.

One analyst said the nominal effective exchange rate was unlikely to weaken significantly in the next four months provided the new government did not introduce radical new economic policies.

He warned that a definitive strengthening of the dollar, expected around September 1994, could see the start of renewed rand depreciation.

Tariffs shake-up as SA signs up for Gatt accord

S Times (Buss) 1/5/94

(74)

By CIARAN RYAN

SOUTH Africa's tariff barrier will fall from an average 21% to 14% by 1999 as a result of the General Agreement on Tariffs and Trade (Gatt) pact concluded in Morocco recently.

SA committed itself last month to a 27% reduction over five years and to rationalise 12 800 tariff headings into 1 000. But the grouping of several product types under a single heading raises fears that some tariffs could become higher than they are now.

Gatt means virtually no change for some industries. Steel tariffs, for example, will be fixed at a ceiling of between 10% and 15% compared with the current 5%. Even as the ceiling is lowered in accordance with Gatt, it will not affect existing steel-tariff levels.

In theory, Iscor could apply to the Board on Tariffs and Trade for a tariff increase, provided it remained below the Gatt ceiling.

Other industries gain generous concessions from Gatt. The motor industry, with protection of 115%, has eight years instead of five to reduce tariffs to 45%. Tariffs on components will fall from 50% to 30% by 2003. Tyres and some chemical and electronic products also have an eight-year phasing-in time span. Certain paper products have been give 10 years.

Clothing and textiles have 12 years to get their house in order. Tariffs on imported clothing will fall from 100% to 45% over 12 years, with no reduction for the first four. Tariffs on household textiles will fall to 30% in that time.

This has been hailed by some — notably those most likely to benefit from the exclusion of foreign competition — as a victory for SA.

But it has been criticised by others for serving the interests of large producers which have become inefficient through protection.

The Industrial Development Corporation says the average level of protection in SA is 21%, rising to 27% if import surcharges are added. The 15% import surcharge, introduced in 1988 to raise money for the fiscus rather than to increase protection, will have to be scrapped under Gatt rules.

Leora Blumberg, a trade attorney at Webber Wentzel, says SA's tariffs will be reduced by 27% from the 1989 base level. This will provide some comfort for industries whose tariffs have been lowered since 1989.

Economists warn that unless SA deals with structural economic weaknesses, it will lose export competitiveness. SA production costs are rising faster than those in the rest of the world.

Robin Bosomworth, of the Independent Wire Converters' Association, says the Gatt deal "exposes the myth that SA ever needed tariff protection for steel".

"Because of our distance from world markets, the Reef enjoys natural protection of 40% and the coast 25%. This is what it costs, over and above world prices, to ship steel to this country. Why do we need the current tariffs of 5% on top of this? If any country can do without protection, it is us."

The Board on Tariffs and Trade (Bott) plans to circulate a list of applied tariffs in May, detailing how each will be lowered in five years. It will be discussed by the National Economic Forum and public presentations are planned.

Miss Blumberg says SA's tariff structure is the most complicated in the world after Nepal.

"I doubt we will be able to rationalise the number of tariff headings to 1 000."

ANC trade adviser Alan Hirsch said the practice of inviting written responses to proposed tariff changes in the Government Gazette needs to be amended.

THE RAND

Election tonic in the markets

FM 6/5/94

Events in recent weeks could prove a watershed for SA's currency, its foreign reserves and its economic outlook.

On Tuesday, the value of the financial rand had moved up nearly 25% against the dollar from a mid-April trough — as the exchange rate moved from about FinR5,7 to the US dollar to about FinR4,6. The commercial rand performed less well but this has been attributed to a demand for import dollars rather than a reflection of investor expectations. It improved only 3% as the exchange rate moved from R3,64 to R3,53.

In the bond market, rates on the benchmark RSA150 fell from 13,33% to 12,43% between the middle and the end of April. And, on the JSE, the overall index rose from 4975 to 5374.

The question now posed by those in the markets is: what will it take to get the big players back into SA? Interest has quickened since the election.

Chris Lombard of Standard Bank's international division reports that, at the start of the week, the bank received several inquiries from foreign banks wanting to establish or strengthen ties with SA. "They had been expecting the worst and were very relieved that the election passed so peacefully."

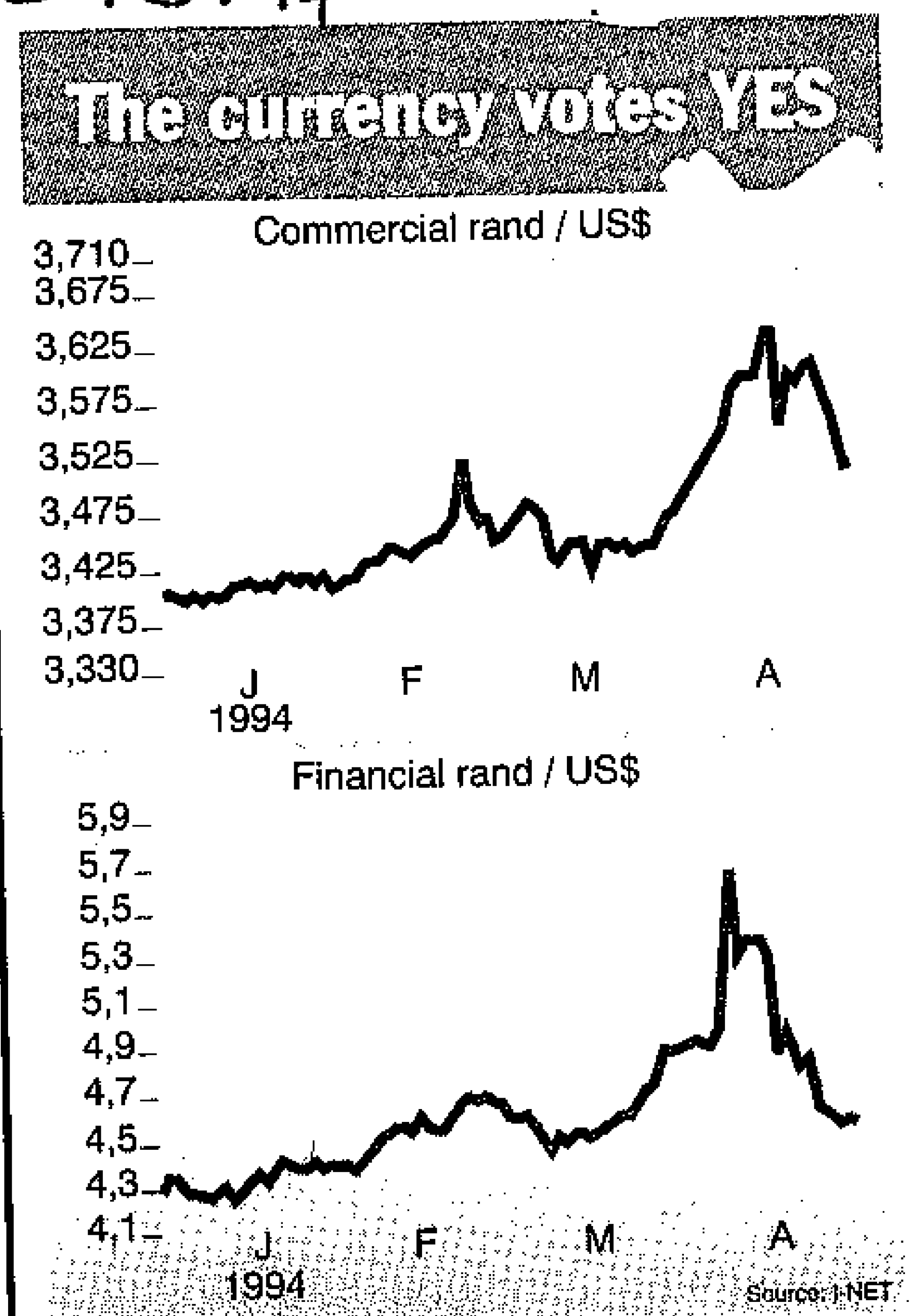
And representatives of foreign banks interviewed this week say there could be a "meaningful" increase in credit limits from banks which have been waiting to see how stable SA will be after the election.

But we will have to wait a few weeks to see if improved sentiment pays off in a substantial increase in short-term (up to 180 days) trade finance. It will be even longer before funding beyond 180 days becomes readily available. Since sanctions were imposed in 1985, most foreign banks have limited their exposure to SA to short-term trade finance. The Swiss Federal Banking Commission, for example, requires banks to make additional provisions for any finance which isn't trade related and with a maturity of over 12 months. This has been a powerful disincentive which is still in place.

This will only change, say representatives of foreign banks, once foreign companies start making direct investments in SA.

"A SA debt issue could contribute to a build-up in foreign reserves," says Standard Bank treasury head John Lloyd. Several issues took place in 1991 but capital raising has been on hold since the controversy over the US$100m Eurobond issue attempted by the Independent Development Trust in 1991. This was abandoned in the face of opposition from the ANC. Now bond issues can resume if conditions are favourable (see page 43).

There is a lot of ground to regain. For a long time, leads and lags have been unfa-



(74)

vourable — importers have been covering commitments for fear the rand would weaken further and exporters have been delaying payments (though in line with exchange control regulations) to get the benefit of a higher rand income.

But the danger that the country's reserves will be exhausted is receding. How quickly the reserves are restored to health depends on the first moves by the government of national unity. Foreign investors judge a country by its economic policies and the relative returns it offers, compared with those in other countries. ■

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Manuel assures G7: 'We're no basket case'

WARSAW. — Trevor Manuel, Trade and Industry Minister designate, told the Group of Seven (G7) industrialised nations at the weekend that South Africa needed help to reform but was not a "basket case" seeking aid.

Manuel flew to Warsaw on Saturday, where G7 ministers and ministry officials were attending an economic conference, to brief them on SA's needs and plans just hours after being nominated to the new government. 74

"We have not come here to present South Africa as a basket case," Manuel told a joint news conference with US commerce secretary Ron Brown. CT 9/5/94

"We are saying it is more than just about the aid package — it is about overall assistance for the repositioning of South Africa in the global economy," he said.

Brown and officials from the other G7 countries — Britain, Canada, France, Germany, Italy and Japan — said at a breakfast meeting on Saturday they were united behind the need to encourage private investment for SA.

G7 ministers attending included Brown, German Economics Minister Guenter Rexrodt and Japanese Trade and Industry Minister Eijiro Hata.

Brown said the G7 countries were keen to help attract private investment and boost trade to help make the transition to a non-racial democracy successful.

"I would be very surprised if all of the G7 countries did not come forward with plans for a strategic approach to economic development of the kind the minister-designate mentions," Brown said.

"That is — that which is focused on long-term economic growth, that which is focused on job creation and that which is focused on the private sector," he said.

"We did not get into specifics," Manuel said.

"The meeting was fairly exploratory, a brief first opportunity in beginning to shape the basis of discussions on both a mulitateral and biliateral level with the G7 countries as a starting point," he said.

The US has already announced a doubling of its assistance to SA of $600m over three years.

Japan has said it is ready to extend aid to help improve SA's economic and social infrastructure, and Britain has pledged to give more than £100m in aid to SA over the next three years.

Manuel said the key economic aims of the new government would be job creation, creation of small and medium-sized enterprises and getting the country's markets to function efficiently.

He gave no details of how this would be achieved, except that economic reforms would go hand-in-hand with social changes. — Reuter

THE STAR / TUESDAY MAY 17 1994

BUSINESS

Star 17/5/94

Bank borrows to support rand

74

BY NEIL BEHRMANN

London— The Reserve bank' is using large short term foreign central bank credit lines to support the rand.

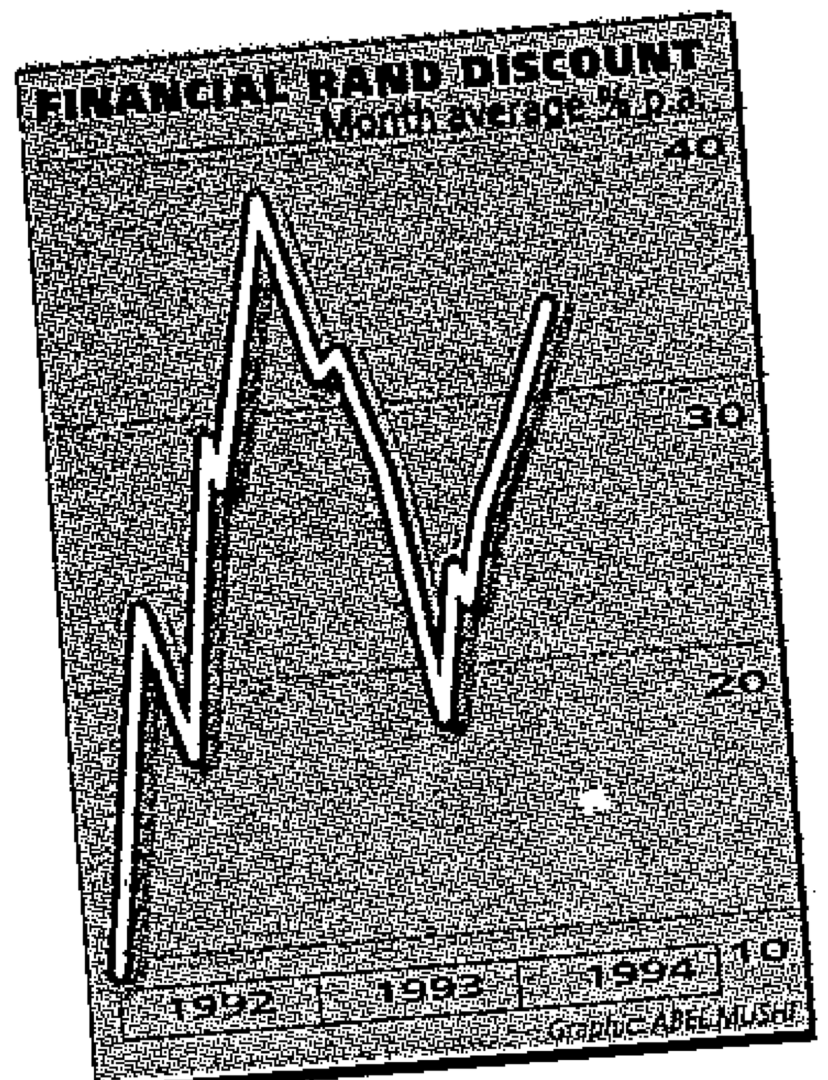
Jonathan Leape, who heads the London School of Economics Centre for the study of the South African economy and international finance, estimated that the Reserve Bank had so far made use of around R5 000 million from central bank credit facilities worth R11 000 million.

After short-term liabilities are taken into consideration, SA's monetary reserves were effectively zero, he said.

Leape included gold reserves in his calculations.

Excluding gold, the net foreign exchange reserves are thus negative.

Leape, speaking at a London conference on securities investment in SA, said that the unpopular finrand would remain in operation for at least a year to 18 months.



Before there was a unitary currency, the financial rand's discount to the commercial rand, (currently around 25 percent) had to narrow substantially.

The analysis of Leape illustrates that unless there is a major metals and diamonds boom or an infusion of substantial long-term funds, the rand could continue to slide.

Leape and an African National Congress delegate, Letsetja Kganyago said that South Africa was likely to enter the international capital market in the third quarter this year.

The rand could possibly stabilise then.

About 35 institutions attended the conference, co-sponsored by former SA ambassador in London, Dennis Worral.

The main concern of the delegates was that South African shares were not sufficiently marketable.

Michael Spriggs, an analyst of SG Warburg Securities rated South Africa as the fifteenth biggest stockmarket in terms of market capitalisation.

"The problem, however, is that only a small proportion is traded," said an institutional delegate.

"It is very difficult to buy and sell sizeable quantities when it suits us.

"The Johannesburg Stock Exchange recently announced that it would take measures to increase volumes."

For the moment, illiquidity discourages foreign investors and only last month US institutions were pummelled by a collapse of the volatile finrand.

Hugh Broadhurst, a director of Coronation Asset Management, A Cape Town-based investment company, estimated that the equivilant of only $8 billion worth of shares or about 9 percent of the All Share market capitalisation on the JSE was traded in the past twelve months.

Of that amount 10 counters accounted for 50 percent of the dealings, a further 19 shares 30 percent of the total and the remaining 121 shares 20 percent.

Heseltine leads trade tour to SA

CT 17/5/94 (74)

By CHRIS BATEMAN

SETTING up import agreements for high-tech capital equipment to make the Western Cape more internationally competitive is top of the agenda when Britain's Trade and Industry Minister Mr Michael Heseltine visits in July.

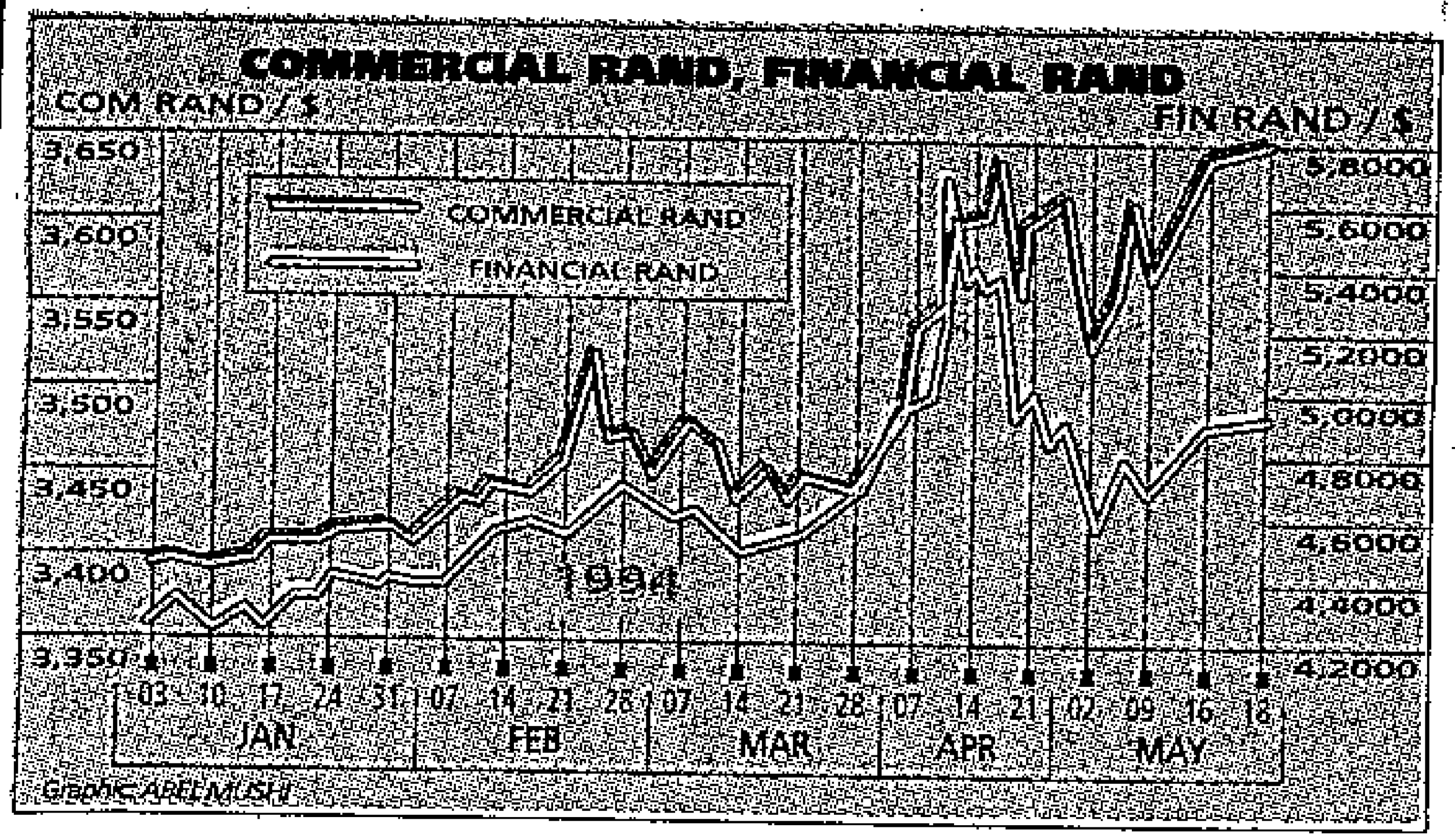
"We're thrilled about it — it's a clear indication ... the UK is serious about strengthening trade links," said Cape Town's assistant director of commerce Mr Albert Schuitmaker yesterday, after it was confirmed Mr Heseltine and a delegation of 50 hand-picked British businessmen would begin their tour of South Africa in Cape Town.

High-tech capital equipment imports were crucially important if Cape Town was to have any chance of upgrading the competitiveness of the clothing, footwear, textile and food processing sectors, he added.

Mr Schuitmaker said that a Cape Town trade mission, headed by former chamber president and present Wesgro chairman Mr Anthony Coombe, would stop off in London in a fortnight's time en route to Scandinavia. He was certain mission members would take advantage of the opportunity to make contact with Mr Heseltine's ministry.

Star 19/5/94

No respite for ailing commercial and financial rands



■ BY CLAIRE GEBHARDT

Despite a miracle election, the commercial rand remains under pressure as foreign investors adopt a wait-and-see attitude.

Analysts said yesterday investment decisions were being delayed until there was clarity on economic planning.

Adding to negative sentiment was the announcement that the Reconstruction and Development Programme (RDP) would cost R80 billion instead of R39 billion, that transition costs were R3 billion over budget, and the 25 percent wage hike demanded by the National Union of Mineworkers (NUM). (7e)

Dealers said the foreign cash crunch was causing the rand to plummet and threatened to boost inflation.

Yesterday the commercial rand fell to a record low against almost every currency, dropping to R3,6698 against the dollar, and to an all-time low of R5,51 against sterling.

The finrand was also weaker at R4,95 from R4,68 last week.

The failure of the commercial rand to stabilise suggests foreign capital inflows are insufficient to replenish SA's foreign exchange reserves, depleted by debt repayments and politically motivated capital outflows.

This limits Reserve Bank intervention to defend the value of the rand.

FNB Treasury head Peter Carroll said bullish sentiment post-election hadn't translated into a massive capital inflow.

"There is still demand for dollars and we've not seen foreign funds or bank credit lines restored yet."

Standard Bank Treasury head, John Lloyd said the rand would continue to weaken while reserves are under pressure.

SA wants trade, FW tells Britain

(74) ARGUS 19/5/94

The Argus Foreign Service

LONDON. — Vice-president De Klerk arrived in London today and immediately made it known he was looking for increased trade with and investment from Britain.

Mr De Klerk told reporters: "That is what South Africa now needs. We need to create jobs. We need to get dynamic economic growth."

And he made it clear that now sanctions were a thing of the past, he would press British Prime Minister John Major for even greater co-operation between the two countries.

Quizzed about the news that the ANC's reconstruction and development plan was likely to cost double what had been estimated, Mr De Klerk said: "In the election campaign we (the National Party) predicted that. We are now negotiating a policy framework with the reconstruction and development programme as a basis document and hopefully during the debate in parliament next week there will be more clarity with regard to what can be achieved within the framework of what is economically viable."

Mr De Klerk, who is in London to deliver the London Sunday Times Nobel Laureate lecture at the Royal Albert Hall tomorrow night, was due to meet Mr Major this evening. He was also scheduled to hold talks with Labour Party deputy leader Margaret Beckett.

He will give a series of newspaper, radio and television interviews before returning to South Africa on Sunday.

Big trade deal offered to SA

ARG 19/5/94 (74)

Political Staff

THE European Union is reported to be ready to negotiate a special trade agreement with South Africa which could have a huge impact on most of the country's exports.

It is understood that EU development commissioner Manuel Marin told delegates to a conference on preferential trade in Mbabane, Swaziland, that the new deal could be negotiated whenever the South African government was ready to begin talks.

The EU move follows the announcement by President Clinton that a wide range of South African goods will be allowed into the United States duty-free, and a similar announcement by the Canadian government.

South Africa exports more than R25 billion in goods to European countries each year under existing trade arrangements. Trade with Europe vastly eclipses trade with all other areas of the world, including Africa and North America.

Meanwhile Agence France Presse reports from Mbabane that Mr Marin assured African, Caribbean and Pacific (ACP) nations yesterday that EU co-operation with South Africa would not be to their detriment.

Speaking at the beginning of a three-day meeting there to revise conditions for aid and preferential trade between EU and ACP nations, Mr Marin said democratisation in South Africa would "open the way to the normalisation of relations" between South Africa and the EU.

Participants at yesterday's meeting had raised the issue of South Africa as they feared it could dominate the ACP grouping of 70 nations if it were to join. Earlier, ACP countries asked that South Africa not be invited to the meeting.

The Mbabane meeting, the 19th of ACP and EU ministers, was to enable participants to launch a mid-term review of the Lome IV trade-and-aid convention, which regulates trade and aid and which expires in 2000.

The convention, established in 1975 as a managed trade mechanism to give the former colonies of European countries privileged access to the old European Economic Community, is not expected to outlast the decade.

ACP members were hoping the EU would increase the figure of 12 billion Ecu (about R50,4 billion) which Europeans paid out over the first five-year period to finance the convention.

Greek foreign minister Theodoros Pangalos, who presides at EU foreign ministers' meetings, meanwhile said South Africa's transition to democracy was the "only way possible to resolve internal conflicts" and said there were "promising" signs of future co-operation between South Africa and the ACP countries.

Mr Pangalos assured ACP members that Europe was determined to keep up its aid to the ACP to help them underpin their long-

…he EU's ACP partners …ll solidarity of the Euro- …ever its other commit-

SA trade figures take a knock

Business Editor (74) ARLT 25/5/94

A combination of factors, including the elections and diamond sale figures gave South Africa's trade figures a 35 percent downward knock in April.

The figures also confirmed companies are starting to increase investment as the economy starts growing with machinery import figuures staring to show a solid rise of 35 percent between January and April.

Economist said trade figures were still in good shape.

The latest figures had been thrown out of kilter by the public holidays for Easter and the elections in April leaving only 16 working days. The figures had also been affected because two months of diamond sale figures had been included in March.

According to figures issued by the Department of Customs and Excise the surplus of exports over imports last month was R1 6 billion compared to March's R2,5 billion. Exports dropped to R6,6 billion (R8,2 billion in March) and imports to R5 billion (R5,6 billion).

The trade surplus for the first four months of this year was R6,4 billion compared with R4,7 billion for the first three months.

Imports of machinery in the first four months continued to rise and accounted for R7 billion from R5,4 billion in the three months to March.

The unclassified goods and balance of payments adjustments category, which includes gold, oil and arms, increased to R11, billion in the first four months of the year against R9,5 billion in the same period a year ago.

Europe remained South Africa's biggest trading partner with imports for the four months at R10,4 billion and exports at R8,4 billion. Next was Asia with imports of R5 billion and exports of R4,3 billion. Exports to Africa accounted for R2,3 billion with imports for the period of R678 million while exports to America were R2 billion and imports R3,4 billion.

■ South African business began a seven-day marketing blitz in the Persian Gulf yesterday, aimed at bolstering burgeoning trade and commercial ties, reports Sapa.

Exponential trade growth with markets established mainly last year in the United Arab Emirates and Bahrain is being consolidated and a new initiative is being undertaken to re-open old markets, particularly Iran.

Diplomatic relations have only recently been formalised, with Pretoria siging agreements with Abu Dhabi (the federal capital of the UAE) last week and with Teheran two weeks ago to exchange ambassadors.

The South African Foreign Trade Organisation (Safto) started its marketing drive yesterday by hosting a business seminar in Bahrain.

BRIEFING Edited by Mike Siluma

THE STAR / MONDAY MAY 30 1994

*The rand has fallen to its lowest level yet against the dollar. Why? Will it recover? Business Editor **John Spira** looks at these and related issues*

Beating inflation vital for healthy rand

74

Why is the rand so weak, having declined by as much as 8 percent in dollar terms since the beginning of the year?

South Africa's currency is in a long-term downtrend in relation to the world's major currencies because its inflation rate is higher than that of its main trading partners.

A contributing factor is the low level of South Africa's gold and foreign exchange reserves — the currency with which the country pays for its imports and which serves as indirect backing for the value of the rand.

How come inflation enters into the equation? Isn't the inflation rate only relevant to the purchasing power of the rand inside the country?

A domestic inflation rate higher than that of our trading partners means that the goods we export become increasingly expensive to foreign buyers and hence less competitive in the world market.

The only way in which the competitiveness of our exports can be maintained is either to reduce our inflation rate to a level (close to) that of the ... major trading nations, or to lower the prices of those goods by (devaluing) our currency.

exporter who, in consequence, will probably retain the contract.

Should we not, then, pursue an active policy of ongoing rand devaluation, thereby boosting our exports and taking the strain off our gold and foreign exchange reserves?

Problem is, every action generates a counter-reaction. While a falling rand tends to boost our exports, it makes our imports more expensive, since we are then obliged to pay more rands to buy goods priced in foreign currency from other countries, which not only places additional strain on our reserves, but serves to import inflation.

Why are our reserves so low when our export performance has been so buoyant, largely, one assumes, because the falling rand has rendered our exports attractive to foreign importers?

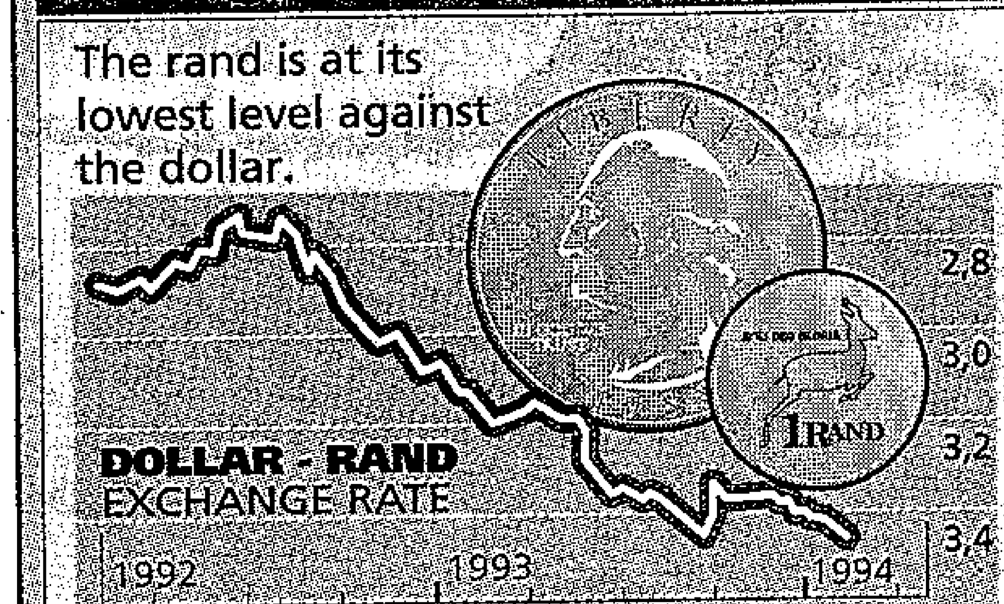
Simply expressed, a country's balance of payments comprises the difference between money flowing out of the country and money flowing into it.

If more money flows out than flows in, the difference must be met by drawing on the country's reserves of gold and foreign currency. If more flows in than out, the total value of the reserves increases.

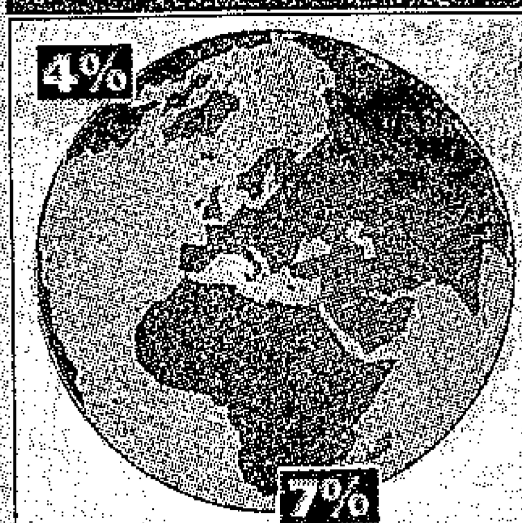
HOW WE CAN FIX OUR CRUMBLING RAND

HOW IT'S FALLEN

The rand is at its lowest level against the dollar.



WHY IT'S SO SICK



■ Our inflation rate is higher than that of our trading partners.

■ Our gold and foreign exchange reserves are too low.

Foreign exchange is the currency used to pay for imports and serves as indirect backing for the value of the rand.

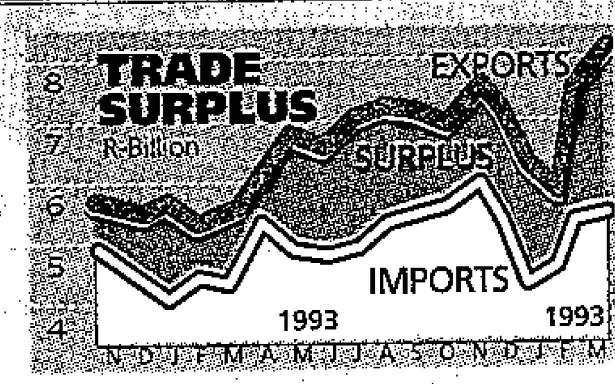
WHY NOT DEVALUE?

■ Shouldn't we, then, devalue the rand and make our exports cheaper?

■ Yes, this would help our exports but would hit our reserves and balance of payments badly.

WHAT ARE BoP & RESERVES?

■ Balance of Payments is the difference between money flowing into the country and leaving it.



■ Gold and foreign exchange reserves are the currency with which we pay for our imports.

WHY OUR RESERVES ARE LOW

■ R3,2 billion flowed out of the country in the first four months of this year.
That means we lost about R27 million a day.
Some was smuggled out illegally but most of the outflow was caused by international investors losing confidence, withdrawing money, not investing and not renewing loans.

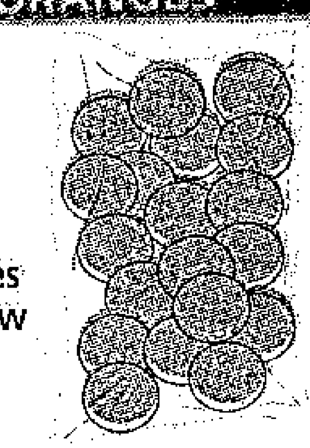
HOW INFLATION HITS RAND

■ Inflation doesn't affect only the value of the rand inside South Africa.

CASE OF THE ORANGES

■ We export oranges to the US where they sell for R50 a bag.

■ Our inflation rises by 10% and we now charge Americans R55 a bag.



■ US inflation is 4%. Our oranges are too expensive and we lose the market.

■ Importers have been buying currency insurance (forward cover) to protect themselves against the falling value of the rand.

Is the situation likely to improve?

Capital has flowed out of South Africa principally because foreign investors and lenders have been scared off by high levels of violence.

Even investors who believed that violence would abate after the election, remained unconvinced about South Africa's future viability because the new government was an unknown factor.

To assure the outside world that South Africa's future will be peaceful and prosperous, current (much lower) levels of violence must not be allowed to accelerate and the new government must prove that it is capable of running a clean, efficient administration dedicated to free market principles.

If this can be achieved (obviously, it cannot happen overnight), foreigners with loans and investments will not withdraw their money from South Africa, while new money will flow into the country from investors, banks and international institutions.

Assume an exporter is selling a crate of oranges to the United States for R50. The US importer pays for the merchandise in his currency — $13,70 at the current exchange rate.

A year from now, as a result of local inflation of (say) 10 percent, the South African exporter is having to price his oranges at R55 a crate. Over the same period, the US inflation rate is 4 percent, which means that American oranges have become relatively cheaper than South African oranges ... As a result, the South African exporter could well lose a lucrative export contract.

However, if over this period the rand has declined in value against the dollar to, say, R4, then the US importer will be paying much the same (in) dollars as he did a year ago for his oranges from a South African

The balance of payments divides into ... the current account and the capital account. The former is the difference between the value of exports and the value of imports, while the latter relates to capital (loans, investments, payments) flows.

In South Africa's case, the current account has been positive for several years, with the value of our exports having consistently exceeded the value of our imports.

However, the benefits achieved on the current account have been consistently offset by the negative behaviour of the capital account. In other words, a lot more capital has been flowing out of the country than has been flowing into it.

The deficit on the capital account must have been huge. Is this because so many have been spiriting money out of the country illegally?

During the first four months of this year, South Africa's net outflow of capital totalled R3,2 billion — a substantial sum of money indeed, equivalent to R27 million a day.

While it is no doubt true that money has been leaving the country illegally via various means, this probably accounts for only a small fraction of the capital account deficit.

The bulk of the deficit stems from foreigners having withdrawn money from South Africa on a strictly legal basis.

Thus, among other factors:

■ Loans to South Africa have not been renewed (for political and other reasons).

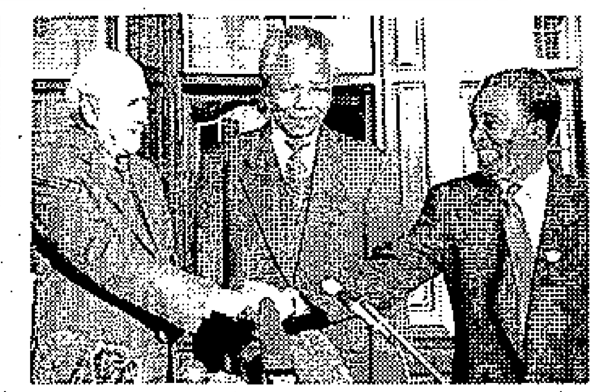
■ Investments by foreigners have been sold and the proceeds repatriated.

■ Overseas exporters have required immediate payment, whereas South African exporters have tended to request delayed payment in order to reap a currency gain.

THE MAIN CAUSES

■ Capital has flowed out mainly because foreign investors have been scared off by the high levels of violence which put their money at risk, and their uncertainty about the new government, its policies and its ability to govern.

WHAT MUST BE DONE

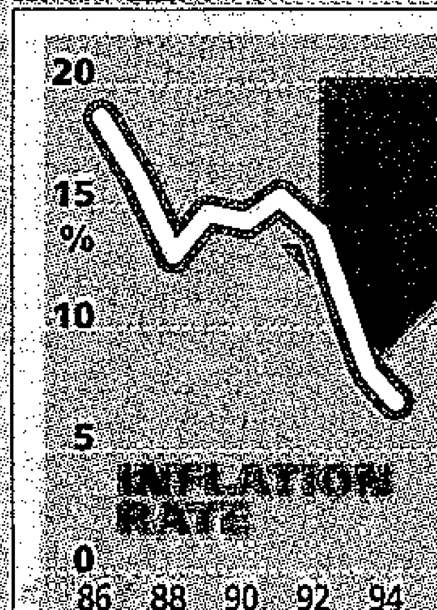


■ Violence must be cut drastically.

■ The Government must prove it can run a clean, efficient administration dedicated to free market principles.

■ If this happens the whole trend will reverse.

BUT BEWARE



■ Curbing inflation is the priority but the better our reserves the greater the risk of higher inflation as we have more money to spend on exports and at home.

This tightrope act will be one of the great challenges facing the Government.

South Africa's reserves should consequently build up and expansion of the economy would become a cornerstone of monetary policy.

What of inflation? A less onerous reserves position could shift inflation into higher, not lower, gear. And if inflation remains high, won't the rand continue to decline?

The inflation outlook is less promising than are the prospects of a healthier bias in the gold and foreign exchange reserves.

Yet the caveat that the new government runs a clean, efficient and free market orientated administration implies that great stress will be laid on curbing inflation.

If it isn't, the reserves will remain under pressure, the economy won't grow and the rand will remain weak.

SA trade stimulus 'on the way'

□ European Union planning preference system for wide range of goods

(74) ARG 20/5/94

TOS WENTZEL
Political Staff

HUGE trade and development aid for South Africa is on the way from the European Union and the cabinet will soon decide on a strategy for negotiations with the EU on the deal.

Details of the EU's plans have been disclosed by European Community ambassador Mr Erwan Fouere, who was accredited as ambassador to South Africa earlier this year.

The EU proposals would cover economic and trade co-operation, including the extension to South Africa of a generalised system of preferences.

Development assistance programmes are also being stepped up.

At present South Africa is not covered by the benefits of the Lome agreement which go to 70 African-Caribean-Pacific (ACP) nations which have just had an annual conference with ministers of the 12 EU countries in Mbabane.

The offer of beneficial trade agreements with the EU follows South Africa's transition to democratic government.

Mr Fouere said extension of the preferential system would provide for better access for certain South African products on the European markets.

At present Europe absorbed 40 percent of South Africa's exports.

The EU had reaffirmed its commitment to contribute in every possible way to the transition process, particularly as regards economic and reconstruction efforts.

"For this year alone the EU is allocating R440 million to development assistance in South Africa," he said.

This would go especially for education and training, rural development, health and projects relating to public administration.

The EU was also offering economic co-operation as far as medium and small-sized enterprises were concerned. This included soft loans, capital investment in training, market surveys and joint ventures with European concerns.

"Development assistance will include a regional component and attention to how South Africa can relate with the rest of the Southern African community."

This issue would be addressed at a conference be held in Berlin in the first week of September where EU ministers and other interested parties would meet.

There was interest in the regional aspect of the transition process and how Europe could contribute to strengthening co-operation between South Africa and its neighbours.

Mr Fouere said the new government had been offered various options covering trade and development assistance and it was now for it to decide on this.

Department of Foreign Affairs sources said a working group which included representatives of trade and commerce, academics, the ANC and the department had completed a report on the strategy for talks with the EU. It covered a wide range of issues.

This included a system of preferences, market access, assistance with investment and special programmes on development aid.

Other issues were political dialogue on South Africa's regional role and technological co-operation.

This followed a visit to the union's headquarters by a subgroup on foreign affairs of the Transitional Executive Council.

A report had been submitted to the cabinet.

SA 'lags behind in liberalisation'

BDay 11/6/94

SAMANTHA SHARPE

SA RAN the risk of being left behind by the rest of the world when it came to financial "liberalisation", Standard Bank said in its latest economic review.

The review said SA's legacy of exchange rate controls was contrary to international trends.

"The continued existence of comprehensive exchange controls in SA puts the domestic economy at odds with international financial developments," the review said.

The issue of opening up domestic economies to the rest of the world was high on the agenda of countries from Latin America to Europe — and Africa and was being discussed as a matter of urgency.

Opening up to foreign markets was tackled by a structural reform programme focused on removing exchange rate controls, but such a programme did not exist in SA.

Exchange control instead sent a message to international investors that SA feared that capital could flow out of the country, and acted as a disincentive to investment. But sustained economic growth was dependent on the country's ability to attract direct financial investment, the report said.

The mechanism was no solution to the fundamental problems underlying capital outflows, which have long plagued SA. They were often circumvented.

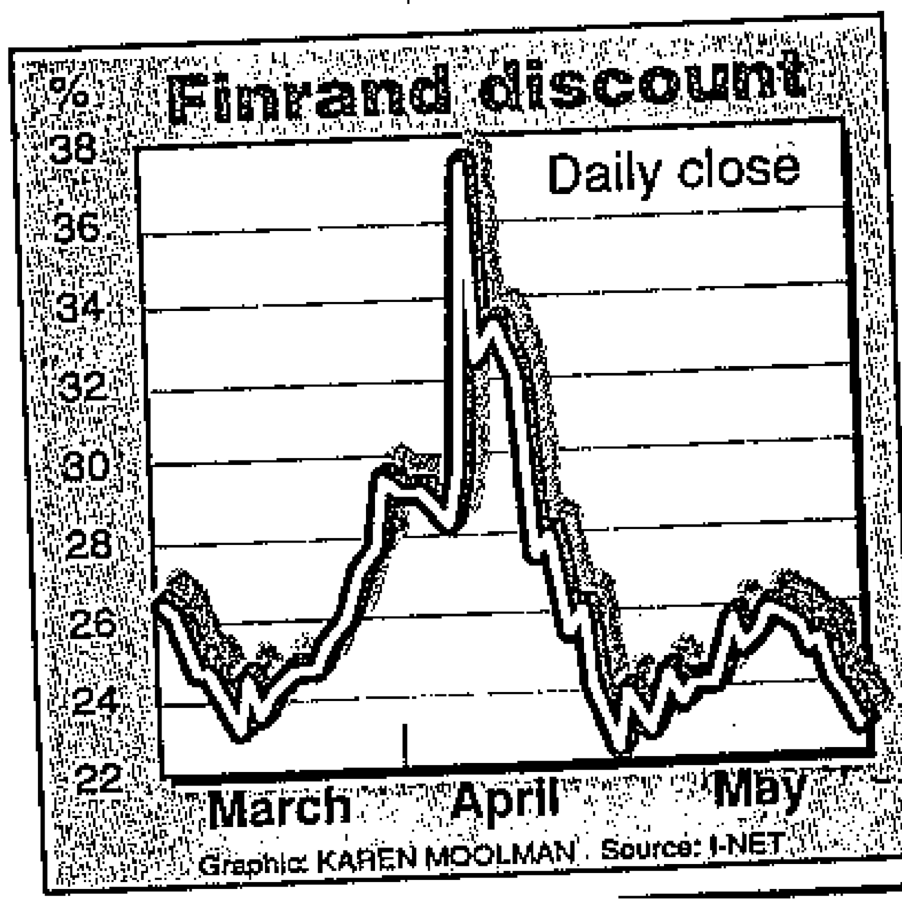
While some of the legwork to eliminate exchange controls had been done, there were several factors stopping the Reserve Bank from "relaxing, phasing out or abolishing" controls.

(74)

These included the discount rate between the financial and commercial rands and in the Bank's pool of finrand deposits — around R4bn.

The discount had been remarkably volatile in the period leading up to and following the elections.

Conditions attracting long-term foreign capital to SA had to be created. This could be accomplished by sustained economic and political stability and by economic policies regarded as "sensible and credible" by domestic and foreign investors, the report said.



Europe ready to open its doors in Cape Town

ARG 74 1/6/1994

TOS WENTZEL Diplomatic Correspondent

THE European Union is stepping up its efforts to start negotiations with South Africa on a firmer and wider relationship and is to open an office in Cape Town to facilitate discussions with exporters and importers.

"The EU is ready to start as soon as the South African government is ready. It wants to reaffirm its commitment to the transition process and its willingness to contribute to the reconstruction and development programme," EU ambassador Erwan Fouere said in an interview.

He added that in September there would be a conference in Berlin to consider how the union could contribute to cooperation between South Africa and its neighbours, and visits by European trade missions and ministers would be organised within the next few months.

"This will be important in formally establishing a stronger European presence in this country. All these efforts are important to the reconstruction programme.

"Each of these visits will provide an impetus in bringing more European businessmen to this country strengthening links with the local business community," he said.

Mr Fouere emphasised that the EU was keen to start talks as soon as possible to establish long-term relationships. One of the priorities would be to decide on the role Europe could play in the reconstruction and development programme.

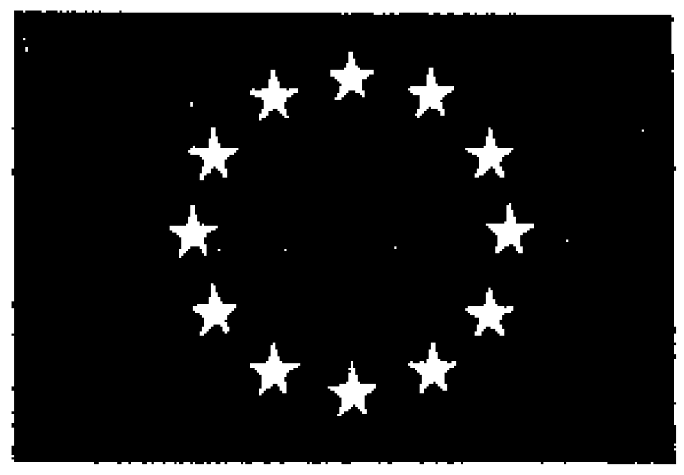
At present it has only an ambassadorial office in Pretoria which opened at the beginning of the year.

He visited Cape Town last week and will be based here in future during the session of parliament.

He said that a new agreement could result in huge trade and development aid benefits for South Africa.

The EU is also keen to encourage cooperation between South Africa and its Southern African neighbours to ensure political stability in the region and to encourage business and foreign investor confidence.

Mr Fouere said that before talks started the EU would evaluate all its present links to see how they could be strengthened.



The European Union flag

He has met Minister of Trade and Industry Trevor Manuel in the past few days to discuss the timing of the start of negotiations.

He has also had talks with new Minister of Health Nkosazana Zuma.

Relations with non-governmental bodies were widespread, in the Western Cape as well as the rest of the country. These were in education and training, rural development and health.

About 22 000 students in tertiary education throughout the country had benefited through projects run by bodies such as the Kagiso Trust.

In his discussions with Dr Zuma priorities in the health field had been raised.

Problems facing women were being addressed through the Pambili Trust.

Mr Fouere said talks with Cape Town businessmen would aim at facilitating and stimulating increased trade between this area and Europe.

There would also be discussions with sub-offices of the European chamber of commerce in Cape Town.

A federation of European chambers of commerce, linking the 12 member states of the EU, would be launched in Johannesburg on June 7.

Relationships with UCT and UWC would be strengthened and some links started with Stellenbosch. Studies in European issues and on relationships between Europe and South Africa would be encouraged.

Europe was South Africa's largest trading partner absorbing about 40 percent of its total exports. Europe also had the largest foreign investment, 52 percent, in South Africa.

Apart from its priority areas of education, health and rural development the EU was also interested in stimulating good government and human rights.

ort

Manuel unveils trade roadshow

74

CT 2/6/94

From SIMON BARBER

WASHINGTON. — Trade and Industry Minister Trevor Manuel yesterday unveiled what was billed as SA's "largest trade initiative with the US" at a press conference here.

The high point is to be a three day trade expo entitled "SA and the USA — strengthening the link", to be held at the Jacob Javits Convention Centre in New York in September.

The initiative also includes a series of seminars for US businessmen later this month and an SA arts and crafts market to be held in New York's Grand Central Station June 20-24.

It is hoped that the market will catch the attention of the 500 000 commuters who pass through the station daily.

The seminars will be offered in Washington, New York, Philadelphia, Boston and Chicago over the week beginning June 17.

Speakers include DTI foreign trade director Bert Pienaar, Ambassador Harry Schwarz, Safto CE Len Van Zyl, Council of Southern African Bankers CE Piet Liebenberg and Wits marketing professor Dr Steve Burgess.

The trade show's major sponsor is COSAB, an umbrella group representing Absa, Standard, First National and Nedbank.

"Banks have traditionally followed their customers, but in the case of the US our members have already established links with US banks in anticipation of growing trade," Liebenberg said.

COSAB would help exporters in both countries "identify the right banks and make the necessary introductions".

Investment in SA will meanwhile be the subject of two conferences here this week. The first, arranged by the World Economic Development Congress, will be opened in New York today by Reserve Bank governor Chris Stals.

Vice President Al Gore and Deputy President Thabo Mbeki will open the second, in Atlanta, tomorrow night.

African business surges

DETAILS of SA's once-secret trade with Africa have been disclosed — and they show substantial growth in recent years and, for SA, a very healthy trade balance.

Exports to Africa in 1992 totalled R17,3bn compared to imports of R4,1bn, the African Institute has reported.

The Institute has disclosed the extent of SA's trade with Africa in the latest issue of its journal, Africa Insight, and a special publication, South Africa in Subequatorial Africa: Economic Interaction.

Most of SA's exports in 1992 to Africa went to the four SACU countries of Botswana, Lesotho, Swaziland and Namibia — totalling R11,4bn — but exports to Zimbabwe rose to R1,6bn, Malawi to R698m, Mozambique to R678,3m, Zambia to R1,1bn, Mauritius to R391,6m and R365,2m to Angola.

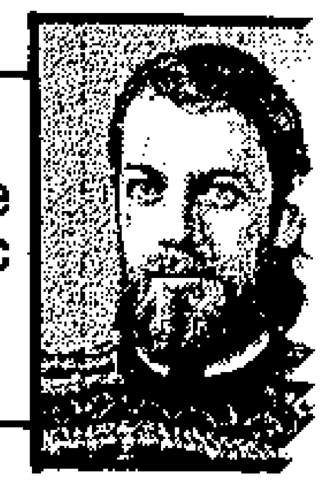
The Institute said exports to African countries rose by 40% in 1989, 20% in 1990, 31% in 1991 and 18% in 1992.

"SA exports to African countries are largely manufactured and processed goods, especially steel products, chemicals, paper products, foodstuffs, motor vehicles and mining equipment.

"Between 25 and 30% of all SA exports of manufactured goods go to Africa. No less than 45,8% of SA's exports of plastics, raisins and rubber products went to African destinations in 1992. The corresponding figures for machinery and chemicals were 43,0 and 25,5% respectively." — Political Staff

Africa needs a common market, says Mandela

Political Correspondent CLIVE SAWYER reports on the first day of the World Economic Forum summit at the Mount Nelson Hotel.

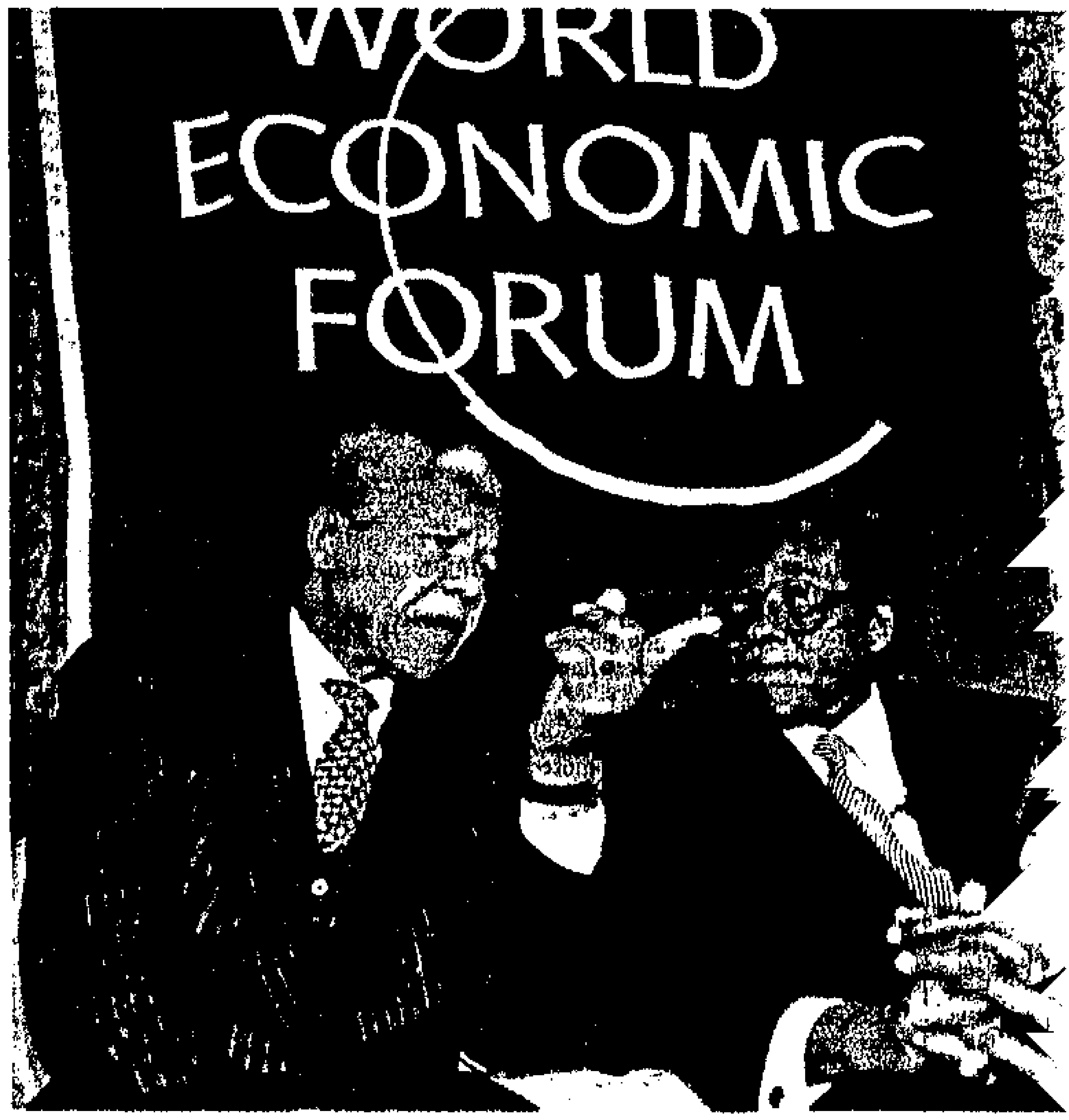


AN African common market should be set up, President Mandela told the World Economic Forum.

This was a long-term goal, while in the short term regional economic integration was needed for reconstruction and development in the entire southern African region.

The World Economic Forum is hosting a two-day session in Cape Town to bring together government policymakers, other southern African heads of state, and business leaders from countries.

Partners in the region to create an economic



Picture: OBED ZILWA, The Arg

PARTNERS: President Nelson Mandela in debate with Zimbabwean preside Robert Mugabe at the World Economic Forum southern African summit. Wi South Africa emerging as the potential regional strongman, Zimbabwe is amor neighbouring states hoping to benefit — while fearing economic domination.

ARG 10/6/94 (74)

Warning to Lesotho rebels

FURTHER steps to bring stability to Lesotho will be considered if rebels fail to respond to an ultimatum by the frontline states, President Mandela said.

But South Africa would do all it could to bring stability to Lesotho while strenuously avoiding the use of force, he said.

Law and order in the mountain kingdom had collapsed completely and its government was hostage to lawless and dissident elements. This disorder could spill over its borders.

South Africa's foreign policy would be guided by the desire to promote peace.

"We are members of the United Nations, whose charter makes the promotion of peace paramount."

The UN, Commonwealth, frontline states and Organisation of African Unity were being consulted on steps to bring order to Lesotho.

Mr Mandela said further steps would be considered if dissidents failed to respond to the ultimatum to refrain from undermining the legitimate government.

"If they agree to conditions for peace, we shall be relieved."

Frontline presidents hope for SA titan uplifting its neighbours ...

PRESIDENTS of Frontline states have made a strong plea for South African businesses to invest in their countries.

Heads of state Robert Mugabe of Zimbabwe, Joaquim Chissano of Mozambique and Ali Hassan Mwinyi of Tanzania made the call on the first day of the summit yesterday.

Addressing the topic *What does the region expect from the new South Africa?* the presidents made clear their hopes of South Africa becoming an economic titan, uplifting its neighbours.

Mr Chissano, tracing the history of relations, said Mozambicans had come to South Africa to work on its mines and so helped develop the country.

In the past, the people of both countries had shared suffering as apartheid was married to colonialism.

Now democratisation would bring a new framework of co-operation in the region.

"We expect South Africa to help us attract investment for the whole region," he said.

Sharing of technology and resources would benefit both countries.

"We encourage South African businesses to come to Mozambique to the benefit of the two countries.

"We shall seek a joint share of investment which may be mobilised from overseas."

Mr Mugabe said there were many historical links between Zimbabwe and South Africa.

He warned that his country would not accept any "bullying" from an economically powerful South Africa.

Mr Mugabe said his country needed a South Africa that was peaceful and politically stable and would be a partner economically and in development.

Mr Mwinyi said Tanzania expected nothing as a reward for its role in contributing to freedom in South Africa "but now that South Africa is free we would like to see its economy developing and developing fast".

Tanzania was rich in natural resources, but needed capital and expertise.

"South Africa's economy is 25 times larger than that of Tanzania and because of that we would not like to see our relations being that of trading partners, because if we start trading Tanzania will end up being only a receiver of trade goods, and we have very little to offer."

Mr Mwinyi said he would prefer to see South African companies investing in Tanzanian manufacturing, mining and agriculture.

Mr Mandela said the size of South Africa's economy made it possible it would dominate the region, but his government was sincere in its efforts to allay the fears of frontline states.

The country's economic advantages could raise the standards of living of the entire region.

"I have told foreign investors and heads of state that investing in South Africa means helping 120 million people in this region," Mr Mandela said.

'Black man of the century'

PRESIDENT Mandela was hailed as "black man of the century" at the summit.

The secretary-general of the African Business Round Table, Nigerian Esom Alintah presented Mr Mandela with a traditional carving of a head at the close of a lavish tribute.

"Accept from me, on behalf of the black race this token of appreciation and gratitude on behalf of the African people for putting us back in the Hall of Fame," Mr Alintah said.

Mr Mandela said he accepted the gift, not as an individual, but on behalf of all who had contributed to the victory in the war against racial oppression.

President tight-lippec on Budget

DELEGATES at the mit who hoped f glimpse of South Africa's post-apartheid Budget disappointed.

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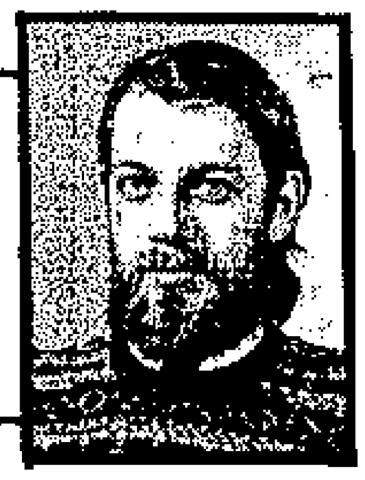
Eradicating apartheid the economy could take s time, he said.

But with "democr forces" in power, the opp nity had arrived for each son to develop to their potential.

The reconstruction and velopment policy had welcomed by every pa mentary political leader, had been adopted by all S Africans as their own.

The RDP was the "tr card" of the democr movement, Mr Mandela s

Political Correspondent CLIVE SAWYER reports on the first day of the World Economic Forum summit at the Mount Nelson Hotel.



AN African common market should be set up, President Mandela told the World Economic Forum.

This was a long-term goal, while in the short term regional economic integration was needed for reconstruction and development in the entire southern African region.

The World Economic Forum is hosting a two-day session in Cape Town to bring together government policymakers, other southern African heads of state, and business leaders from 40 countries.

Partners in the region had to create an economic environment which would attract investment and benefit ordinary people, Mr Mandela said.

Issues to be addressed jointly included providing employment, shelter, food, health, education and training for 100 million people on a sustainable basis, and balancing goals and resources.

He said southern Africa should avoid economic and financial arrangements "including the debt-trap" which would erode countries' sovereignty.

South Africa committed itself to combating "Afro-pessimism," the loss of confidence in the continent's capacity to overcome underdevelopment and declining standards.

People should remember that 20 years ago today's Asian economic powerhouses were written off as hopeless, he said.

"Democratic South Africa enters this new partnership as one player among many.

"We harbour no desire to be the dominant partner, for the region and South Africa would lose in the long run."

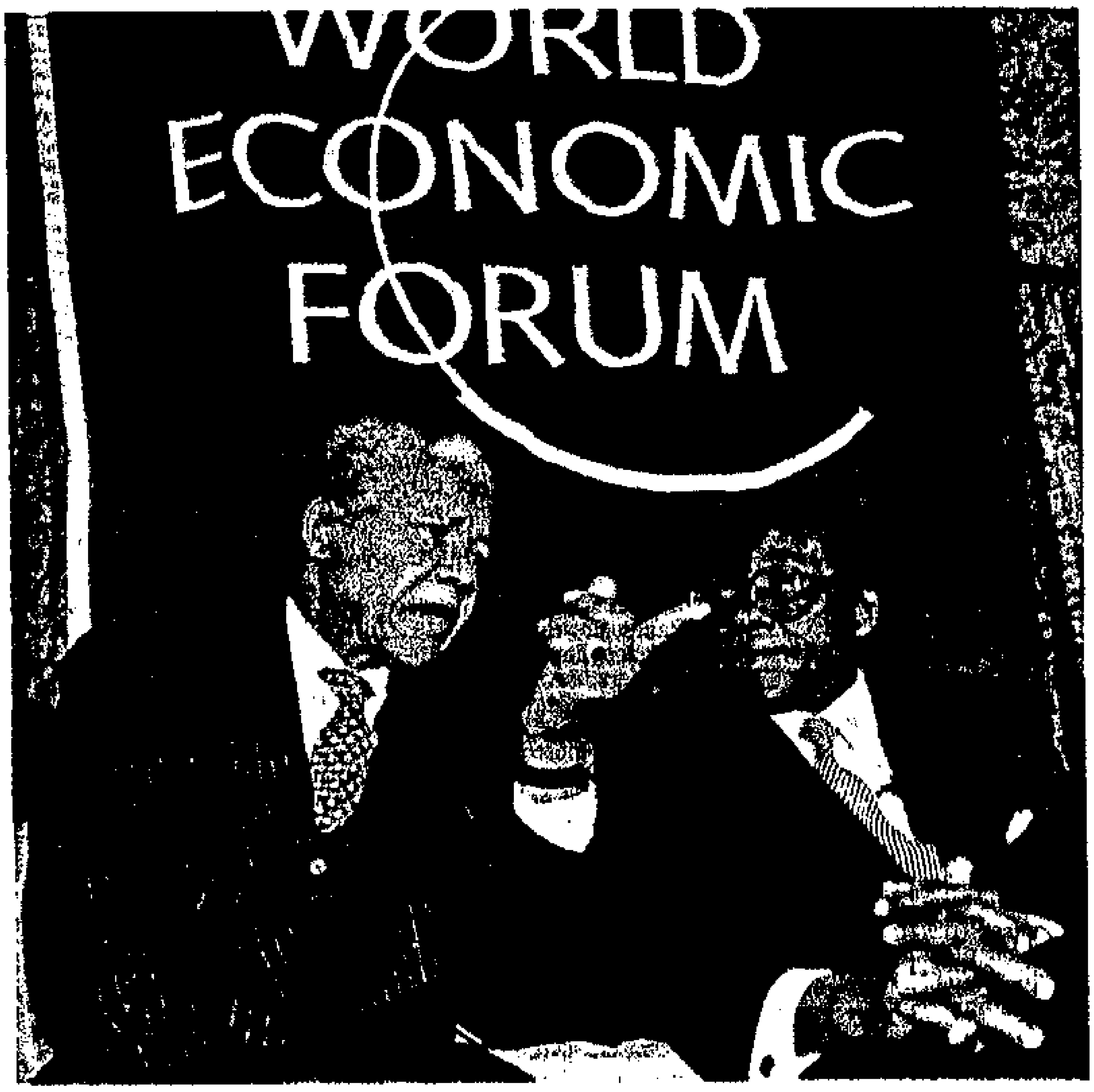
South Africa could not become the regional benefactor because it lacked the capacity, he said.

The country would join its partners in ensuring goods mined, harvested and manufactured in the region were internationally competitive.

This would be done by the government in partnership with business houses, trade unions and other bodies of civil society, Mr Mandela said.

"We are confident South Africa will soon achieve the rates of growth necessary to meet our objectives."

Gross domestic product growth was on the upswing, which would benefit South Africa and the region.



Picture: OBED ZILWA, The Argus.

PARTNERS: President Nelson Mandela in debate with Zimbabwean president Robert Mugabe at the World Economic Forum southern African summit. With South Africa emerging as the potential regional strongman, Zimbabwe is among neighbouring states hoping to benefit — while fearing economic domination.

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President tight-lipped on Budget

DELEGATES at the summit who hoped for a glimpse of South Africa's first post-apartheid Budget were disappointed.

Replying to a question from an Indian businessman about whether privatisation would be given any priority, President Mandela declined to take delegates into his confidence about the Budget.

Instead he traced the economic history of South Africa, the legacy of which was the concentration of wealth in white hands.

Eradicating apartheid in the economy could take some time, he said.

But with "democratic forces" in power, the opportunity had arrived for each person to develop to their full potential.

The reconstruction and development policy had been welcomed by every parliamentary political leader, and had been adopted by all South Africans as their own.

The RDP was the "trump card" of the democratic movement, Mr Mandela said.

Commission for Truth 'no Nuremberg'

THE Truth Commission would not be a Nuremberg trial, President Mandela said.

He said Minister of Justice Dullah Omar had married two aims by titling the body the Commission for Truth and Reconciliation.

When liberation struggle veterans had returned to South Africa and sought indemnity, they had been told by the previous government to state specifically for which crimes they required it.

It was even-handed to require the same of those who had committed crimes in defence of apartheid.

Revelation of the truth was the only way to heal wounds and pave the way to national reconciliation.

But the commission was not a repeat of the trials of Nazi war criminals by Allied victors after World War 2, which resulted in executions, suicides, and jail terms.

The aim was not retribution: "We want to know what we are indemnifying people for".

"People who merely committed offences believing they were fulfilling political duties are on the same level as those granted indemnity," Mr Mandela said.

But those who had planned murders of innocent people would be treated differently, he said.

Manuel: Currency controls must go

EXCHANGE controls should be lifted as soon as possible, Trade and Industry Minister Mr Trevor Manuel said yesterday. (74) CT 11/6/94

Finance Minister Mr Derek Keys agreed with this, Mr Manuel told a press conference at the World Economic Forum summit in Cape Town.

Old Mutual managing director Mr Mike Levitt said that South Africa's twin currencies must be combined and controls removed totally.

Mr Levitt said such confidence by the government would cause capital to flow into the country.

Mr Manuel also said there could be room for privatisation in South Africa, but it should not be regarded as a panacea.

The vice-chairman of Citibank, Mr Bill Rhodes, said privatisation could benefit the country by cutting the losses of state institutions and lowering production costs, but if the proceeds were used to cover fiscal deficits it would be inflationary. — Sapa, Business Staff

● $10m injection in pipeline — Page 5

SA to get EU concessions (74)

CT 3/6/94

BRUSSELS. — SA will get tariff concessions under the European Union's Generalised Scheme of Preferences (GSP) by January 1, the European Commission's director of north-south relations Pierre Defraigne said yesterday.

SA runs into opposition in Gatt

Star 13/6/94

(74)

■ BY DEREK TOMMEY

SA is facing strong opposition in its bid to be re-classified in Gatt terminology as a developing country, says Dr Stef Naude, director-general, trade and industry, in the department's annual report.

He implies that instead of trying to become a developing country and get the resultant benefits, SA should concentrate on developing efficient export industries.

He says that SA's call last year to be re-classified drew an immediate response from the US.

It said that as a founding member of Gatt, SA had never been regarded as a developing country.

The US pointed out that SA ranked among the top 30 trading nations of the world and had increasingly become a manufacturing economy.

Naude adds that none of the delegations of the other major contracting parties were disposed to recognise SA as a developing country.

He says SA shares many of the characteristics of a poorer developing economy.

It is heavily dependent on exports of primary commodities and has been affected by the slow growth of world demand for these.

However, a highly developed Organisation for Economic Co-operation and Development (OECD) economy exists alongside one with the characteristics of many poor countries.

Naude says that in the circumstances it is not wise for South Africa to relay on reclassificatiom.

Ultimately, South Africa's future depends on its ability to develop competitive, outward-oriented industries.

"It would not be in our best interests if recognition as a developing country served as encouragement to go on shielding the manufacturing sector from reality."

He says the general export incentive scheme (GEIS) plays a key role in profitable exporting, according to a recent study by the World Bank.

Doubtful

The World Bank says that it is doubtful whether South Africa can sustain the present level of export of manufactured products without GEIS benefits.

GEIS exports, expressed as a percentage of total exports, increased from 27 perent in 1991 to 33 percent in 1993.

In 1993, the amount of R1,5 billion was paid out in respect of 4 960 claims under the scheme by way of promissory notes and cash.

However, there are problems regarding the financial affordability of the scheme.

But the Government recognises that a drastic cut in GEIS benefit levels may prove to be counterproductive and could affect confidence and stability in export performance.

Adequate supply-side measures to counter such a decrease would necessitate funds the Government does not have available at this stage.

But the present scheme will continue until March 1995, after which an amended GEIS, or a new scheme, will be introduced.

The new proposals should be completed by end-June.

Reuter reports from Geneva that Gatt chief Peter Sutherland at the weekend urged governments in the developed and developing world to work together to co-ordinate policies on trade and the environment.

Speaking at the opening of a meeting of Gatt officials and non-governmental organisations, he said the new world trade pact signed in April had laid a firm base for pursuing environmental protection, together with sustainable development.

Sutherland said demand for a cleaner environment and environmentally friendly goods and services were increasing.

"The speed and direction of events in this regard, from the demands of consumers to industry, reaction in the marketplace and thereon to government legislation, makes the need for multilateral policy co-operation urgent for the sake of both the environment and the trading system," he said.

Tariff proposals aim to boost capex

(74)

CT 14/6/94

From MICK COLLINS

JOHANNESBURG. — The National Economic Forum's (NEF) trade and industry group said yesterday that in certain cases it had proposed that tariffs on inputs and capital equipment be reduced to levels lower than the binding rates agreed to under GATT.

The move would encourage capital expenditure but in other cases existing tariff rates would be increased.

In its findings on tariff proposals submitted to the Board on Tariffs and Trade (BOTT), the NEF said with regard to inputs, increases had been limited to tariff lines where relatively low levels of imports were recorded during 1993.

The tariff proposals excluded textiles and clothing, mineral fuels and products and arms and ammunition. It said the BOTT would publish a separate investigation in respect of textiles and clothing.

The proposal also excluded agricultural products which were being dealt with according to a different set of rules as stipulated in the (GATT) Marrakesh Agreement.

These included the removal of import controls (where still applicable) by the date of implementation and the imposition of tariff protection (where warranted) within the confines of the tariff offer. It said further announcements in regard to agricultural products would be made next Friday.

It said tariff reductions were to be phased out by means of five equal annual cuts as stipulated in the Marrakesh Agreement. The first cut was to take place on the date of the implementation of the agreement, which was likely to be January 1 1995.

BUSINESS PROSPECTS

(74) ARG 14/6/94

'SA cannot wait for boom times'

SOUTH Africa has captured the imagination of the world and the time is now to boldly expand sales of goods and services on the global market. Minister of Trade and Industry Trevor Manuel outlines strategy to The Argus Political Correspondent CLIVE SAWYER.

HE is tired and his eyes red-rimmed, but his voice becomes alive with eagerness quickly when he looks at the future for South African business.

In Plein Street six floors below the ministerial office, workers are knocking off the letters which read: Hendrick Verwoerd Building.

From now on it's just plain 120-130 Plein Street, and from now on it's business, more than usual.

Trevor Manuel returned from the United States a week ago, and more visits overseas are to follow. Right now, it is too early to disclose destinations.

The coming months must see a sharp focus on re-positioning South Africa in the global economy, he says.

"It means we have to pro-actively seek out markets for South African goods and services, identify those potential markets which would stimulate particular kinds of industrialisation.

"And understand that right now South Africa has captured the imagination of the world and there is an opportunity we must not allow to slip.

"South Africa has traditionally looked to Europe and the United States for trading partners, but there is a whole world out there."

This meant looking to the East, Australasia and South America.

"One of the exciting features of the present is that some countries are seeking special relationships."

Japan had singled out South Africa for special treatment, and could offer concessionary loans to stimulate investment in the country.

These were countries keen on seeing direct investors coming to this country, for several reasons, including its financial infrastructure and position on the globe.

"Do not factor out the impact of our politics in recent times, the Bill of Rights, the interim constitution.

"The world has responded positively to other signals, such as the State of the Nation address (by President Mandela), and the retention of Minister of Finance Derek Keys and Reserve Bank governor Chris Stals in their posts."

The worst thing the country could do was just sit and wait complacently for boom times to arrive.

"We need a policy and institutional framework," he said.

Mr Manuel, who is to meet Business South Africa for talks on Friday, said his department was ready to partner businesses.

It was being debated whether to set up an advice hotline in addition to the department's consultancy service.

On relations with Southern Africa, he said the Customs Union arrangement would have to be revisited.

"If all you are doing is extending your market and throwing a steel ring around it so that you have a captive market, compelling people to accept a highly protected environment, you are not actively stimulating competition."

The rules of the Uruguay Round of multilateral trade negotiations compelled South Africa to re-examine the arrangement, he said.

Promoting economic growth in the sub-continent was in South Africa's own interest.

In the 30 years between now and the African Common Market envisaged in the Treaty of Abudja, trade issues had to be managed to create building blocks towards regional economic integration.

The General Agreement on Tariffs and Trade (Gatt) will play a decisive role in trade activities.

"One of the problems with Gatt is that its short to medium-term advantage is to developed economies, and we do not fall into that group."

Mr Manuel said his attitude to Gatt was ambivalent.

Past trade and industry policy in South Africa was to provide protection to industries on demand. Gatt, with its reduction of protection, would be hard for some businesses.

"At the World Economic Forum last week, a businessman accused us politicians of preventing free trade."

He points to an overflowing in-tray. "I said my in-tray was peppered through with requests from businesses seeking protection, subsidies, seeking a champion against the phasing-out of tariffs.

"It will be hard on the economy, and that is why you need strong business organisations and good communications, to create a sense of a common objective, a unity of purpose."

It also had to be accepted that a country could not be competitive in every sphere and should not try to produce everything for itself.

Sacob to table forex options

Discount on finrand lowest since election

B/Day 17/6/94

(74)

PETER GALLI

THE discount between the financial and commercial rands yesterday narrowed to its lowest level since the election, intensifying speculation about the finrand's imminent demise.

The discount — the premium foreign investors receive by investing through the finrand — narrowed to 23,56% yesterday from 24,23% on Wednesday.

But sources said Finance Minister Derek Keys was unlikely to make an announcement on scrapping the finrand other than to detail the timeframe for the abolition of the unit and foreign exchange controls.

The SA Chamber of Business (Sacob) is to release a major document on exchange control on Monday. The document is expected to outline three options that government could consider and sources say one "will probably be chosen".

The Reserve Bank has said its abolition will be considered only once the pool of finrands is reduced, the discount between the two currencies falls to about 10% and foreign exchange reserves improve.

"The discount is far from this level, the finrand pool is probably as large as ever and the reserves remain quite weak," one analyst said. "The abolition of the finrand at this stage will also result in a substantial devaluation of the commercial rand.

"There is also the risk that such a move will result in an immediate outflow of a huge amount of capital in the short term that will not be offset by a sufficient inflow — an event the current level of reserves would not be able to sustain."

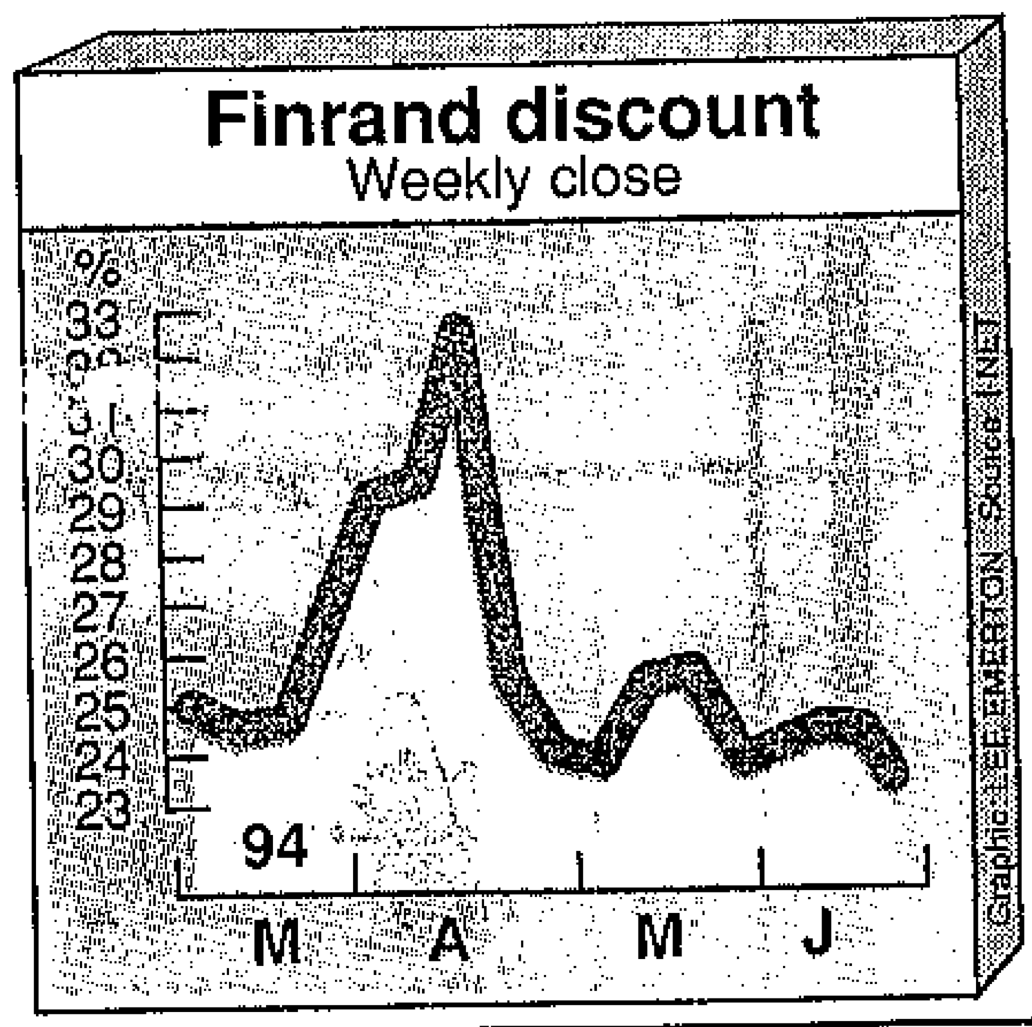
While a standby loan facility could be sought from the IMF to tide the country over any severe capital outflows, the IMF would then be in a position to dictate on policy decisions, he said.

But a dealer said abolition of the finrand could be positive as the inflow of funds could well offset any outflow.

A weakening of the commercial rand, which closed at R3,6348 to the dollar from a previous R3,6218, added to a firmer finrand at R4,7550 from R4,78 to push the discount lower.

A dealer said the commercial rand had been trying unsuccessfully to break through resistance at R3,62 and sustain it over the week. "There is also concern about the inability of the rand to gain ground on the back of dollar weakness."

The finrand had gained some ground on the rumours that it could be scrapped soon, but was "unlikely to strengthen further" until there was certainty about this.



Rag trade might seek lower tariffs

MARCIA KLEIN BDay

REPRESENTATIVES of major clothing and textile companies and organisations are expected to call on Trade and Industry to bring in import tariffs significantly lower than those in the GATT proposals, and to hasten the implementation of a lower tariff structure. 20/6/94

They suggest a phasing in over five years, compared to 10 years proposed by a clothing and textile industry task force.

The task force proposals seek import tariff reductions of 40% on clothing, 30% on household textiles, 22% on fabrics, 15% on yarns and 7,5% on fibres. These objectives fall within GATT targets. Strategies to improve industry's competitiveness are in the task force report and submissions will be accepted until month-end.

A source said SA's tariff structures amounted to a tax on a tax. There was an import tariff of 90%, plus a 15% surcharge. The 14% VAT rate was paid on the price and all duties and tariffs. With the current 90% duty, consumers paid 135% more than the cost of the item, before the retailer added costs and profit margins.

It has been proposed that the duty be dropped to 40%. Assuming the exchange rate remains the same, the consumer will then pay 78% more, excluding what the retailer adds on. (74)

There are minimum and maximum duties on specific items, and they can be as much as double the 90% duty. It is believed that there will be calls to remove them.

Virginia trade mission to SA

The Argus Foreign Service

WASHINGTON. — Virginia first lady Susan Allen is to lead a trade and cultural exchange mission to South Africa this week. (74) ARG 21/6/94

Mrs Allen, wife of Republican governor George Allen, and about 20 Virginia government, tourism and business officials are to visit Johannesburg, Cape Town and the former Bophuthatswana from June 26 to July 2.

Virginia Democrats have attacked what they regard as an extravagant trip.

The Allen administration have defended themselves by arguing that the new airline USAfrica Airways is picking up most of the travel costs.

Manuel moves on Customs Union deal

CT 21/6/94

74

By TIM COHEN

TRADE and Industry minister Trevor Manuel said yesterday he had called for an urgent meeting at Ministerial level to discuss changes to the Customs Union agreement.

Manuel said the meeting of the relevant ministers from Botswana, Lesotho, Swaziland and Namibia was being called to initiate a whole new discussion on the agreement.

In terms of the agreement, SA made payments of about R5,6bn to the BLSN countries during the 1993/94 financial year from the total customs and excise revenue pool of about R16,3bn.

Manuel also said in an interview that he was in favour of implementing the GATT-demanded reductions to SA's tariffs "as soon as possible".

Manuel expressed himself in favour of accelerating the programme of readjustment, possibly even requiring changes faster than the five or eight year phase-in time currently being debated.

On the proposed commission on corporate ownership in SA, Manuel said legislation setting up the forum could be expected in August and it would focus on determining SA's competition policy.

Discussing the proposed investment code, Manuel suggested that tax breaks for foreign investors were not inconceivable, saying the code would have to answer prospective investors' questions about what special benefits they could expect.

Discussing the investment code, competition policy and the requirement's of GATT, Manuel spoke of the necessity for a "cultural shift" to take place.

He suggested that this shift would result in business operating in a fundamentally different way, emphasising particularly the need for greater competition.

It was quite possible that the Competition Board would have a higher profile and greater powers, he said.

One of the reasons SA would want to encourage foreign investment was to improve competitiveness, he said.

But the Parliamentary Standing Committee on Trade and Industry, which would be where the investment code would be debated, would have to grapple with problems such as what appropriate incentives would be needed to attract investment to poorer regions and provinces.

Manuel said he was aware that local business argued that the dual currency system gave foreigners an advantage in that their investment took place at a discount.

But against this had to be weighed the necessity of ensuring technology transfers and the inflow of significant investment capital which could result from foreign investment.

"We have to be in a position to answer the questions of investors — what's in it for me? Why should I invest in SA when I can go elsewhere," he said.

Manuel said there had been a great deal of unhappiness with the Customs Union agreement, mainly because the countries involved felt that industrial development had not been allowed to take off because of the agreement.

"We need to sit down and shape an agenda and lay a new basis for interaction,"

The question of the extension of the agreement had arisen, and that extension needed to take account of the overall affordability. Existing and past bilateral preferential trade agreements with Malawi and Zimbabwe would also have to be taken into account, he said.

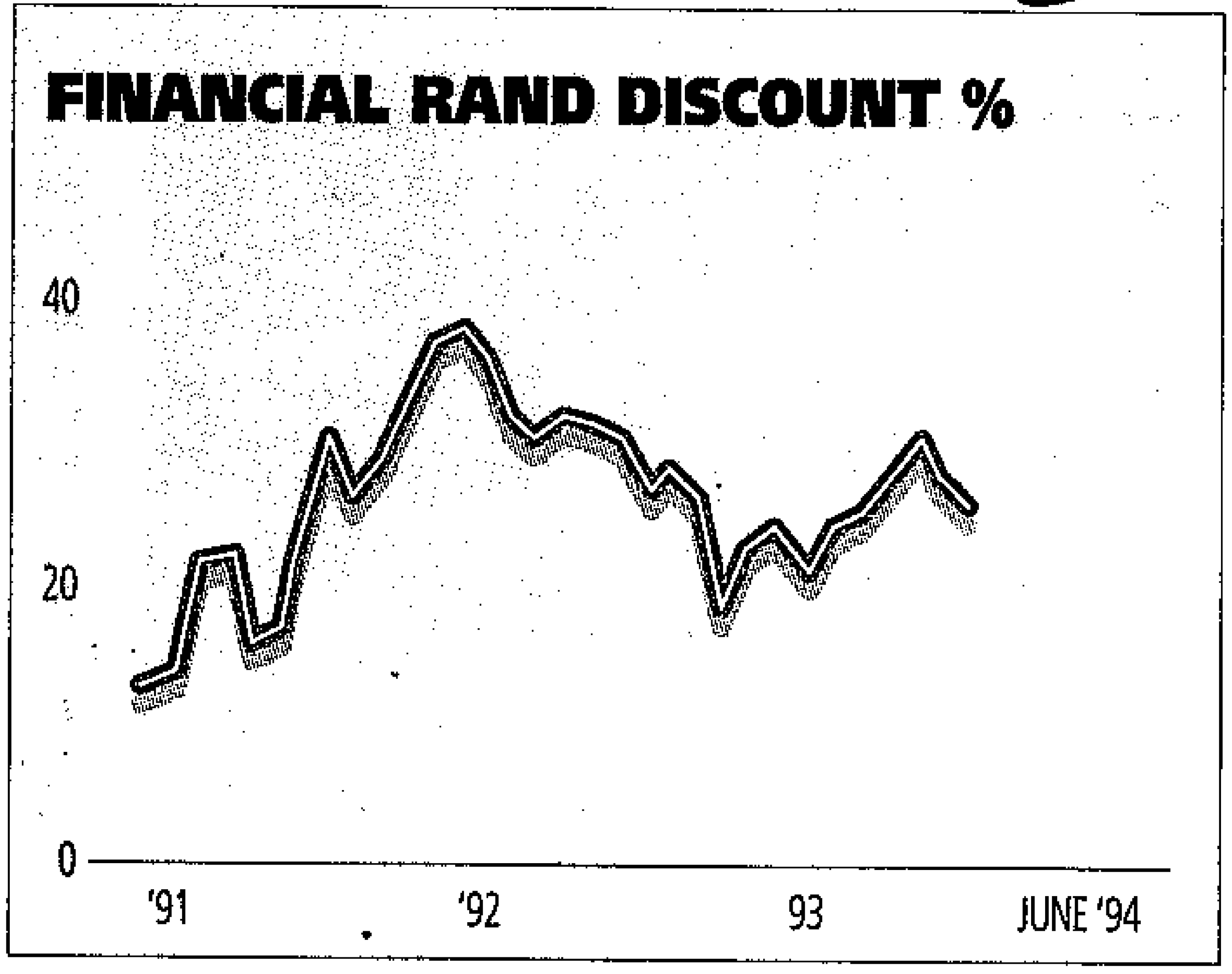
Scrap finrand, exchange control, urges Sacob

Pressure builds to end controls

Star 21/6/94

74

■ BY DEREK TOMMEY



After 33 years of restrictive exchange controls, SA residents might soon be able to move capital freely overseas.

The South African Chamber of Business (Sacob) has called on the Government to commit itself to the speedy abolition of both the financial rand and exchange control on residents and non-residents.

The call has been accompanied by the presentation to [illegible] officials of a discussion paper prepared by Jan Lombard, a former deputy governor of the Reserve Bank, detailing three ways in which the Government could end controls and abolish the financial rand.

These are:

■ A Big Bang, which would simultaneously end all controls on capital movements and eliminate the financial rand.

■ Abolish the financial rand while delaying the ending of exchange controls on domestic and foreign capital movements.

■ End exchange controls on all capital movements, while delaying the abolition of the financial rand until its discount against the commercial rand has declined to a point where the currency can easily be abolished.

Lombard sees the third choice as the least risky and the easiest to implement.

Raymond Parsons, director-general of Sacob, says the financial rand and exchange controls have outlived their usefulness.

"They are sending the wrong message to the international community.

"SA's changed internatioal status, together with the need to create a more stable and favourable climate for foreign investments, makes it necessary to review the position of exchange control."

The business community needs clarity about the future of controls and the financial rand, he says.

The government should seek an early opportunity — possibly in tomorrow's Budget speech — to make a definitive commitment on the future of exchange control.

It should also, in consultation with the Reserve Bank, appoint a committee of experts to advise it on the most appropriate steps to be taken.

Lombard says the Big Bang is not a feasible or credible choice.

Reasons include the uncertainty surrounding the initial effects it would have on the exchange rate, on domestic interest rates and domestic prices and wages, as well as the severe inadequacy of SA's foreign exchange reserves.

The second option — the abolition of the financial rand market — suffers to a slightly lesser degree from the same objections, while leaving the main problem of exchange control unaddressed.

The third option proposes channeling the capital transactions of both residents and non-residents through the financial rand, while current account transactions would be channeled through the commercial rand.

The supply of dollars on the fianancial rand market would immediately rise substantially, while the demand for dollars through this market by residents could be phased in commensurately.

Lombard says the particular advantage of the third option would be its capacity to absorb unforeseen capital account shocks during the transition to full currency convertibility.

The financial rand would bear the strain without severely affecting the real exchange rate of the commercial rand, upon which the real investment decisions for economic growth largely depend.

Lombard says a special arrangement would be needed for the treatment of existing foreign debt and the existing resident claims on overseas debtors.

One possibility might be to allow all registered outstanding loans to be repaid through the commercial rand in terms of the originally agreed maturities.

Option three is based on the expectation that the dual exchange rate system will be phased out over two to three years.

It would allow the authorities to test the market as SA moved towards full convertibility of the rand at a unified exchange rate.

SA's trade surplus tumbles . . .

74

CT 24/6/94

By AUDREY D'ANGELO
Business Editor

. . . as imports climb

SOARING imports caused SA's trade surplus to plummet by 62% in May, month on month, to R624m compared with R1,6bn in April and R1,8bn in May last year.

But exports remained high at R6,7bn compared with R6,6bn in April and R6,4bn in May last year.

Although the higher export bill must have been partly due to the higher price of oil — included in the unclassified sector which rose to R492m in May compared with R123m in March and R236m in April — imports of machinery and industrial materials also rose.

Economists said this was a healthy sign that manufacturing industry was recovering.

Tariffs

Japie Jacobs, economic adviser to the Minister of Finance, told the Old Mutual post-Budget forum yesterday that, with tariff protection being lifted as a result of SA's commitments to the General Agreement on Tariffs and Trade (GATT), a case could be made for SA companies to upgrade their technology. Some pressure on the current account of the balance of payments (BoP) could therefore be expected.

But, indicating that capital outflows had eased, he assured his audience: "I think we can be more comfortable about the capital account."

The removal of the 5% surcharge on capital and intermediate goods announced in the Budget is likely to encourage imports of machinery.

Old Mutual chief economist David Mohr commented yesterday that the fall in the trade surplus made any cut in interest rates unlikely.

Southern Life economist Sandra Gordon said that if the rise in imports was due to manufacturing industry upgrading its technology and buying more raw materials it was a good sign.

SA Foreign Trade Organisation (Safto) economist Carlos Teixeira said the cumulative growth of imports was at 20,1% for the first five months of this year.

"This across the board increase is reflective of the economic recovery being experienced in many sectors.

"Imports of capital goods such as machinery and electrical equipment are up 38,7%. Vehicles and components have increased by 22,7% and hitech professional equipment by 23,8%.

Imports of industrial materials are also growing. Chemicals, plastics and rubber are up 17,6%, textiles 18,2% and cement and glass 10,7%.

"Commodities such as mineral products (21,8%), base metals (24,2%) and oil are also being imported in greater values."

Exports

Teixeira said that if, as expected, imports maintained a cumulative growth of more than 20% this year, the current account surplus would not exceed R5bn for 1994 and could be nearer R4bn.

Fortunately, income from exports was likely to rise with the commodity cycle turning, improvements in the economies of SA's main trading partners, and the weakness of the rand.

SA set for world arena

ARG 25/6/94 (74)

SOUTH Africa is poised to enter the world arena of international trade — and business houses have over the past few months been gearing themselves for new opportunities.

The increased movement of freight, not only within South Africa and to its neighbouring states, but also internationally, has forced the industry to upgrade its standard of service so as to compete globally.

Airfreight is playing an ever larger role in the transportation of export commodoties from South Africa and foreign airlines flying directly out of Cape Town to Europe and the Far East report excellent air cargo loads.

Seeing the opportunity of capturing more air cargo out of Cape Town and in a move to serve customers more effectively, South African Airways will from September terminate and commence most of its international flights in Cape Town.

Not only will this propel the city into a major international gateway airport, but will allow local exporters and importers to get their goods in and out of international destinations directly.

Sea trade with South Africa has also shown a marked increase, with the amount of cargo handled at Cape Town harbour increasing from 474 037 tons in April 1993 to 579 437 tons for April 1994.

The movement of goods by container ships continues to show growth with some 19 567 containers handled by the port of Cape Town in April 1994, compared to 15 638 for April 1993.

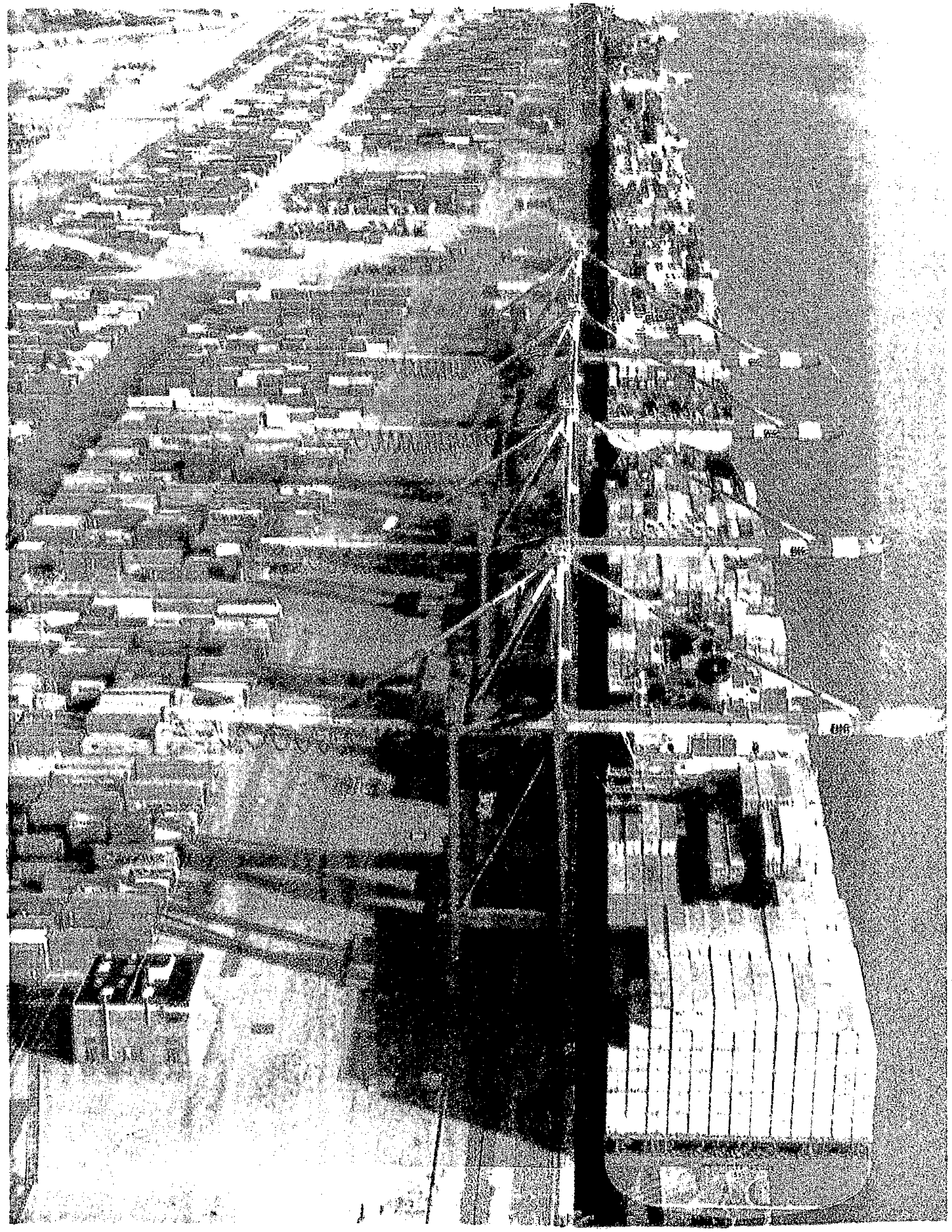
Container handling companies have been quick in reacting to the growth in this area of the industry and a number have moved their premises to an area near the Ben Schoeman Container Dock.

Following on the expected growth in foreign trade a number of freight forwarding companies have opened branches in Cape Town or expanded their local operations.

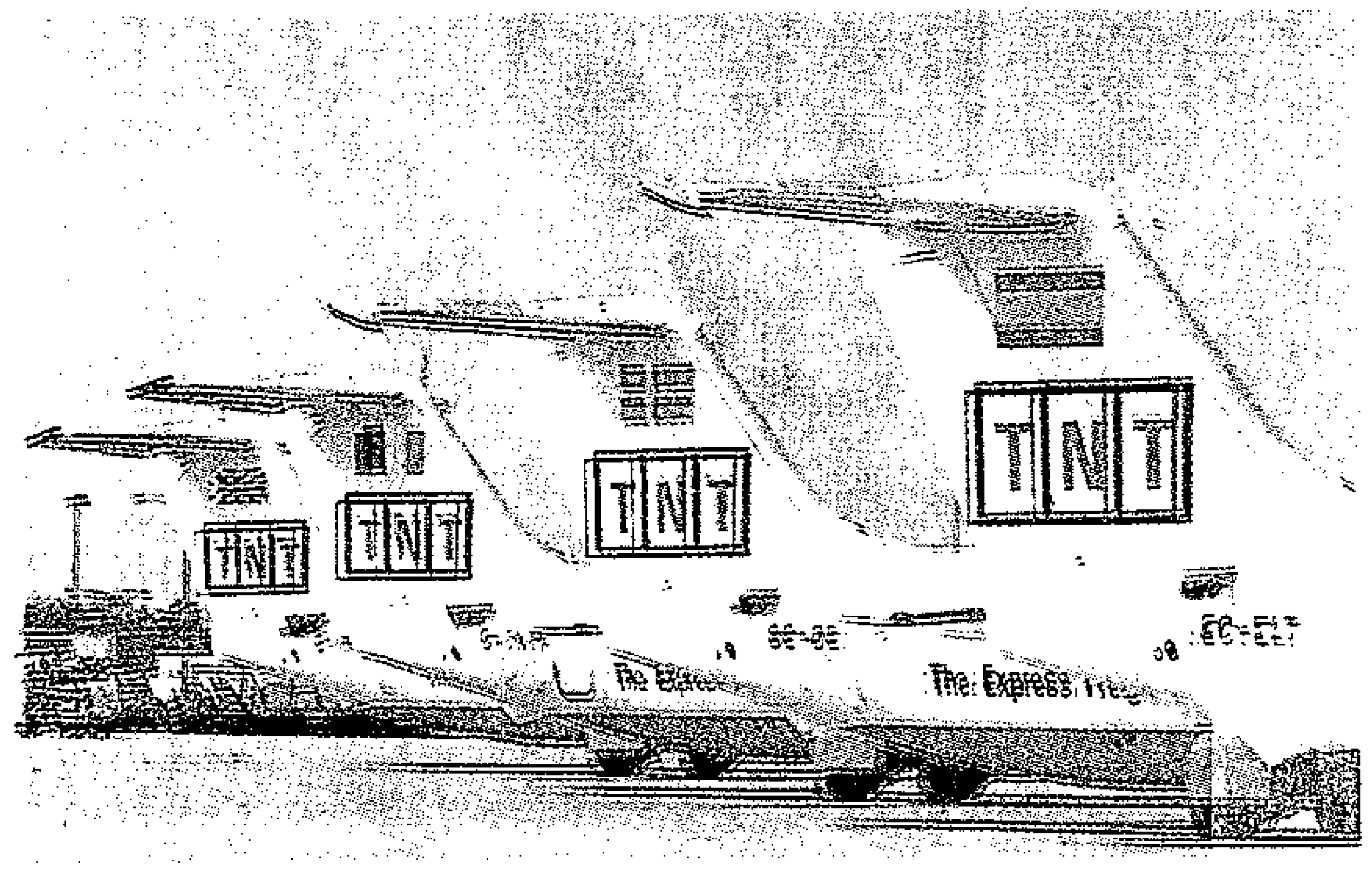
The courier business is busy and a number of operators have expanded their business activities to include road and air freight, in addition to the normal letter and parcel courier service.

Road transport is venturing further into neighbouring states, seizing opportunities resulting from increased trade with these countries.

Compiled by Ian Shiffman



☐ **EXPANDING TERMINALS:** The growth of movement of commodoties in containers has resulted in huge container terminals being expanded in the world's major ports.



☐ **AIRCRAFT FLEET:** TNT Express operates one of the world's largest airfleets numbering 500 aircraft, has 70 000 employees and has 2 500 branches worldwide.

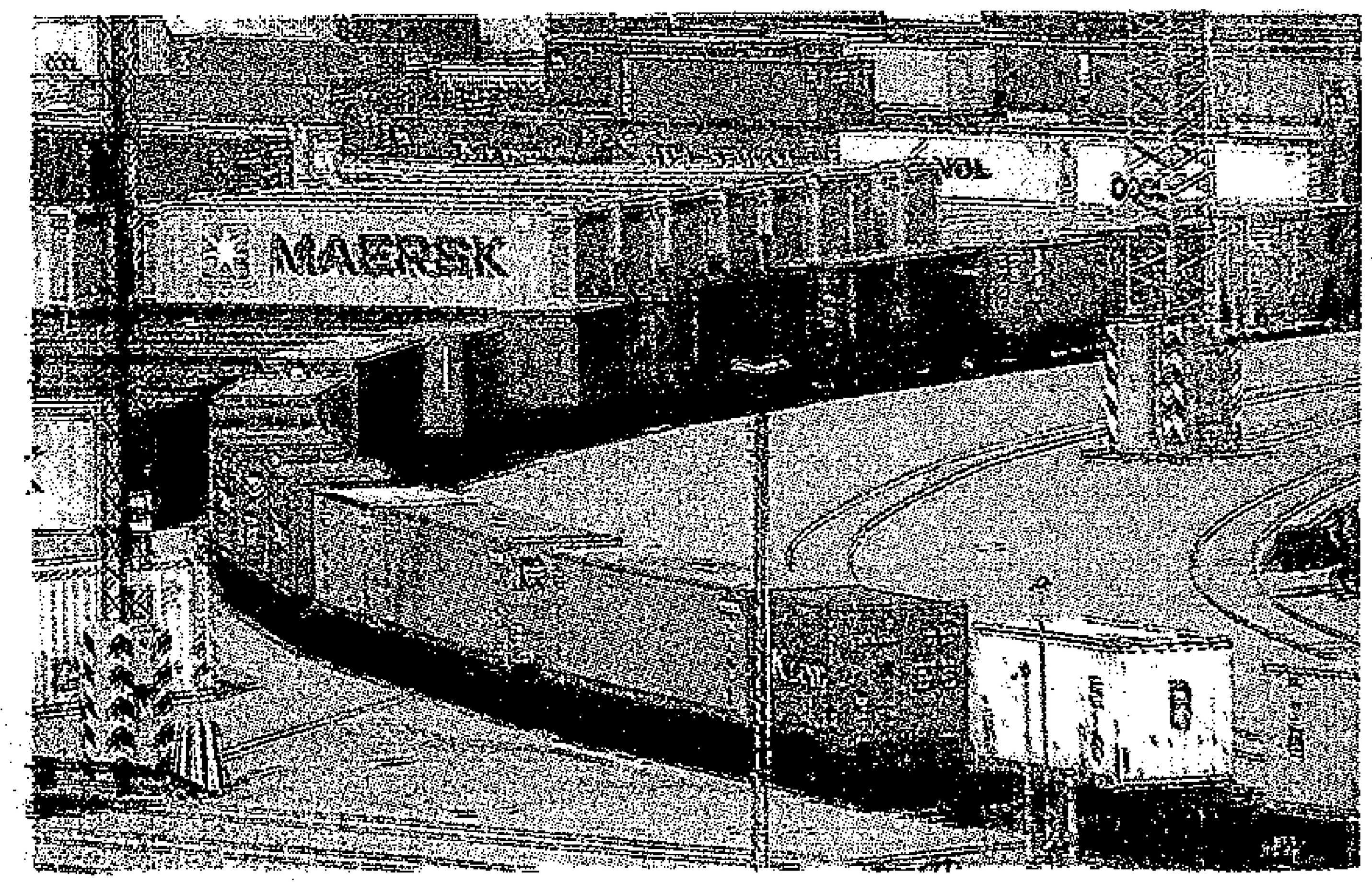
From regional to global

HUGHES Global Courier Network has expanded its business operations in South Africa from being a regional courier business to offering a global network of independent operators.

The company with its worldwide connections now offers a fast, cost-effective and efficient service to 150 countries.

Hughes's parent company in the United Kingdom, Greyhound Courier Service Ltd, handles all clearance and delivery exclusively for the major airlines and offers clients prompt delivery service.

The group offers a service based on the principle of "what you want is what you get, or you don't pay".



☐ **HUB OPERATIONS:** Many world ports are now being used as hubs, with fast rail, road and sea services to onward destinations of containers.

EXCHANGE CONTROL — 1

Fm 1/7/94

Not now, maybe later

(74)

Reserve Bank governor Chris Stals is concerned about the recent rumours that exchange control is about to be abolished. The speculation, he says, only delays the moment when these could be dispensed with.

Though technically the decision falls within the jurisdiction of Finance Minister Derek Keys, he has delegated the responsbility to the Reserve Bank. This emerged in his Budget speech last week, when he said about the liberalisation of financial flows, that "the Bank is closely monitoring developments and will make the necessary preparations to enable us to take action at the appropriate time."

Though Stals favours the abolition of exchange control, he has set three preconditions:

☐ Enough reserves to cover three months' imports;

☐ A lower and shrinking discount between the commercial and financial rand; and

☐ A much smaller pool of finrands on deposit with SA banks.

If these conditions are not in place, he predicts capital outflows. The R4,5bn held by foreign investors in the finrand pool on deposit with the banks could easily flow out, which is why finrand deposits must be reduced before the unit can be abolished. These have shrunk from R8bn over the past year, but will have to fall still further.

Commercial rands would also flow out, as importers and exporters take precautions to protect their currrency exposures and speculators start betting against the currency.

When this happens, SA's meagre gold and foreign exchange reserves — R7,2bn in May — would be unable to support the value of the rand, which may even fall to the level of the finrand, a depreciation of 23% at this stage. "Such a depreciation could easily get out of control and result in a free fall even beyond the discount," Stals says.

The consequent illiquidity in the banking sector would force interest rates up to 30%-40%, Stals estimates. Prices would rise, at least of imported goods, and wages would follow suit. "We will land up with a substantial decline in the nominal value of our assets, particularly financial assets and real estate" he says.

Stals says an option for SA would be to ask for the support of the IMF — of between R4bn-R6bn. This has been given in the past to countries such as Argentina — but only after Argentina presented a comprehensive programme for restructuring the entire economy.

Stals says the underlying situation is now improving and may improve even more over the next 12 months. In the meantime, more could be done with fiscal and monetary policies to create an environment in which the abolition of exchange controls will be less painful. "We must aim for better circumstances before we take the plunge," he says.

A Sacob document released last week spells out various options for the abolition of exchange control (see below). Going cold turkey with the "shock treatment" — as described above — is one. Others are: the abolition of the finrand market and exchange control on non-residents only; or a phasing out of both rather than an immediate abolition.

Stals has another option. "Maybe a solution would be to stop the finrand market and devise another two-tier system which would apply to residents only," he says. "A pool of dollars started by say R1bn from the Reserve Bank, would be created. Into this would go funds from South Africans who sold their overseas assets."

South Africans who want foreign exchange would tender for the dollars on which they would pay a premium. Stals reckons the premium paid for dollars would give an indication on the amount by which the commercial rand would fall when exchange controls are abolished all together.

"The Reserve Bank would have to carefully consider the enormous administrative responsibilities which it would have to take if this system was to be introduced." he says. ■

EXCHANGE CONTROL — 2

Making the moment

Commerce & industry representatives have in the past been ambivalent about the abolition of exchange control. Many feared the short-term consequences for the rand and the economy. Yet no country can compete successfully for international capital while its government has so little confidence in its economic policies that it resorts to exchange control.

For the first time, there is a broad consensus among business interests that exchange control should be ended now. A discussion document published on the eve of the 1994 Budget formulates the views of the SA Chamber of Business.

It enumerates the direct costs: a large corps of skilled manpower deployed in the Reserve Bank, in the private banks administering the system and in the corporate sector involved in foreign trade and payments; extra bank charges and commission when the public surrender and repurchase foreign exchange; and costs incurred by the uncertainty created.

More serious are the indirect macro-eco-

SA still not ready for free forex, says Stals

S Times (Bus) 3/7/94

By SVEN LUNSCHE

SOUTH Africa is not ready to introduce the comprehensive economic reforms needed to accompany an immediate lifting of exchange control, says Reserve Bank Governor Chris Stals.

"The abolition of foreign-exchange regulations has to go hand in hand with higher interest-rate policies, a more flexible approach to wages and restrained government spending," he says. "It would be dangerous to do that at the moment."

He indicated in an interview this week that a lifting of the controls was at least 12 months away "when conditions are likely to be more favourable".

In the run-up to the Budget financial markets had been rife with speculation that such a move was imminent, but both Finance Minister Derek Keys and Mr Stals have squashed the talk.

"If we were to lift the regulations now, the unitary rand could settle at well below the current level of the finrand," Mr Stals says.

"It would lead to large capital outflows, higher inflation and force us to raise interest rates to 30%."

He is optimistic that the discount between the finrand and the commercial unit will narrow and the foreign-currency reserves will improve in 12 months' time.

(74)

"We have seen a slowdown in capital outflows since the election, but it will require sound economic policies to reverse the situation."

He says South Africa is not yet considering building up currency reserves by raising funds on international markets.

"We will have to wait for our international credit rating towards the end of the year before we consider such a move," he says.

Mr Stals describes the Budget as "relatively good — it should contribute to investor confidence".

He commends Mr Keys for finding the right mix between social demands and limited economic resources.

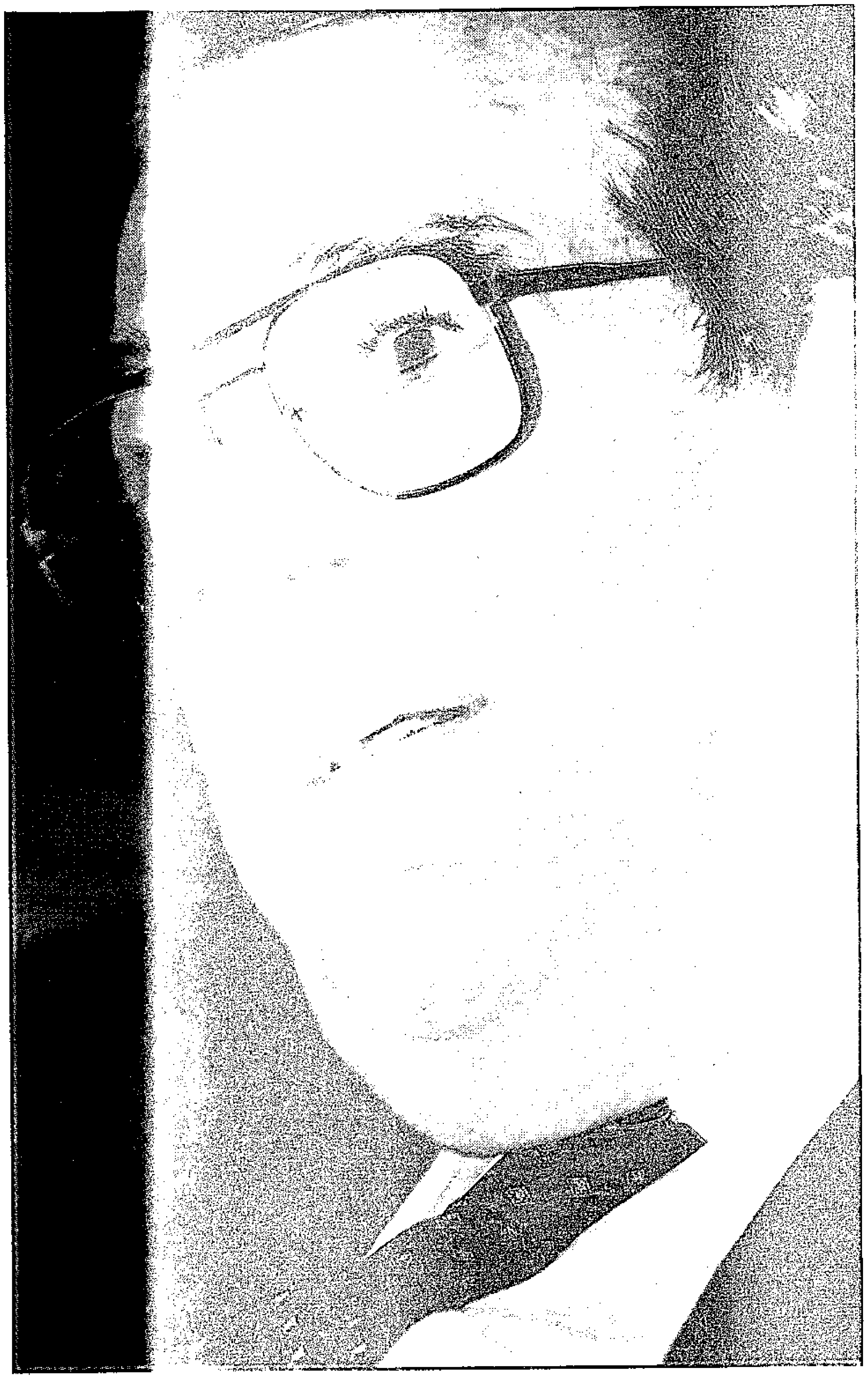
"The needs of the people are unlimited, but our resources aren't. The government will have to take a fresh look at balancing the two in every Budget."

Mr Stals says recent economic indicators suggest renewed upward pressure on interest rates.

They include the continued outflow of capital, the high Budget deficit before borrowings and an increase in credit demand from the private sector.

"We will not react too quickly because some of our economic statistics have been distorted by political events of the past few months," he says.

Mr Stals forecasts economic growth of 2,5% to 3% this year and an inflation rate of about 8% by the year-end.



EXERCISING C... Reserve Bank Governor Chris Stals Picture: JON H...A

Trade prospects 'rosy' — Heath

74

ANTHONY JOHNSON

PROSPECTS for trade with and investment in South Africa were "undoubtedly" better now than ever before, former British prime minister Sir Edward Heath said yesterday. CT 11/7/94

Sir Edward, who arrived in the city yesterday on an "entirely personal" four-day visit, said investors and business people could now feel "absolutely free" to look at prospects in the new South Africa.

Sir Edward's busy schedule today includes an address to members of the Cape Times Breakfast Club, a lunch-time speech to the Cape Town Press Club, a reception hosted by Conservatives Abroad at the City Club and a gala dinner at a local hotel tonight.

Sir Edward also plans to visit the Vukuhambe Centre for the disabled in Guguletu, the Mbekweni Library outside Paarl and the KWV headquarters.

Sir Edward said he was looking forward to his excursion in Table Bay tomorrow with the Royal Cape Yacht Club.

"I hope the weather is better then," he observed, apparently unaware that the city is currently enjoying its mildest weather in weeks.

TRADE VISIT . . . President Nelson Mandela and British Trade and Industry Secretary Mr Michael Heseltine share a lighter moment during a short news conference in Pretoria yesterday. Mr Heseltine is leading the biggest ever UK trade mission to South Africa.

Picture: AP

74

Heseltine on 5-day trade mission

CT 11/7/94

JOHANNESBURG. — The UK's Board of Trade president Mr Michael Heseltine arrived in South Africa yesterday on a five-day mission to promote investment and trade between the two countries.

Mr Heseltine, leading a delegation of UK construction, industrial and telecommunications business leaders, said that he hoped the visit would help forge partnerships.

He met President Nelson Mandela yesterday, and is to meet Finance Minister Mr Derek Keys today to sign the Commonwealth Development Corporation's operating agreement. He is also due to sign an investment protection agreement with Trade and Industry Minister Mr Trevor Manuel.

Accompanying Mr Heseltine are 68 senior executives from top UK companies, including Vodafone, Turner & Townsend, Cable & Wireless, ICL, John Laing, Bovis, the Electricity Association, Guinness, British Telecom, GEC and British Aerospace.

TRADE PROSPECTS 'ROSY' — HEATH

See PAGE 2

The mission will meet representatives from Eskom, Sasol, Anglo American, Iscor and Umgeni Water, as well as organisations such as the Soweto and Cape Town Chambers of Commerce.

British investments in South Africa are currently worth about R56 billion, while trade between the two countries totalled R5,6bn last year.

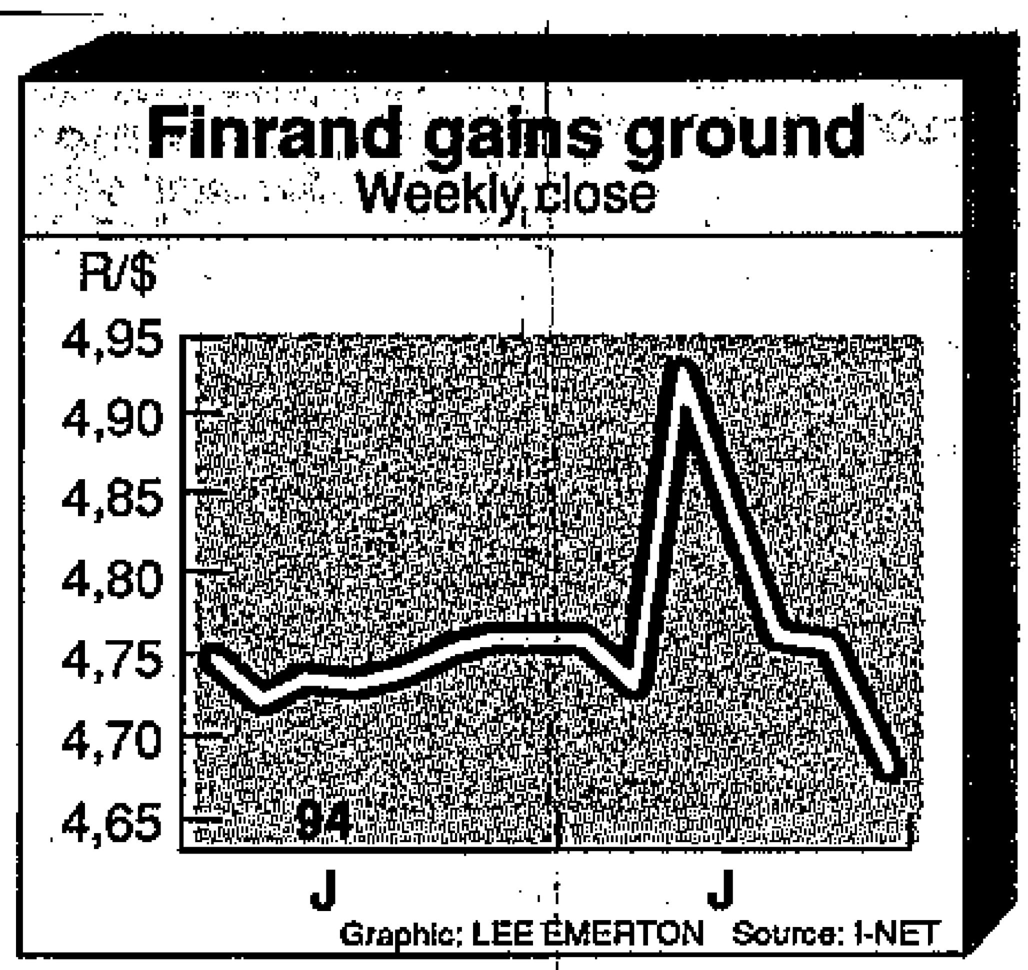
President Mandela said yesterday that the Reconstruction and Development Programme would fail without investment.

He said South Africa had strong historical ties with the UK, which also had significant investments in South Africa.

Mr Heseltine said he hoped his visit would increase the possibilities for partnership between the UK and South Africa.

Britain has identified South Africa as one of 80 priority markets around the world.

South Africa is seen as an important market both in itself and as a stepping stone to the rest of Africa, while his delegation hopes to persuade local businessmen to use the UK as the gateway to European trade. — Own Correspondent, Sapa



Rand strengthens against dollar

PETER GALLI

THE financial rand firmed 9c, or 1,9%, to R4,6650 against the dollar yesterday, while the commercial rand climbed nearly 3c to R3,6518 on solid demand and continued weakness in the US currency. B/Day

"The finrand firmed through the R4,70 resistance level on the back of solid demand from all quarters," a dealer said.

Another trader said the market undertone remained bullish, reflecting foreign investor confidence in Chris Liebenberg's appointment as Finance Minister and sustained foreign interest in SA. 12/7/94

"While there could be a slight weakening of the unit in the short term, it appears that further strength is in the offing."

The commercial rand's performance was assisted by small-scale Reserve Bank intervention. (74)

The dollar fell to a new post-war low against the yen and was sharply lower against the Deutschmark in early New York trading as confidence waned that action would be taken to stem its fall.

The rand remained under pressure on the cross-rates as the major international currencies "were appreciating at a greater rate on the dollar weakness than the rand", a dealer said.

Gilts remained under pressure, with dealers citing general investor caution and nervousness. The yield on government's R150 bond ended 19 points higher at 15,16% after touching the 15,2% level, while the yield on the Eskom 168 was also 19 points up at 15,22%.

A dealer said weakness on international bond markets was "not helping local jitters" and institutional investors were keeping largely to the sidelines.

Doubtful trade practices put SA's access to US trade at risk

74 AUG 17 94

DES PARKER

JHANNESBURG. — Doubtful trade practices by South African business — including computer software piracy, unauthorised use of trade marks and infringement of patents — place the country's access to the highly prized United States general system of trade preference (GSP) at risk.

On top of that, one of the seven criteria on which Washington judges countries for inclusion in the GSP — government commitment to human rights — had been "bothersome" in the case of South Africa, said Joseph Sala, deputy economic counsellor with the US Embassy in Pretoria.

South Africa had overcome this hurdle and on May 10 was granted access by President Clinton to the system, which permits 4 400 tariff items into the US, duty-free, to a maximum value of R108 million an item a year.

However, Mr Sala told members of Durban Regional Chamber of Business this week, South Africa could shoot itself in the foot through persisting with "sanctions era" practices related to trade marks, patents and intellectual property rights.

Countries like Brazil and Thailand had either been stripped of their GSP allocations or had them severely curtailed for failing to cease unethical trade practices.

He cited the case of MacDonalds, which is spending billions in South African courts to protect its trade mark after a Johannesburg businessman had taken advantage of a discrepancy between domestic legislation and the Paris Convention on trade marks (to which South Africa is a signatory) to use the name of the famous fast-food chain.

Widespread unauthorised use of world-famous US clothing labels and logos also was attracting adverse comment from American business visitors.

Mr Sala said US computer body Business Software Alliance, which represented the major software manufacturers in America, had estimated 45 percent of computer programmes in use in South Africa were pirated.

"They have satisfied themselves that the South African authorities are doing enough to deal with the problem for them not to feel compelled to take action in the US in terms of domestic trade law.

"However, their attorneys are working with the Pretoria government and hope to pursue in the South African courts four to six cases a week for the remainder of 1994 against software pirates.

"They hope their actions will have a sufficient deterent effect to shut the practice out so they don't have to resort to US trade law."

Mr Sala refered too to a perception among US companies starting business with South Africa that they were "not getting an even break".

The recent unexplained increase in the duty and surcharge level on certain imported washing machines — which happened to affect two major American manufacturers and exporters — was a case in point.

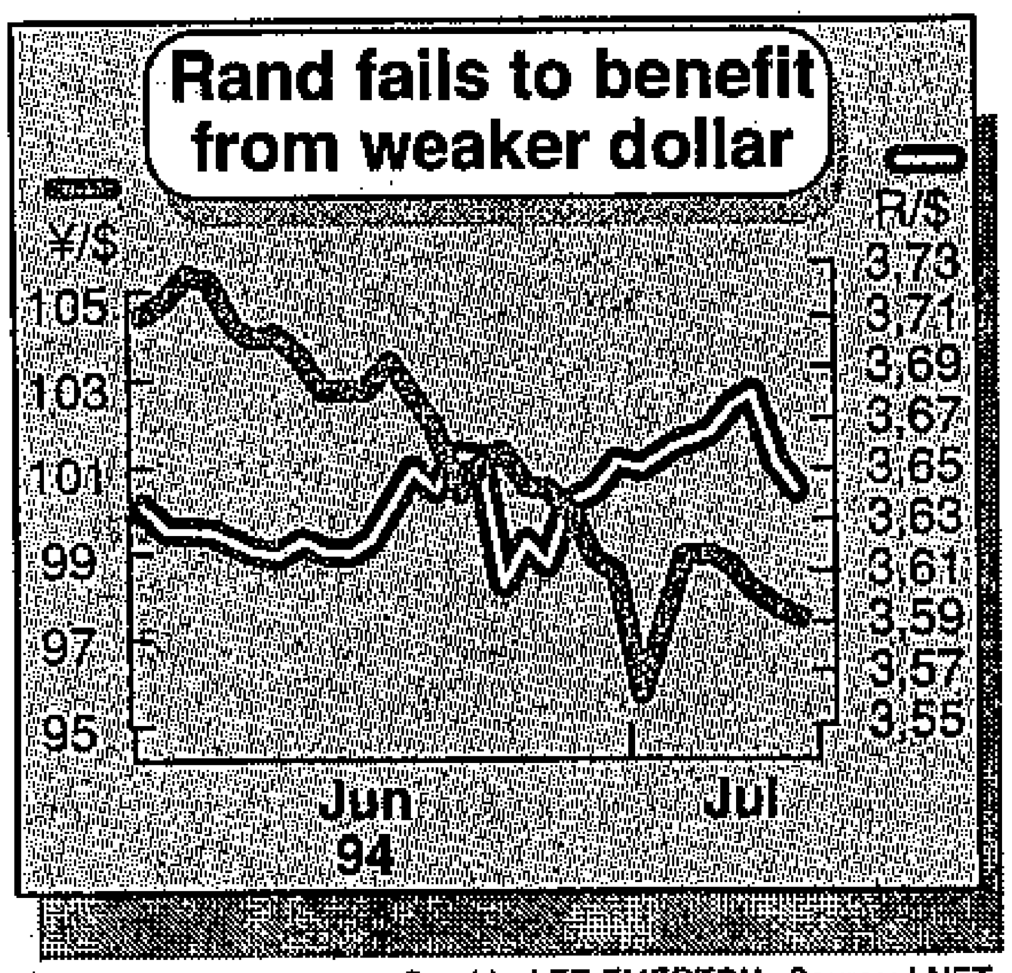
"We are awaiting a response from the Board on Tariffs and Trade in Pretoria to our request for an explanation of this step. In Gatt-speak, it looks like a non-tariff barrier to trade."

Mr Sala said there was a strong danger, if South Africa did not clamp down on dubious trade practices, that US business would take steps under domestic trade law to "level the playing fields". That could include petitioning Washington for partial or complete sanction of South Africa's use of GSP benefits.

While South Africa was barely taking advantage of trade opportunities with the US, the GSP was an investment incentive with an international reputation. The "four economic tigers" of the Far East — Singapore, South Korea, Taiwan and Hong Kong — had used the system "to the limit" when they still qualified.

When benefits were withdrawn, statistics showed that manufacturers from these countries moved operations to GSP beneficiary countries so they could continue exporting duty-free to the world's largest market.

Mr Sala said he knew of several Far Eastern businessmen who had visited South Africa since May 10 with a view to investing to take advantage of this country's GSP status.



Graphic: LEE EMERTON Source: I-NET

Dollar demand undermines rand

BDay

PETER GALLI 13/7/94

HEAVY demand for dollars from local importers yesterday offset any benefit to the local currency market from the dollar's continued weakness, with Reserve Bank intervention in the afternoon lifting the commercial rand off its lows.

The rand ended just more than 1c firmer at R3,6403 from Monday's R3,6518 close after the Bank moved to protect the currency. Strong dollar demand continued to force it weaker on the crosses. (74)

A bank dealer said the rand was being driven by local perceptions that it was set to weaken a lot more over the next year.

The bank was advising its clients to cover their future dollar commitments. "We have been told exchange controls will go only when certain conditions are in place. One of these is that the discount between the finrand and the commercial rand has to fall to below 10% for a few months. . . . The inevitable scenario is that the rand must weaken."

As a result, importers and other market participants were covering their future dollar commitments as far as possible.

The finrand ended 3c firmer at R4,6350 after gaining 9c on Monday to R4,6650. A dealer said there had been good, steady demand out of Europe.

The gilts market also ended on a firmer note as yields on long-dated stock fell about 14 points. The yield on government's R150 was 15,02%, from 15,16%, after touching 15% and the yield on the Eskom 168 was 15,085% from 15,23%.

Dealers said there had been some institutional buying that had pushed rates down. "But this is probably just a brief correction in a bear trend," one said.

Preferential tariffs for SA proposed by EU

(74)

ARG 14/7/94

□ Benefits could flow this year if plan approved

BRUSSELS. — The European Union's executive commission has proposed giving preferential import treatment for South Africa's manufactured goods entering the 12-nation trading bloc.

If the dozen nations approve the move, South Africa could benefit this year from the EU's Generalized System of Preferences, similar to Washington's Most Favoured Nation status.

"The commission finds it proper to immediately propose a preferential regime for South Africa that can be approved and applied as soon as possible," the executive agency said in a statement.

The preferential trade system was due to be revised this year for implementation from 1995, and South Africa would surely be a candidate for it, the commission said.

It said an interim measure would show the commission's support for South Africa's efforts to increase exports and promote foreign investment. The temporary measure did not guarantee the favour would be extended during the next five years.

EU officials have said favorable import treatment would likely apply to goods at least partially made in South Africa, extending the scope beyond goods produced entirely in the country.

The EU has stepped up ties with South Africa since it became evident that apartheid would give way in elections to the current government of Nelson Mandela.

Talks between the two sides have promoted political and aid links, and are also aimed at creating strong trade ties.

The EU is South Africa's largest trading partner.

In 1992 its exports to South Africa totaled $6,7 billion, while its imports were valued at $11,3 billion.

The then European Community gradually lifted its investment ban and trade sanctions on South Africa between 1990 and 1992. The bloc had banned European imports of South African gold coins, iron and steel — then worth $700 million a year — and stopped new investments.

The EU is also a major donor of development aid to South Africa. This year, the trade bloc has provided $137,5 million to the country's less developed areas. — Sapa-AP.

New trade campaign launched

CT 15/7/94 74

By AUDREY D'ANGELO and ARI JACOBSON

BRITISH Board of Trade president Michael Heseltine last night launched a new trade and investment campaign — "Opportunity South Africa" — designed to boost bilateral trade and investment between the two countries.

Speaking at the inauguration banquet of the Cape Chamber of Commerce and Industry at the Mount Nelson — which coincided with the end of Heseltine's visit — he said that the whistle-stop tour of SA had been a "resounding success" for all the UK businessmen in his delegation.

The new campaign, he said, would feature trade missions, conferences, seminars and skills training.

Investment opportunities were offered to the delegation at a seminar organised by Wesgro at the Cape Sun earlier yesterday.

Welcoming the group at the seminar, the Western Cape Minister of Economic Affairs, Allan Boesak, urged them to consider joint ventures with those from previously disadvantaged communities.

But Heseltine pointed out that although British business people were "sympathetic spectators" of SA's transformation they could do no more than help where appropriate, mostly through commercial and industrial opportunities. And the ultimate decision on these would depend on their companies' bottom-line profits.

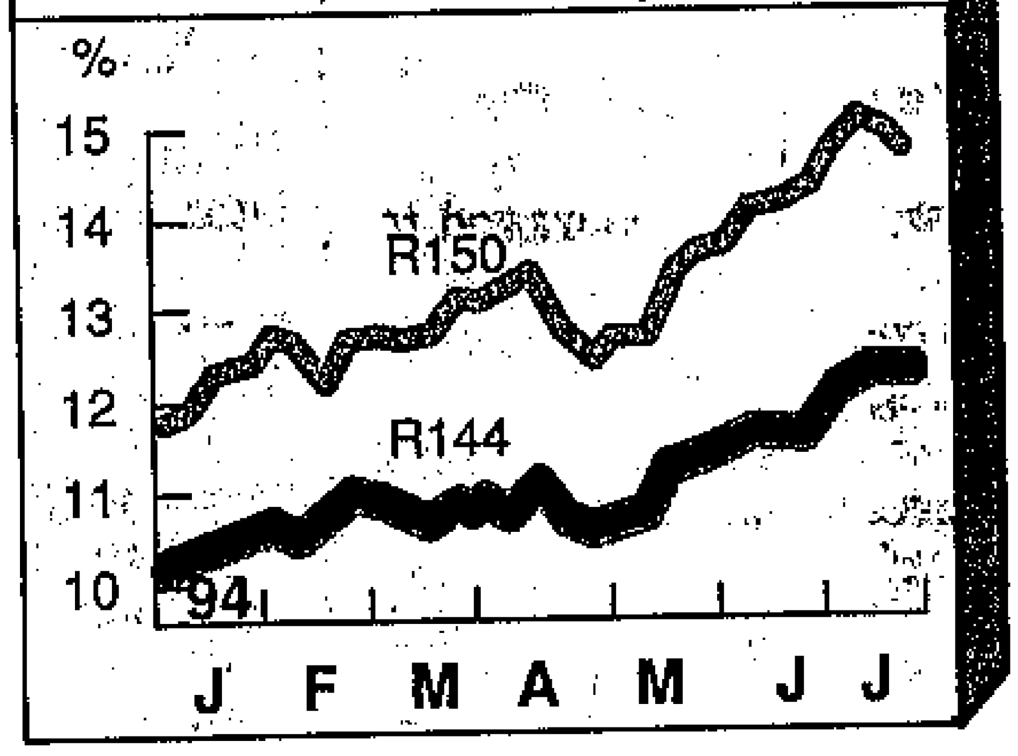
He said international investment would depend on such things as confidence, the tax regime and local investment.

Heseltine warned that there was no way to escape the disciplines of the marketplace. He pointed out that governments had lost the capacity to over-borrow, now that banks were "so inter-connected".

As the trading partner with the biggest investment stake in SA Britain wished to be "your partners in the future as we have been in the past".

Wesgro CE David Bridgman, outlining the range of local opportunities, told the 69 British delegates from firms with interests ranging from computers and hydraulics to construction that it would be wise to invest in SA now, while the financial rand discount was still available.

Capital market takes a breather
R150, R144 weekly close



Financial rand continues to firm

B/Day 15/7/94

PETER GALLI

STRONG offshore demand continued to drive the financial rand to firmer ground yesterday, with the unit gaining 2,4% or 11c to close at R4,52 to the dollar.

This brought its gains during the week to 23,5c or 4,9%, with the discount between the unit and the commercial rand narrowing to 19,1% from 22,6% on Monday.

A dealer said the R4,50 level was crucial as there was likely to be some resistance before it was broken, but if demand continued it would gain more ground.

(74)

Gilts dealers confirmed that there had been good offshore buying. The yield on government's long-dated R150 bond fell to 14,75% from 14,84% on Wednesday, while a similar trend was seen in the short- and medium-dated areas.

The yield on the short-dated R144 bond was unchanged at 12,28% and the R119 gained 17,5 points to 12,955%, while the yield on the medium-dated R147 fell 11 points to 14,36%.

An analyst said the market had been oversold for some time and Finance Minister Derek Keys's resignation had exacerbated this. "The strength over the past few days indicates the market is ready for a bull rally, but the longer-term trend remains bearish as the Bank rate will come under upward pressure next year."

SA's credit rating — [illegible] between October and December — would result in gilts buying from offshore mutual and pension funds, which would create another short-term rally, she said.

A dealer said Wednesday's major buying strength had carried through to yesterday.

He expected yields on long-dated stock to bottom out at 14,4%.

Row over free trade in Natal

(74) WM/S-21/7/94

Estelle Randall

KWAZULU/Natal premier Frank Mdlalose's desire for free trade areas in the region has put him on a collision course with organised labour.

Free trade areas, or Export Processing Zones (EPZs), are special enclaves in which a country's normal trade and customs rules don't apply. Investing companies — usually foreign — enjoy preferential treatment in imports, taxes and infrastructure, and freedom from industrial regulations.

Mdlalose told the Islamic Business Development Corporation earlier this month the province should take the lead in pressing for EPZs not only in Durban but also at Richards Bay and the Tugela Basin.

Slamming the move, Cosatu's southern kwaZulu/Natal chairman, John Zikhali said the proposals would place government on a collision course with the labour movement and seriously disrupt both the economy and the "fragile political settlement" in the region.

Cosatu official Rohan Persad said Cosatu was prepared to go to the constitutional court to halt EPZs. Cosatu believed EPZs would undermine wages and working conditions negotiated countrywide and this was at odds with constitutional provisions for a uniform, national economic policy.

"EPZs are the same old regional development idea of the former bantustans, where companies tended to thrive only with wage and other subsidies and tax concessions. When these were removed, companies collapsed," said Cosatu's Jayendra Naidoo, labour convenor of the National Economic Forum.

Reservations about EPZs have also been expressed by the South African Chamber of Business and the Durban Regional Chamber of Business, which said in a statement that EPZs "discriminate between existing and prospective manufacturers. On a world basis they have achieved only marginal success."

Naidoo questioned the competence of provinces to make trade policy. "We expect government to consult all stakeholders on such matters."

Compounding the row is Mdlalose's expressed intention to form an economic advisory council. The trade union federation sees this as an attempt to sideline its Regional Economic Forum — the provincial counterpart of the National Economic Forum, which draws together labour, business and government.

Mdlalose could not be reached for comment, but Mike Sutcliffe, spokesman for provincial economic affairs minister Jacob Zuma, said Mdlalose had been "expressing his own view". EPZs had been discussed by neither the cabinet nor the legislature; until the latter sat, no policy decisions could be made.

Rag trade rip and tear over tariffs

74

ARGUS 16/7/94

ALIDE DASNOIS
Business Staff

BIG and small clothing manufacturers are at each others' throats on the tariff issue, with the Board on Tariffs and Trade caught in the middle.

The board is looking into protective duties on fibres, yarns, fabrics and clothing. Details of its investigation, to be completed this year, will be gazetted next month.

But industry sources told Weekend Argus there did not seem to be much chance of a compromise between big and small clothing manufacturers.

A plan for the phasing down of tariffs put forward by the National Clothing Federation, the Textile Federation and the SA Clothing and Textile Workers' Union, though it is in line with SA's commitments to the General Agreement on Tariffs and Trade (GATT), does not go fast enough for the smaller manufacturers.

The smaller companies want quicker removal of tariffs on imported fabric inputs. They say they are being sacrificed to prop up big industry.

The plan, spelt out in the report of the textile and industry task group in March, suggests the maintenance of all ad valorem and specific duties until March 1995. After that, tariffs are to be phased down over 10 years to maximum levels of 40 percent for clothing, 30 percent for household textiles and 22 percent for fabrics, 15 percent for yarn and 7,5 percent for polyester fibre.

A minority of manufacturers based in KwaZulu-Natal, calling themselves the "Concerned Independent Group" vigorously oppose these plans.

They object to

- The maintenance for 10 years of minimum specific duties on fabric which were introduced as a stop-gap measure; and
- The use of the same phasing down period for capital intensive inputs (fibres, yarns and fabrics) and finally, labour intensive products such as clothing.

The CIG is asking for shorter phasing-down periods of six years for clothing and four years for fabric and household textiles.

In a letter to Minister of Trade and Industry Trevor Manuel one manufacturer urges: "The tariff wall has to be broken if all clothing manufacturers are to survive."

"It should never have been, nor was it intended to be, a bargaining chip against the small and medium-sized clothing manufacturers."

The members of the Concerned Independent Group point out that the local textile industry cannot supply all the fabric requirements of the clothing industry and fabric has to be imported. Maintaining import tariffs on fabric, they say, will merely encourage local fabric manufacturers to put up prices.

High duties on fabrics were intended to save the textile industry, "but not at the price of killing the small and medium sized manufacturers within the clothing industry."

National Clothing Federation president Sadek Vahed would not comment on the issue.

But a director of Mr Vahed's company A M Moolla, Ebrahim Dhai, said the company was sympathetic to the worries of small and medium-sized manufacturers, including the cut, make and trim operators to whom A M Moolla sub-contracts a large part of its production.

Industry sources said Mr Vahed had been "told to toe the line" by industry heavyweights in the NCF and Textile Federation.

They said it was likely the Department of Trade and Industries would come up with some concessions to smaller manufacturers, who were becoming a powerful force in the industry.

Exemptions from tariffs on inputs would be difficult to implement, but there might be ways of sugaring the pill, including financial support.

The report of the textile and industry task force suggested that a committee drawn from both industries be formed to seek consensus between the opposing parties on the tariff issue. But, according to the Board of Trade, no committee was ever appointed.

Call to harmonise African trade measures

HARARE. — Southern and eastern African countries have been urged to harmonise their trade, tariffs, customs and investment regimes to boost regional trade and attract foreign investment.

International consultant David Pirie, of Coopers and Lybrand, said the region was poised for growth following the changes in South Africa, Africa's most powerful economy.

However, Mr Pirie said the region lacked harmonised procedures for customs, trade and tariffs. Impediments to increased trade needed to be comprehensively reviewed.

Harmonisation would have to be done within the framework of regional integration and liberalised trade to increase intra-regional trade from the current five percent.

The 22-member Preferential Trade Area (PTA) intends to transform itself into a common market and hopes to have removed all tariffs by the year 2000. Only Botswana and South Africa, which is expected to join soon, are not PTA members.

Mr Pirie also urged the region's countries to harmonise their investment incentives, which had to be tied to opportunities. A start could be made by an assessment of current incentives and an examination of economic conditions in each country, he said. — Sapa.

ARG 18/7/94

Leave controls for now — Stals

(74)

HARARE. — South Africa's central bank governor Dr Chris Stals has cautioned against the premature abolition of "undesirable" foreign exchange controls, saying the cost could be too high.

CT 19/7/94

Dr Stals was speaking to Zimbabwean bankers at the eastern resort town of Nyanga at the weekend.

"The Reserve Bank believes that in the present situation, the cost of the unavoidable macro-economic adjustments that will have to be made after the abolition of the exchange controls could, perhaps, be too high to be tolerable," he said.

South African economic analysts say that while the government may want to liberalise the exchange regime, there are not enough foreign reserves to sustain this for now. — Sapa-Reuter

UK trade bonanza

Visit ends on high note

(74) CT 19/7/94

From LINDA ENSOR

LONDON. — South Africa was the third largest market in the world in terms of new business for Britain's Export Credit Guarantee Department (ECGD), Board of Trade president Mr Michael Heseltine said at the conclusion of the largest ever UK ministerial trade mission.

Representatives from 57 major British companies accompanied him on his week-long visit to SA, which came to an end at the weekend.

Mr Heseltine said the ECGD had made more cover available for South Africa than at any time in the past and was backing ten lines of credit into the SA market. ECGD figures show that in the year to end-March 1994 it underwrote £200m (about R1 100m) worth of business with SA.

A departmental spokesman noted yesterday that since 1991, when the ECGD first began to peg its premiums with the level of political risk, the premiums for SA had fallen 25%. This decline had given further impetus to UK exports to SA.

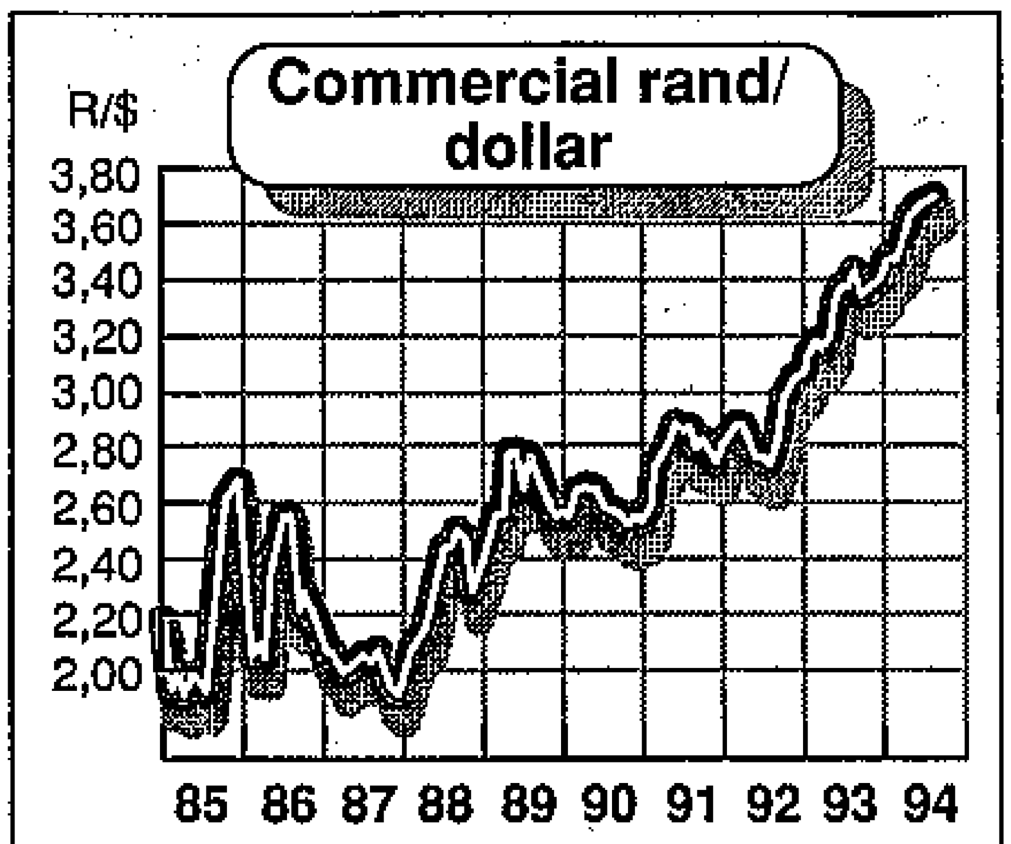
Mr Heseltine said ECGD-backed finance had played an important role in the success of UK contractors in winning major orders. In addition, 66 British companies had made new investments in SA over the past three years.

The UK Department of Trade and Industry has designated South Africa one of 80 priority markets around the world and has taken on three export promoters to match opportunities in SA with British companies wishing to export.

Summing up his views at the end of the visit, Mr Heseltine said: "The whole British team has been struck by the remarkable sense of confidence and purpose emerging in the new South Africa as democracy takes root."

Mr Heseltine announced the launch of a new trade and investment campaign, Opportunity South Africa, designed to boost bilateral trade and investment. He said the campaign would feature conferences, seminars and other trade promotion events over the coming year.

Also, four further trade missions to South Africa would take place.



Graphic: LEE EMERTON Source: I-NET

Uncertainty pushes rand to new lows

GRETA STEYN B/Day

PERSISTENT fears that SA would scrap the dual currency system sooner rather than later have cast a cloud over the commercial rand market and helped push the currency to a new low of R3,6813 against the dollar yesterday. 2/1/7 1994

It also tripped over the dollar's comeback on international markets but ended the day off its lows at R3,6783 from Tuesday's R3,6685 close. Dealers said bearish sentiment was so firmly entrenched that the rand had shrugged off the dollar's recent fall but had immediately weakened in response to the dollar's rebound.

The dollar traded at DM1,5741 yesterday from about DM1,52 a week ago. German interest rate cut expectations boosted bullish sentiment towards the US unit.

The market believed that the finrand would be abolished sooner rather than later, said a trader. "It is inevitable that the commercial rand must weaken to meet the finrand." Perceptions of threadbare foreign exchange reserves were also fuelling bearish sentiment. (74)

The rand was probably undervalued based on purchasing power parity, an economist said, but banks were advising importers to hedge against rand weakness.

There was little movement in the financial rand market yesterday as it remained within the R4,52 range. Traders said finrand strength was a bad omen for the commercial rand as it fuelled speculation that the dual system would be abolished.

SA in peace pact

(74)

CT 21/7/94

Own Correspondent

MAPUTO — President Nelson Mandela started his three-day state visit to Mozambique yesterday by signing a joint co-operation agreement covering security, trade, agriculture, transport and the Cahora Bassa hydro-electric scheme.

The agreement confirms the Nkomati Accord, signed in 1984 between former SA President P W Botha and former Mozambican President Samora Machel, but it is expected the new security commission will strengthen security arrangements.

Shortly after arriving yesterday afternoon, Mr Mandela held talks with Mozambican President Joaquim Chissano, after which the agreement was signed.

The main aspect of the agreement deals with security matters, and includes a provision for a joint security comission to oversee illegal immigration, and arms and drugs smuggling between the two countries.

Defence Minister Mr Joe Modise visited Mozambique last week to negotiate the security aspects of the deal.

STATE VISIT . . . President Nelson Mandela, accompanied by Mozambique President Joachim Chissano (left) is greeted by crowds of Mozambicans waving South African flags. Mr Mandela is on his first official state visit since his inauguration.

Picture: AP

The agreement will also confirm other international co-operation agreements already negotiated between the two governments, including that on the Cahora Bassa scheme.

Officials expect the supply of electricity from Mozambique to SA will be restored following the deal, but no dates have been set for the resumption of supply.

SA officials expected the Mozambican government to discuss the quota of Mozambican migrant workers on SA mines.

Mozambican authorities would prefer an increase in the quota, but SA officials were reluctant to reach any agreements at this stage.

The Mozambican government would also like tariff-free entry of some goods into SA.

This too will be part of further discussions.

Mr Mandela's entourage was welcomed at Maputo airport by about 5 000 people.

A 21-gun salute was fired as the national anthems of both countries were played, after which Mr Mandela inspected a guard of honour.

It took Mr Mandela the better part of half-an-hour to work his way through the dignitaries and impromptu praise-singing performances conducted in his honour.

"I'm very excited to be here," Mr Mandela told Mr Chissano.

The two leaders were taken from the airport in a cavalcade headed by about 12 motorcycles.

The entourage brought central Maputo to a standstill as thousands of people lined the streets waving South African flags.

Mr Mandela is also expected to meet President Quett Masire of Botswana and President Robert Mugabe of Zimbabwe during his trip, which coincides with a science and technology conference in Maputo.

Mr Mandela is being accompanied by Arts, Culture, Science and Technology Minister Dr Ben Ngubane, Foreign Affairs director-general Mr Rusty Evans and presidential adviser Professor Jakes Gerwel.

Sapa reports Mr Mandela said at a state banquet here last night South Africa wanted to help build a prosperous Southern Africa to "compete with dignity in the rest of the world".

He said Southern Africa had felt the "shockwaves of international events which have changed the world."

SA in peace pact

~~[illegible]~~ 74
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Trade surplus back on track

CT 22/7/94 (74)

By AUDREY D'ANGELO
Business Editor

THE trade surplus rose by an encouraging 142% in June to R1,5bn after a steep dip to R642m in May from R1,6bn in April. Exports rose by 21% to R8,1bn from R6,7bn in May.

But imports also continued to rise, by 3,5%, to R6,6bn. Economists warned that this trend, resulting from the upturn in the economy, would put continuing pressure on the balance of payments (BoP) even though the capital outflow has slowed.

Old Mutual chief economist Dave Mohr said this meant the Reserve Bank would have to allow the rand to weaken further, rather than risk aborting the upturn by raising interest rates.

SA Foreign Trade Organisation (Safto) economist Carlos Teixeira said exports of diamonds had "once again come to the rescue with a 105% increase in sales in June compared with May.

"Manufactured exports in the categories of machinery and electrical equipment and vehicles and transport equipment have also performed particularly well.

"Month on month, exports of machinery were up 44% and transport equipment was up 163%."

In spite of a rising trend in international commodity prices, Teixeira said exports in this category were disappointing. "Reasons for this may include higher local consumption, contract prices and a full capacity situation not allowing for further production increases for foreign sales.

"Nevertheless the second half of 1994 will see the commodity categories (of exports) improve as better international prices and demand set in."

Capital investment

Teixeira said the rise in imports was mainly due to "continued increases in investment in capital goods such as vehicles and transport equipment and machinery and mechanical appliances."

He pointed out that June was the fourth month in succession in which imports in the unclassified sector — which includes oil — had increased. "Thi can be attributed to higher oil prices and increased volumes as the local recovery strengthens.

"The unclassified category was up 20% in June compared with May."

Forecasting a current account surplus of about R4bn for 1994, based on current trends, Teixeira said the growth in imports was likely to accelerate but "there remains room for improvement on the export side."

Southern Life economist Sandra Gordon said exports had benefited from the higher gold price and improved agricultural conditions.

The rise in imports was due mostly to machinery and other equipment needed by industry as the upturn strengthened, which was an encouraging factor. But "we need much higher exports. We need a trade surplus of R2bn a month."

On current trends she expects a current account surplus of about R5bn for the year.

David Mohr said the trade surplus was encouraging but the surge in imports was a worrying factor because of its effect on the BoP.

"Commodity prices are increasing and this provides us with some scope to accommodate a higher level of imports."

Mohr said the Reserve Bank would have to protect the BoP by allowing further depreciation in the rand. Reserves had, in any case, fallen to such a level that it would be difficult to defend the rand. "It must, therefore, go with the market."

Millions hinge on EU ruling

ARG 23/7/94 (74)

ALIDE DASNOIS
Business Staff

HUNDREDS of millions of rands in export revenues are at stake as the European Union (EU) debates the entry of South African goods to European markets.

The Council of Ministers of the European Union has already approved the principle of extending to South Africa the Generalised System of Preferences (GSP), which would reduce or eliminate import duties on SA exports. But the list of items concerned still has to be negotiated.

In response to concerns that the range of products admitted to GSP might be narrower than hoped, South Africa is submitting a list of products to qualify for GSP benefits.

The target for access to the GSP — set by the Council of Ministers — is the beginning of next month, but negotiations over particular items could go on longer if individual countries object to the inclusion of certain goods.

Admission to the GSP should save exporters more than R300 million a year in duties, according to calculations by the Industrial Development Corporation (IDC). In 1992, South African exporters paid R303 million in duties.

South Africa's main exports to the countries of the European Union (by value) in 1992 included precious metals and stones (about R18 billion a year), mineral fuels (R3,7 billion), fruit and nuts (R1,9 billion), slag and ash (R1,3 billion) and iron and steel (R1 billion), the IDC calculated.

About 67 percent of South African goods are imported into the EU duty-free.

Access to the GSP would affect a range of other goods. For instance, 96 percent of exports of machinery and mechanical appliances would be eligible for GSP — 37 percent of iron and steel exports, 99 percent of paper and board exports and 96 percent of fish and shellfish exports.

Exporters of prepared vegetables, fish and shellfish, fruit and nuts, machinery, vehicles, paper and iron and steel would benefit from huge savings, according to calculations by the IDC, based on official EU data.

The calculations are based on the size of the current duties applicable and the volume of exports in each category.

But, in the longer term, a whole spread of other products could penetrate European markets if current duties are reduced or eliminated. These range from potatoes to watches and baby clothing.

France blocks EU trade concessions to SA

~~AEG~~ CT 28/7/94

Own Correspondent

BRUSSELS. — The Anglo-German initiative for Europe to give open-ended trade preferences on SA goods worth R1 billion a year collapsed in bitter disarray last night in the face of a blocking action led by France.

A meeting in Brussels of the European Union (EU) ambassadors, which had a deadline of last night to resolve opposition to the generous package proposed by Britain and Germany, broke up amid heated argument.

With the EU going into summer recession this weekend, and technically requiring the next meeting of Europe's foreign ministers in October to revive the initiative, the French action was clearly aimed at putting it on ice.

Britain and Germany had expected their proposal to offer the advantages to SA exports under what is known as the Generalised System of Preferences (GSP) to be rubber-stamped, and were outraged by the French campaign, which has won some support from Italy, Belgium and Portugal.

France, apparently determined to prevent a surge of SA exports onto the EU markets, remained completely uncompromising.

74

South Africa's furious and disappointed European diplomatic team, led by Brussels ambassador Mr Neil van Heerden, will hold meetings with their opposite numbers today to demand a compromise and avoid what could be a long and expensive delay.

British ambassador Sir John Kerr last night said he was deeply disappointed that Europe had failed to deliver what Britain and Germany saw as an essential commitment to assist SA exports and thus promote inter-trade.

Sir John, who confirmed that he would hold talks today with Mr Van Heerden, will play a significant role in "most urgent attempts to resolve the crisis".

Trade bon[anza]

bonanza

(74) CT 28/7/94

Black business to profit

LONDON. — Part of the £1 billion export package put together by Britain includes a bold initiative to train black South African businessmen.

Board of Trade president Mr Michael Heseltine said the recent trade mission to South Africa had produced the Soweto Initiative, a joint scheme between 29 of the companies who visited SA and the Commonwealth Development Corporation (CDC).

"These are the business leaders of tomorrow — now is the time to forge friendships and partnerships with them," said Mr Heseltine.

Under the scheme Sowetan entrepreneurs will be trained in management and technology skills in Britain by companies such as Rolls Royce and construction giant Wimpey.

A special venture fund is to be set up to provide the trainees with capital for new businesses when they return to South Africa.

From JOHN CAVILL and Staff Reporter

LONDON. — The South African economy received a massive injection of aid yesterday as Britain unveiled a £1 billion (about R5,7bn) support package for exports to South Africa, bringing to £1,25bn (R7,1bn) the total in trade and aid finance since the election.

Board of Trade president Mr Michael Heseltine, who this month led one of the UK's biggest trade missions to the country, said: "It's the largest response by any country to the opportunities in South Africa."

Hours after the British package was announced, it emerged in Brussels that an Anglo-German initiative for Europe to give open-ended trade preferences on South African goods worth R1bn year had collapsed in bitter disarray after blocking action led by France.

FRANCE FIGHTS TO LIMIT SA TRADE CONCESSIONS

See PAGE 2

In the British package announced yesterday, the biggest element, £1bn of Export Credit Guarantee (ECG) facilities for exporters to South Africa, suggests the UK is looking for a big jump in sales of capital goods.

The rest of the aid funding was announced earlier this year — £100m (R570m) comprising £60m (R342m) from the Overseas Development Administration for investment and training plus £30m (R171m) contributed to the European Union's aid and £10m (R57m) from the Commonwealth Development Corporation.

The British aid package has been welcomed by the SA Chamber of Business (Sacob), the Cape Chamber of Commerce and Industry and leading economists.

● A UK Department of Trade report said the 57 firms which went on the recent South African trade mission estimated it could lead to orders worth £500m (R2,8bn) for UK companies.

The report added that the British government is to step up its promotion of trade links with South Africa.

It added, in addition to pressing for greater South African access to Europe, the UK government should urge Pretoria to reduce its tariffs on imports to facilitate two-way trade.

On direct investment in South Africa, the report said lingering doubts about past ANC policies remained.

"For this reason, companies have been cautious about investments and those that have entered the market have done so very much on the basis of trying to secure a foothold without putting too much capital at risk..."

● Aid welcome, but SA needs cash — Page 2

HARASSED ... Mr Stephen Ravells (centre), a wall and floor tiling contractor, wa[s] ... were "press-ganged" by striking building industry workers in the city yesterday

Press bouncer

Own Correspondent

LONDON. — A desperate British attempt to paint star South African fast bowler Allan Donald as a ball-tamperer failed miserably yesterday.

The Fleet Street vultures who have been circling over England captain Michael Atherton's head for the past four days decided to turn their attention on the man chiefly reponsible for their Lord's Test batting woes.

Pictures in the mass daily tabloid the Sun, which depict Donald purportedly picking at the seam of the ball during the first Test, have been derided by the touring party.

The Sun's pictures of Donald are published beside a headline that reads: "Is this what it seams?"

In the first picture Donald is looking intently at the ball, while appearing to dig

HANSIE CRONJE HAMMERS 108

See BACK PAGE

the tip of his thumb into it. In the following two pictures, his thumb remains cocked over the ball as he prepares to start his run-up.

Said South African coach Mike Procter:

Export haven in Klapmuts

Municipal Reporter

KLAPMUTS may be the first area in the country to get an Export Processing Zone (EPZ) — a place free of import or export duties on products related specifically to export.

The Western Cape Regional Services Council has already received an application to buy two pieces of land near Klap...

premature, and cannot be considered before legislation about EPZs is promulgated and the locations of such zones are known.

Yet councillor Mr R P Conradie of Stellenbosch succeeded in having the application referred back to the finance committee for further consideration and a new report from the

Birds ... a soft ...

SIXTY-SEVEN of the ... released on the West ... were not too happy a... 30km swim in the col... sen Island — and l... shore at Silverstroom.

While most of the ... leased have flocked b... has opted for the soft...

Cape Nature Conser... Zane Erasmus said ye... patrolled the beaches

British expect £500m to flow after mission

(74)

ARG 28/7/94

GARNER THOMSON

LONDON. — British businessmen expect as much as £500 million to flow from the recent trade mission to South Africa headed by President of the Board of Trade Michael Hesletine.

The estimate — which some sources believe could be doubled within two years — was revealed yesterday by Mr Heseltine, who also announced a £1,25 billion trade support and assistance package for South Africa.

This is the largest package offered to South Africa by any country since the elections in April, and includes more than £1 billion of Export Credit Guarantee Board cover, £60 million bilateral aid, £30 million channelled through the European Union, and £10 million through the Commonwealth Development Coporation.

Mr Heseltine also announced details of a new private/public sector "Soweto Initiative", which, he said, could become the prototype for initiatives in townships throughout the country.

The Soweto Initiative — formulated by nearly 30 of the 57 British business executives en route to South Africa earlier this month — will offer in-house management and technical training in the UK for township entrepeneurs. On their return, they will be able to make use of start-up funding, administered by the Commonwealth Development Fund, to start new businesses.

Mr Hesletine said: "The companies that came with me to South Africa felt they didn't want to just visit and then go away and forget the experience... And so they got together on the plane in order to put together an initiative very closely targeted on two of the problems people in Soweto and in other townships face: Lack of skills and money.

"The scheme has targeted both those issues."

Sectors covered so far by the fund include water treatment, medical, electronics, financial and legal services, construction and building materials and telecoms and management.

Mr Hesletine said: "Having witnessed at first hand the ideas bubbling up within the Sowetan business community, the drive, selling capabilities and sheer enthusiasm of Sowetan enterpreneurs, we on the mission decided that we could and should do something to help.

"These are the business leaders of tomorrow — now is the time to forge friendships and partnerships with them."

France denies blocking SA

74

ALIDE DASNOIS
Business Staff

REPORTS that France has been blocking European trade concessions to South Africa were strongly denied today by the French Embassy in Pretoria.

Commercial and Economic Affairs Attache Dominique Bon said attempts to limit access of certain products to Europe had not come only from France. AR G 28/7/94

Several countries in the European Union had objected to the inclusion of some products in the list of South Africa exports that would have freer access to Europe under the Generalised System of Preferences (GSP).

The Council of Ministers of the EU agreed earlier this month to extend the GSP to South African exports, but the list of products concerned was still being negotiated.

Mr Bon said that of the 12 members of the EU, only Germany and Great Britain had not put forward objections.

France had "expressed reserves" about the inclusion of certain paper products. Initially the French representatives had also objected to the inclusion of fungicides and herbicides in the list, but this objection had later been withdrawn, Mr Bon said.

The Committee of Ambassadors of the EU was now meeting to finalise the list.

The benefits for South Africa of access to the GSP have been estimated at R400 million a year. In 1992 duties on South African exports to the European Union topped R300 million.

The target date for access to the GSP was the end of this month.

If the finrand goes . . . if the finrand stays . . .

The frying pan or the fire

Star 29/7/94

74

■ BY CLAIRE GEBHARDT

Scrapping the finrand overnight could create an economic earthquake in South Africa — but not to scrap it might be even worse.

Absa economist Hans Falkena cautioned yesterday that the likely consequences of a summary removal of the finrand were:

■ A 20 percent depreciation of the commercial rand from its current R3,70 to the dollar to R4,50, which is the present level of the finrand.

■ A 20 percent hike in import prices.

■ A doubling of the inflation rate from 8 percent to 16 percent, virtually overnight.

■ A leap in interest rates to contain inflation.

■ A shot in the arm for import replacement and export industries.

■ A possible wiping off the map of import-sensitive industries.

■ Bonds could fall out of bed as a depreciating rand created fears of increased inflation.

■ Many shares could fall, given a positive correlation between bond and equity prices.

■ Mines and mining houses would offer higher returns as the rand price of gold and other metals rose.

■ Industrial companies geared to exports and or import-replacements would gain, as would rand hedge stocks.

Falkena said that with the new rand at R4,50, motor manufacturers might face the immediate choice of either halving their labour force or hiking prices by 50 percent.

Falkena said the Reserve Bank would be forced to hike Bank Rate to stop inflation taking off, bringing the upswing to a grinding halt.

"Unemployment will surge," he warned.

Falkena questioned whether the Government, with unions locked in strikes for higher wages, had the political will to take the pain of devaluation.

"The moment the decision is made, there is no way back to the old regime, if you don't like the new.

"Will the Government slash state expenditure by 10 percent immediately and turn the Budget deficit into a surplus so interest rates can come down?

"Will it tell the trade unions to freeze wage demands?" he asked.

Unlikely, and more unlikely still with another election 5 years down the road.

"Unfortunately, the recipe for successfully abolishing exchange control is usually the recipe to make sure a government will fail."

But President Nelson Mandela, with his landslide election victory, had the status to carry it off, he said.

Failure to take stringent fiscal and monetary measures, if and when the finrand went, would quickly result in hyperinflation of the Latin-American style, he said.

But the consequences of not removing the finrand were equally painful, economists agreed.

■ No capital inflows as investors bided their time, waiting for the finrand to go.

■ An artifical exchange rate dependent on Reserve Bank intervention.

■ Uncompetitive exports.

Given a rand at record lows this week of more than R3,70 to the dollar, further cuts in Bank Rate were out of the question this year and interest rates could in fact go up.

"So we're facing the same pain, but spread out over a longer period."

On the positive side, doing away with the finrand could result in massive inflows of capital, which could see the rand appreciate by 10 percent.

This would be 10 percent less than before, but still a very acceptable scenario, said Falkena.

"But for this to happen we need an end to violence in the townships and perhaps a pact between the Government and labour to ensure that there is no trouble on the labour front for the next three years."

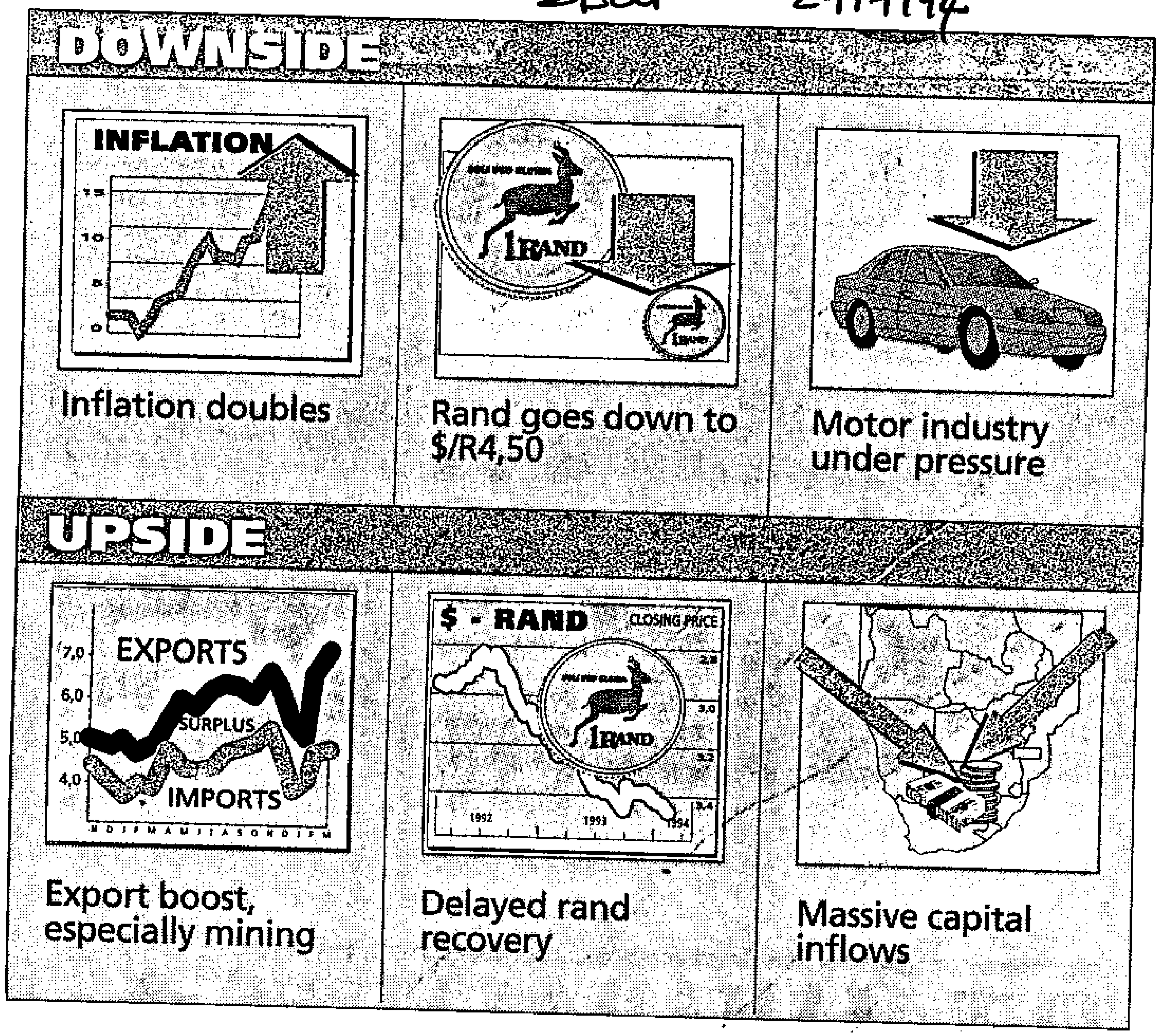
Falkena's view was echoed by Rand Merchant Bank economist Rudloph Gouws who said the mere existence of the finrand was a disincentive to foreign investment.

"We've said the finrand will go at some stage, and no one is likey to invest in a country where the exchange rate is expected to depreciate by 20 percent in the near future."

Mathison & Hollidge economist Tracey Ledger said the Reserve Bank's preconditions for scrapping the finrand were very sensible, but the Bank had no control over investor confidence, the size of the finrand pool and only limited control over the level of forex reserves and the commercial/finrand discount.

"To fulfil all these criteria could mean a long wait to compete for capital on the international capital market.

"The longer we keep the finrand in place, the less the chance of winning that capital," she said.



Europe to reconsider SA trade concessions

CT 30/7/94 (74)

BRUSSELS. — European Union officials are optimistic that there will be agreement this week on new trade concessions for South Africa.

A plan to admit SA to Europe's Generalised System of Preferences (GSP) was blocked at a meeting of EU ambassadors on Wednesday.

The GSP allows developing countries to export products to Europe with reduced or zero import tariffs.

A new proposal, which reportedly leaves many of the items to be favourably treated intact, will be circulated to the 12 EU governments this weekend.

But kraft paper is expected to be taken off the list, at French insistence.

"It is ironic that wrapping paper has become the victim of EU red tape," said a European diplomat.

The EU is also expected to allocate a ceiling import level to some sensitive products such as manganese oxide, furniture and wood products, after which normal tariffs will apply.

EU diplomats said that the French, who had led attempts to water down the list, were becoming more positive.

"They are clearly embarrassed that their behaviour was in direct conflict with promises made by President Mitterand during his recent meeting in Cape Town with Nelson Mandela."

Rand goes into retreat

By DON ROBERTSON

THE slump of the rand against major currencies, particularly in the past two months, is putting pressure on manufacturers and distributors of German and Japanese goods such as cars and TV sets.

Compensatory price increases have been kept in check so far because of the competitive nature of the market, but price adjustments are inevitable before the end of the year.

Car manufacturers and TV set distributors are acutely aware of the affordability problem and fear any price rises now, especially as the transition levy is likely to put more strain on disposable income.

Since January, the rand has lost almost 20% against the yen — from around 32,9 yen to the rand to a low of 26,4 last week. It has since recovered marginally to 26,6 yen.

The rand has been fairly stable against the German Deutschmark for most of the year, but in the past few months it took a dive. It was recently 18% lower than in January at around 0,41 Deutschmark to the rand, compared with 0,51, although it too has improved marginally to 0,42. At the same time, the rand-/dollar rate has dipped 8% from 3,39 rand to the dollar to 3,69.

The motor industry is most severely affected with annual component imports of about R4-billion a year from Japan and Germany.

Toyota financial director Pieter Robinson says a strengthening of the yen against the rand by one yen over a full year increases component expenditure by about 1,5%, or R90-million. John Jessup, marketing director of Nissan Marketing, says a similar exchange rate movement should represent a retail price increase of between 2% and 2,5%, calculated at today's rate.

Mr Jessup says budgeted car price increases for the year were set at 10%, but this was calculated at an exchange rate of 28,3 yen. At the present rand rate, the increase for the full year would be about 15%, but improved productivity, technical assistance from Japan and "special" component prices should keep the eventual increase to about 12%.

Economic fundamentals suggest the price should at least stabilise at present levels. Cars in the R80 000 range and below are now between 5% and 10% cheaper than in Japan, indicating that the rand is undervalued, says Mr Jessup. 74

Toyota hopes to keep to its price forecasts at the beginning of the year, but only if the exchange rate stabilises at present levels. Favourable component prices and forward cover do not last forever, Mr Robinson says.

The recent decline in the rand/-Deutschmark rate "has eroded the advantage we had over market leader, Toyota", says Ian Thomas, treasurer at Delta Motor Corporation.

Delta had hoped to keep car price increases to 12,6% this year in four quarterly rises of 3%. By July, prices had risen by 8,1% with a further 2,5% planned later in the year. The weaker rand has effectively added 4% to prices, although it is hoped most of this "increase" will be recovered elsewhere.

Ernie Barber, financial director of Volkswagen, says a 1% decline in the exchange rate lifts costs by about 0,5%.

National Panasonic marketing director Martin Maddox says it is impossible to absorb all cost increases following the weaker rand.

Prices will be lifted by between 5% and 7% in August with a further 8% either before or after Christmas. This follows a 5% to 10% rise in March.

Profit margins at Tedelex, distributors of products such as Sony, Casio and Blaupunkt, are shrinking, says financial director Jack Sifris.

Mr Sifris sees no end to the rand devaluation but hopes that reduced duties to comply with Gatt requirements will help.

Boundless patriotism

SA COMPANIES which invest abroad are accused in ... being unpatriotic. Malaysia, which is ... companies, gives

Winners and losers in NEF's tariff choices

ST Times (Buss)

By CIARAN RYAN

THE National Economic Forum task group on trade and industry managed to slip in tariff increases for an estimated 6% of products while thousands more face tariff cuts as South Africa readies itself for the new General Agreement on Tariffs and Trade.

The deadline for comments on the proposed phase-down of tariffs to comply with new GATT rules was reached this week.

While scores of industries brace themselves for tougher foreign competition as tariffs on their products fall into line with GATT, there are some surprising exceptions.

A range of asbestos products, which are currently duty-free, will have 15% protection from the beginning of next year through to the end of the decade if the NEF tariff proposals are accepted. An industry source says this could impact on the reconstruction and development programme by raising the cost of some asbestos building materials.

This has led some to question whether tariff policies are being decided by the interests of lobby groups, as was the case under the National Party government.

Duties on certain articles of tableware go up from 25% to 30% from next year and a range of optical glass products, which were duty free, will now have 10% duties. Duties on monumental stones for the building industry go up from 20% to 30% and aluminium bars, rods and wire get 10% duties where they had none before.

There is no change in flat-rolled steel products which continue to receive 5% duties, but duties on some types of sheet piling go up from 0% to between 5% and 15%. Tariffs on electrically insulated wire go up from 5% to 15%.

In most cases, the import value of products granted increased duties are so small as to question whether the local industries need protecting. For example, granite, marble, travertine and alabaster will enjoy 10% duties from next year where they had none before, despite the fact that less than R500 000 of these products were imported in 1993. 3/7/94

A big shock for new home owners is the increase in tariffs for gas and solid fuel stoves from 15% to 20%.

Washing machines go up from 25% to 30% and a large range of electrical appliances remain pegged at 30% to protect local manufacturers.

Duties on record and CD players double to 20% and books recorded on cassette and other media get a 15% duty where they were duty-free before.

Robin Bosomworth of the Independent Wire Converters Association, says: "Overall, the proposals look pretty harmless as far as steel is concerned, but it is surprising that Haggie managed to get away with 15% across the board duties on its wire-rope products in return for putting up a carbon wire factory for tyres. It is a world leader in rope manufacture and surely does not need across-the-board tariffs of 15% to 20%."

Tariffs on vehicles drop to 50% over five years, commencing with an immediate drop to 70% next year. This is part of a major restructuring of the motor industry which will see the number of models produced slashed from around 35 to 20.

(74)

Leora Blumberg, a trade attorney with Webber Wentzel, says there was concern that some tariffs would increase because of the rationalisation in the number of tariff headings.

"Because a large number of products which were previously duty-free are now grouped with others on which duties are charged, we suspected that tariffs on some products would actually increase," she says.

Exchange control set to go — Manuel

(74)

ARGT 4/8/94

ALIDE DASNOIS
Business Staff

THE government would lift exchange control in the "not too distant future", Trade and Industry Minister Trevor Manuel said today.

Speaking at a breakfast in Cape Town, he said: "I don't believe the day is too far away when we will lift exchange control."

But, he warned, in every country but one, the lifting of exchange control had led to a huge outflow of capital. The exception was Margaret Thatcher's Britain.

Mr Manuel called for a restructuring of salary scales in the private and public sector to narrow wage differentials.

Salary differentials were generally much too high in South Africa compared with other countries.

A cut in MPs' salaries could serve as an example.

"Perhaps if we lead the way, others will follow."

Business executives could not expect to be paid "Wall Street" salaries while their lowest-paid workers were paid "Indonesian rates".

"You can't have these two levels co-existing in one economy."

Mr Manuel said this was one of the most serious problems in the economy, as the strike in the motor industry showed.

Referring to civil service salaries, he said some reports were inaccurate.

It had been reported that private secretaries earned R192 000 a year but his own private secretary earned R42 000.

"Civil servants must be paid enough to render a professional service and to keep their fingers out of the cookie jar," Mr Manuel said.

He was also in favour of toughening the present sanctions for public servants found guilty of corruption.

It would be difficult to stamp out corruption in the civil service while the maximum fine was limited to R6 000. "At R6 000, you're making a profit."

The standing committee on public finance would be asked to look into an amendment to the Public Service Act to toughen these fines.

Can the finrand be allowed to go with a bang?

B/Day 4/8/94

GRETA STEYN

(74)

THE Reserve Bank's foray into the commercial rand market has subdued the wildest bears, at least for the time being. The Bank's move, at first swashbuckling and now more surreptitious, has sent an unmistakeable signal — speculators betting on an early scrapping of the financial rand could get burnt badly. But many market players and business people are still hoping for an early currency unification.

While virtually everyone agrees that the finrand and other controls on the free movement of capital must go, the questions are, when and how? The proponents of a "big bang" and the gradualists are slugging it out in a debate in which government has kept a relatively low profile.

The policymakers' major contribution has been Reserve Bank Governor Chris Stals's repeated warnings of the dangers of an early currency unification.

Despite Stals's painstaking ritual, the currency markets seem to have decided the system has to go and the commercial rand would have to shrink in value to bring the two currencies together.

Mandy Rice-Davies's immortal words were heard in dealing rooms after Stals's pronouncements: "He would, wouldn't he?" Dealers said under the Bretton Woods system, when exchange rates were fixed, devaluations were always strenuously denied until they happened. It would not be the first time that a central banker has had to be less than open.

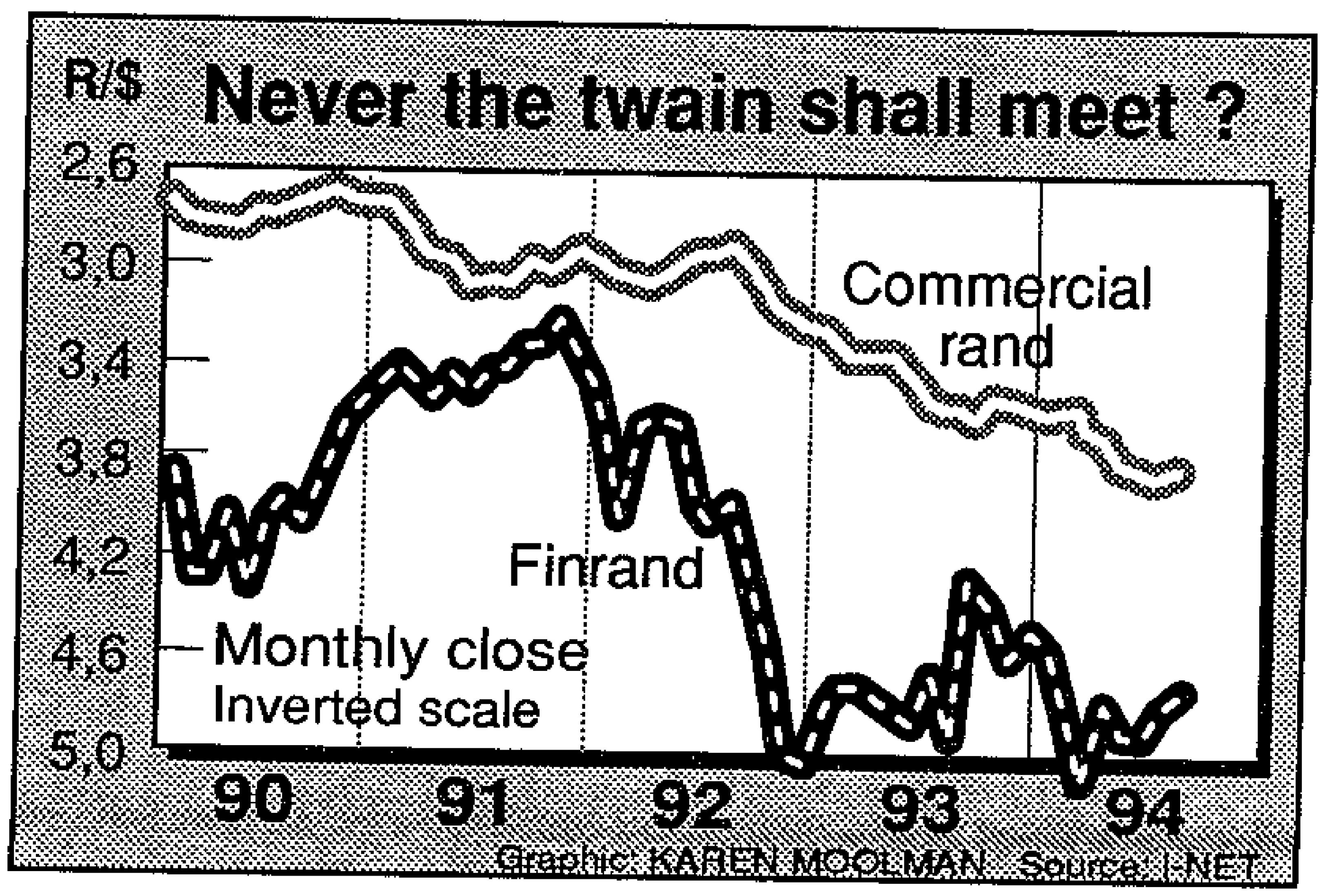
Expectations of currency unification were heightened by the Bank's failure to intervene when the rand failed to gain in July as the dollar plunged. The dollar went from over DM1,58 at the start of the month to a low of about DM1,52 in less than two weeks. Over the same period, the rand hardly budged from about R3,65 to the US unit, except for a period of weakness over Finance Minister Derek Keys's resignation. Meanwhile, the finrand strengthened by about 2,6% and the discount between the two currencies narrowed from more than 23% to about 18%.

While the rand failed to gain from dollar weakness in July, dollar strength later in the month was seized on as a reason to take the SA currency lower.

The Bank finally broke this cycle when it stormed into the market last week, some would say just in time to stop the speculators from having a field day.

The Bank has been active in the market for a week, albeit keeping a lower profile this week after its initial noisy intervention. Dealers noted the Bank had scared the market enough for the rand to hold its own against a volatile dollar without further major intervention.

But the objective of scrapping the finrand — even if it is a longer term prospect — has probably changed the nature of trading in the commercial rand market forever. A cloud will hang over the rand.



Stals might find good foreign reserves figures will, perversely, depress the rand. A rise in reserves has been stated as a precondition for currency unification. If the reserves position improves, the markets could get skittish again.

One of the other preconditions — a narrowing in the discount — has provided speculators with a target. A strengthening finrand, as we saw in July, becomes another reason for the commercial rand to weaken.

The third prerequisite — a fall in the finrand balances in the money market from the present level of about R4bn — is more difficult to track. According to the June Quarterly Bulletin, these balances fell to R3,6bn in January from levels above R7bn at the beginning of 1993. However, by the end of March, they had risen to close to R5bn again.

When non-resident demand for SA equities or gilts picks up, these balances are drawn down to finance purchases. Only once this ready supply of finrand has been extinguished, will heightened foreign demand for SA assets pull the finrand closer to its commercial counterpart.

The three prerequisites are way off their target levels. But that does not mean that some phasing out of exchange control cannot begin before they have moved decisively in the right direction.

Suggestions for phasing in have focused mainly on retaining controls in part or full on residents, but lifting them for non-residents. Controls on residents could be freed gradually, for example by allowing pension funds to invest a small percentage in international markets.

Sacob proposed restructuring the currency markets so that the finrand market could be broadened by channelling all capital transactions — by residents and non-residents — through the investment currency. Trade-related credit would be excluded. The commercial rand market would reflect only transactions on the current account of the balance of payments. The Bank would tend to buy dollars in the commercial rand market to sell into the finrand market. Effectively, exchange control would be abolished and replaced by floating rates in two markets, in which the Bank would intervene.

The London School of Economics has listed 10 options for reform of the system, starting with big bang. But it warns against choosing this. It warns that the rapid expansion of government and parastatal debt raised through the finrand is a major reason why a big bang has to be avoided. Great care has to be taken in setting the appropriate exchange rate at which unification takes place. Otherwise, SA bond holders would be faced with a substantial loss in yield. As they desert the market, interest rates would go into orbit.

In a big bang, SA residents will transfer cash abroad, which will add to the liquidity squeeze.

Keys, in an interview with the Financial Times, noted interest rates could go to 30%. "A lot (of capital) will go before a lot comes in." That creates a bridging problem.

Economists have also argued that the sequence of implementing structural adjustment measures is important. Capital account liberalisation generally follows freeing up the trade regime and getting fiscal policy under control.

SA has only just begun. But there are powerful voices inside and outside the country clamouring for a big bang. Premier chairman Peter Wrighton says a bold move is needed, and likens it to the one taken on February 2 1990 by former President FW de Klerk.

Foreigners dislike the thinness and unpredictability of the finrand market. They would also like to see controls lifted on portfolio investments by South Africans, as this would free up scrip on the notoriously illiquid JSE. Some market players believe a once-off sharp devaluation in the rand would boost trade and foreign investment, and the inflationary consequences would not be as severe as feared. Interest rates would return to more normal levels because of liquidity inflows from foreign investors impressed by the reforms.

But a big bang seems out of the question in the present environment of fragile consensus over economic policy. And a gradualist approach might serve little purpose as long as foreign investors remain sceptical about SA's domestic economic policies. The issue of exchange controls will in all likelihood be put on the backburner while SA improves its fiscal situation and gains economic policy credibility.

Finrand 'pool' at least R60bn — Stals

B/Day 4/8/94

GRETA STEYN

RESERVE Bank Governor Chris Stals yesterday put the size of the financial rand "pool" at a minimum of R60bn, which would become a potential drain on SA's fragile foreign exchange reserves if it was converted to commercial rands.

Stals acknowledged the figure was a conservative estimate, based on the Bank's figures for SA's foreign liabilities — debt and equity — at December 1992. "The crux" of the exchange control problem was the fact that sales of these assets would become potential claims against foreign exchange reserves.

Market sources believed Stals's picture understated the position by billions of rands, but noted it was the only official figure available. They believed almost half the overall figure represented government and parastatal debt, which had seen a major influx of foreign investment since 1988. They said the size of this debt suggested interest rates might surge if the exchange rates were unified.

The Bank's figures do not use market values and differ substantially from estimates by the London School of Economics. It put the size of the finrand pool at a minimum of R136bn, including R32bn in capital market stock. At market values, unquoted equity accounted for R74bn and listed equities were R26bn. If it was assumed that nominee company holders of SA government and parastatal debt were non-residents, the finrand debt pool alone (excluding equity) would be almost R70bn.

The LSE warned that the expansion in finrand-denominated debt was a major reason why a "big bang" approach to scrapping exchange controls should not be contemplated.

(74)

Stals said speculation over the possible abolition of the finrand was putting pressure on the commercial rand. "That is why it is important that speculators obtain clarity over the implications that scrapping the finrand and lifting exchange control on residents would have for the country. Then they will realise how difficult

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Finrand

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☐ From Page 1

such a decision will be for government."

(74)

Bankers and economists have been making proposals on ways to phase in a single currency system. The latest came yesterday from the UK-based West Merchant Bank, which suggested that SA institutions be allowed to build up a highly liquid pool of dollar investments through the finrand. If the finrand weakened sharply for non-economic reasons, SA institutions could sell their dollar assets to realise the rand benefits of a weaker investment currency.

The merchant bank said there were a number of ways of achieving this, such as block share swaps with foreign institutions — swapping parcels of foreign blue chips for locals or bond swaps. These swaps would take place under the auspices and supervision of the Bank.

Most proposals for gradual lifting of controls on capital flows have centred around keeping the dual currency system for some time but changing the rules.

● See Page 10

Reserve Bank bails out rand

Star 5/8/94

■ BY CLAIRE GEBHARDT

The commercial rand continued to appreciate yesterday on Reserve Bank intervention and an easier dollar.

The rand was trading at R3,6238 against the dollar at the close, having firmed to R3,6066 earlier. (74)

Dealers said the central bank had intervened almost continuously throughout the day, but that the rand had weakened every time the Bank had withdrawn from the market.

"God knows where the reserves are coming from," said one.

Predictions are that the rand will break decisively through the R3,60 to the dollar level today.

Analysts said Reserve Bank Governor Chris Stals appeared to be underlining his resolve not to abolish the finrand until all his preconditions were met.

It was also an attempt to put paid to overseas speculation that the finrand would be gone in six months' time.

This was contributing to the rand's one-way decline.

Dealers said that, on this perception, some overseas banks were going long on the dollar against the commercial rand and short against the finrand.

However, though this was strictly illegal because overseas banks were only allowed to take a position in terms of an underlying trade, there was little the Bank could do about it.

"The rule has been totally diregarded and the Bank would certainly not want to cut their lines," said one.

Dealers said it was apparent that foreign speculators could play the waiting game as long as was necessary.

The financial rand closed at R4,5400 to the dollar on foreign interest.

Rand hedge shares a good investment

Star 5/8/94

■ BY CHARLOTTE MATHEWS

Investors would in general have been wise to have held some rand hedge shares in the past eighteen months in view of the depreciation of the rand against the dollar, although not all rand hedge shares performed well, analysts said yesterday. (742)

There are two distinct types of rand hedge shares: commercial rand hedges, such as the commodity companies, which derive a large proportion of their profits from exports, and financial rand hedges, such as Charter, Richemont or Minorco, which derive all their profits from overseas operations.

Commercial rand hedge shares have mostly outperformed financial rand hedges in the past eighteen months. While the dollar has appreciated by about 18 percent against the rand between this week and January 4 1993, and the gold price in rand terms has risen 39,5 percent to R1 407,40 an ounce against R1 008,87/oz previously, the gold index has risen by 171 percent and the platinum index by 70 percent in the same period.

The appreciation in gold and platinum share prices is obviously affected by more than merely currency moves.

The profitability of the gold mines has improved in the past few years as a result of tight cost control.

An analyst said yesterday SA gold and platinum mines benefited from a large gearing aspect because their margins were so low that any small change in the gold price was magnified in their bottom lines.

In the past 18 months the dollar prices of most commodities have risen and in SA's case they are multiplied by a weaker rand.

Commodity prices reflect higher expectations of economic growth in the OECD countries and increasing speculative, paper and physical purchases by hedge funds and portfolio managers in the US.

Analysts said finrand hedges had performed relatively less well than commercial rand hedges because of market expectations that the finrand would be abolished.

APPRECIATION IN VALUE OF CURRENCY-RELATED SHARES BETWEEN JANUARY 4, 1994 AND THIS WEEK

$	+ 18%
Rand gold price	+ 40%
All gold index	+171%
Platinum index	+ 70%
Mining houses index	+140%
Richemont	+ 2%
Minorco	+ 75%
Charter	+ 15%
Safren	+ 24%

If it were, a new unitary currency would probably be struck at a stronger rate than the commercial rand, but lower than the finrand.

Companies whose earnings were translated via the finrand would be negatively affected.

The meagre 2 percent return from tobacco giant Richemont in the past eighteen months to R37,50 from R36,75 at the start of the period was due to market downrating, an analyst said.

Richemont used to pay a premium to its finrand asset value and now pays no more than a 15 percent discount.

"The purchase of a rand hedge share is not a pure currency bid," he said.

"It also has to do with the nature of the underlying business."

Analysts were not unanimous about the prospects for rand hedge shares. One reserved his opinion.

Another said any purchase depended on the individual's view of whether the rand would continue to depreciate against the dollar.

On commodity-related shares specifically, a third analyst said there was still potential appreciation of commodity prices on a two-to-three-year view.

Another said the rand could be expected to depreciate against the dollar by at least the inflation differential, excluding the effects of changes in investor sentiment.

Some merit in a declining rand

Star 5/8/94

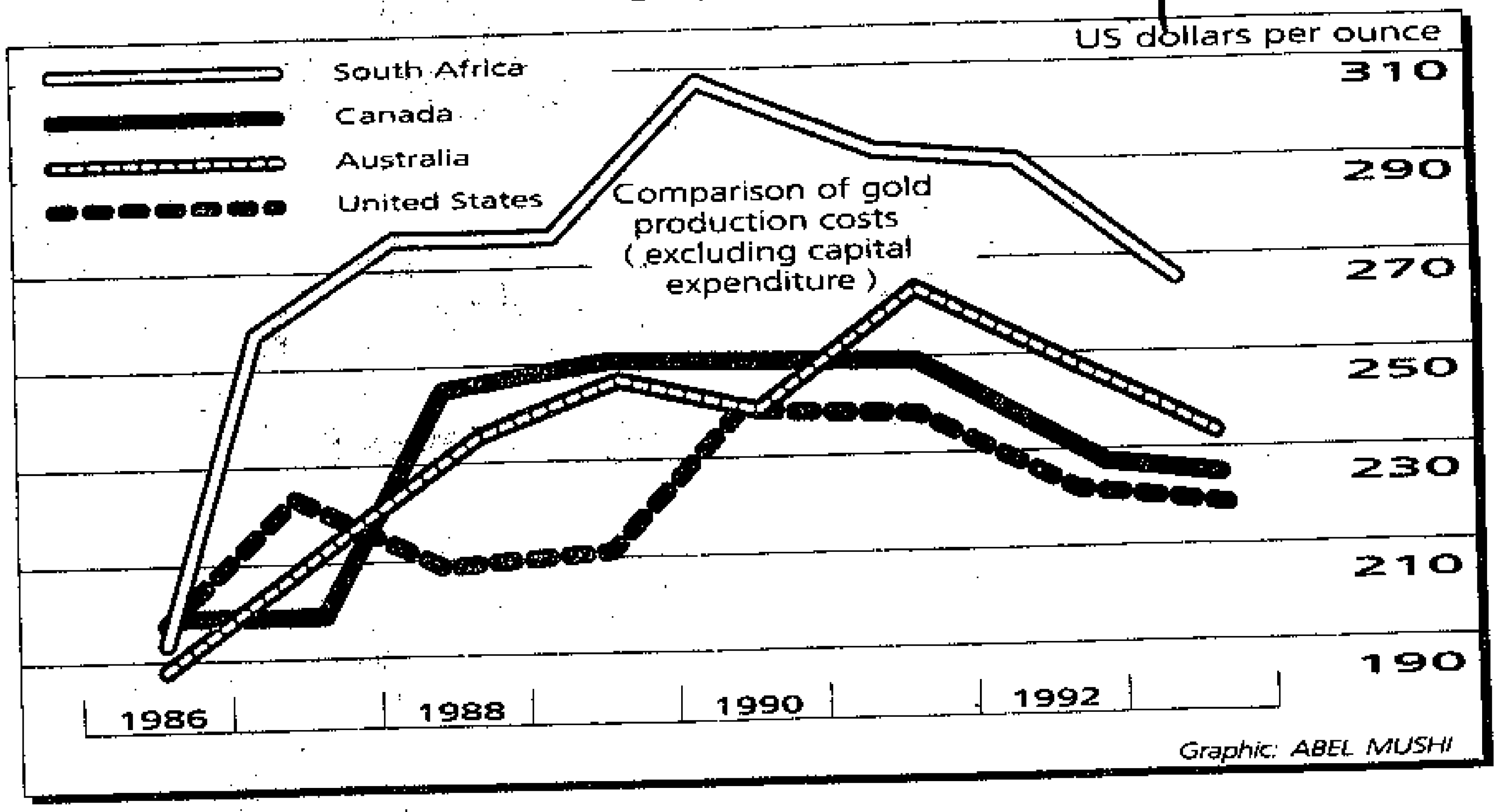
BY CLAIRE GEBHARDT

An extended depreciation of the rand over the past four years has not only buoyed gold mine revenue in rand terms, but also capped SA production costs in US dollars.

The accompanying graph from the Chamber of Mines shows that the rand weakness, combined with cost-cutting measures, has led to working costs denominated in US dollars falling consistently since 1990.

Chamber of Mines economist, Willem Houtman, says the relief has been of little value to SA and the international competitiveness of its gold producers, because the working-cost gap between domestic and international producers has not narrowed.

"SA has already endured a period of six years in which it has been the highest-cost gold producer, compared with other major gold-producers such as the US, Canada and Australia."



In dollar terms, production costs of SA gold have been declining since 1990, reflecting the effect of a depreciating rand, coupled with the success of cost-containment. Unfortunately, SA's international competitiveness has not improved because the gap between its production costs and that of other major gold producers has not narrowed in the period.

74

Even without any major gain in the value of the rand, SA faces the prospect of this situation persisting for the forseeable future, he cautions.

"Further, there is now a danger that recent domestic increases in working costs per kilogram of gold may lead to a further widening of the production-cost gap to the detriment of SA producers.

Houtman says the consequences could be exacerbated in future, should the rand exchange rate improve simultaneously.

He also cautions that producers who have taken comfort from a depreciating rand shoring up mine profitability could see their bottom lines dented if SA's new-found democracy leads to a strengthened rand in the medium term

"In that event, certain gold mines with a greater degree of reliance on the contribution of an ailing rand exchange could find their profit levels undermined.

Houtman notes that in coming quarters there could well be a slight appreciation of the exchange rate, or at least a decline in the rate at which the rand is depreciating.

"Foreign exchange reserve levels are still perilously low — allowing scope for further rand weakness — but signs nevertheless suggest that improved sentiment and stability accompanying the political transition could well develop in the longer term."

This could, in turn, have a positive influence on the capital account of the Balance of Payments.

"If this occurs, and the international gold price continues to trade in $370 to $390 band, the industry as a whole might well tend towards a contraction in profitability."

Marginal producers and mines battling to keep a rein on unit working costs for technical or other reasons would be most affected by such developments, he says.

Tariffs, exchange controls on the way out

CT 5/8/94

Business Editor (74)

EXCHANGE controls will be lifted "in the not too distant future," the Minister of Trade and Industry, Trevor Manuel, told the Seeff-Cape Times Executive Breakfast Club at the Cape Sun yesterday.

And a start will have to be made in January on scaling down protective tariffs to comply with the Uruguay Round of the General Agreement on Tariffs and Trade (GATT).

Pointing out that the government had inherited an economy based on import substitution, in which inefficient industries had been protected from competition, Manuel said that "sadly, we are not ready" for the lifting of tariffs. But SA could not back out of this international agreement.

There was a resistance to change by manufacturers who were used to operating in a protective environment. SA lagged behind competitors in skills and technology.

Industry must pay more attention to training and technology to ensure that SA did not become an economic backwater, and a receptacle for imports rather than an exporter.

And the gap between the salaries of those at the top and wage levels at the bottom in SA was too wide, leading to continual upward pressure for payment which did not match productivity. "You cannot have Wall Street salaries and Indonesian wages in the same economy."

One of his worst fears was that the government could not create an environment in which it could take unpopular decisions to turn the economy around.

"Unless we can take the risk of hard decisions we will face economic impotence. It will also mean that, although everyone has the vote, democracy will not have arrived because the quality of life has not changed."

Discussing exchange controls, Manuel warned that — in every country except Margaret Thatcher's Britain — lifting controls had resulted in an outflow of capital before it flowed in again.

But Reserve Bank governor Chris Stals had assured him that controls would "be lifted in the not too distant future."

However, there were issues that had to be decided before controls could be lifted. And a merchant bank's survey of a significant number of overseas institutions had shown that they did not consider exchange controls a problem.

In answer to questions Manuel said reports of high salaries paid to Ministers' staff had been "distorted." Many of these salaries were far lower than had been reported.

Present salaries for civil servants, ministers and MPs had been set by the Melamet Commission and should be reviewed for moral and ethical reasons.

The "salary slope" in the public service was too steep with those at the bottom paid too little.

GROWING TRADE ... Kenya's Minister of Trade and Industry, Kiruw M'mukinda (left, front row) and six leading Kenyan businessmen visited the Cape Chamber of Commerce and Industry yesterday. They were welcomed by the president of the chamber, Ernest Wilson (centre, front row) and deputy president, Michael Stekhoven (back row, third from left). Members of the Kenyan delegation were (from left, back row), BM Kikuvi, Josiah Green, Silas Ita, Peter Muthoka and Paul Chemng'orem. Front row, right, Lawrence Ndeeri. Picture: ANDREW BROWN

Kenyan market of major appeal

74 ~~288~~ ~~163~~ CT 5/8/94

By AUDREY D'ANGELO
Business Editor

KENYA can provide training to upgrade levels of service in the SA tourism industry, and is a rapidly growing market for many of this country's products including wine, its Minister of Trade and Industry, Kiruw M'mukinda, said yesterday.

On a courtesy visit to the Cape Chamber of Commerce and Industry he told its president, Ernest Wilson, and deputy president, Michael Stekhoven, that trade with this country had grown from nothing to $500m last year "and this year it will be double that".

The minister said that SA had become a major supplier of consumer goods, machinery and equipment to Kenya.

One of the reasons for his visit was to know more about the new government's policies on matters such as regional co-operation.

"The world is moving closer together as political and economic barriers come down. Kenya and SA are both members of GATT (the General Agreement on Tariffs and Trade) and are opening their boundaries in terms of GATT agreements."

Kenya could sell coffee, tea, flowers, agricultural produce and textiles to SA and could provide services. SA could export machinery and other goods to Kenya. It was closer than other suppliers and understood the market better.

The minister also invited SA manufacturers to open operations in Kenyan export processing zones (EPZs) which offered incentives such as tax holidays, duty free raw materials and no exchange controls. He said Kenya had a well educated and highly productive labour force, with lower wage levels than those in SA.

Pointing out that tourism was a major industry in Kenya, with high levels of service, he said training would be available for South Africans at its Utalii (tourism) training college. Such training had been provided by the college to people from other African countries.

Paul Chemng'orem, MD of parastatal Kenya Wine Agencies, said that his company alone had imported 3,1m litres of SA wine last year and would import 3,5m this year.

The wine was imported mainly for consumption by tourists. As a result of the SA wine exports, imports from France and Italy had "dropped significantly."

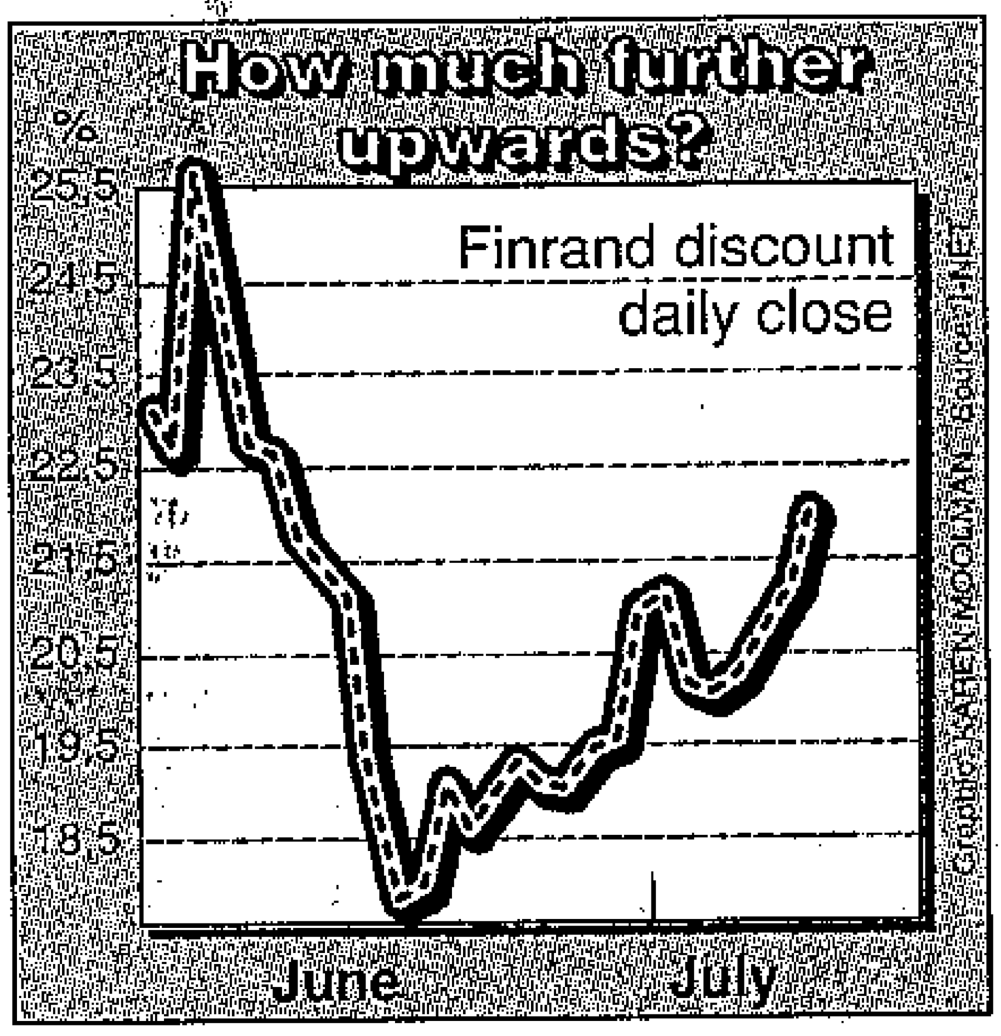
Discount between rands widens to nearly 22%

GRETA STEYN

THE discount between the financial and commercial rands widened to about 22% yesterday, waving goodbye to the levels below 18% seen in mid-July when the commercial rand was under pressure. 11/8/94

The Reserve Bank's consistent intervention in the commercial rand market during the past 11 trading days propelled the currency to about 10c stronger than its weakest levels to start flirting with the R3,60-to-the-dollar level.

By contrast, the finrand weakened from about R4,54 when intervention started to a close of R4,6353 yesterday.



Traders said the gap between the currencies suggested speculators would start entering the finrand market to push the discount lower. They saw R4,65 to the dollar as the weakest level the currency would reach in the short run, but said its ability to appreciate further than R4,54 to the dollar also appeared limited.

Commercial rand dealers said the R3,60-to-the-dollar level was a psychological barrier that would be difficult to break without further intervention by the bank.

The rand closed at R3,6098 against the dollar yesterday from a previous close of R3,6108. Dealers reported further evidence of central bank intervention, although a softer dollar also aided the trend.

Sources said Bank Governor Chris Stals told organised commerce and industry this week that the finrand could not be abolished in the next few months.

He said interest rates would have to rise by the size of the discount — now about 22% — to compensate for the move and JSE share prices would also have to drop by the same margin.

FOREIGN TRADE

Fm 12/8/94

Move to dump the dumpers

74

Importers and foreign traders could find themselves dealing with an all-powerful anti-dumping authority if government accepts the National Economic Forum's policy document on anti-dumping and countervailing measures.

The report, just released for public comment, says that as a result of its return to the international business arena, SA's standards must be able to withstand international scrutiny. So the forum has proposed two authorities — one to investigate dumping claims and another to consider appeals and reviews — as well as deadlines for evaluating claims and a curb on the Trade & Industry Minister's power to overrule decisions.

A decision on the measures cannot be delayed for long. There is a general feeling that tariff cuts to comply with Gatt requirements could be introduced as early as next January. Though the forum will deny its recommendations are designed to protect uncompetitive local industries, the reality of cheaper imports requires firm government decision-making — a commodity not much in evidence recently.

The document says: "When tariff cuts are introduced to comply with Gatt requirements, the need to apply anti-dumping measures will become even more necessary." Sacob's Bess Robertson confirms: "Anti-dumping policy will become big business as tariffs are cut dramatically." She is confident government will endorse the proposals.

The forum's move is in line with worldwide sentiment favouring anti-dumping. Not everyone supports it. *The Wall Street Journal* recently said: "There's a global trend towards abdicating trade policy to lawyers by imposing statutes designed to make sure domestic crybabies always have a friend in the courts."

The forum certainly binds itself to adopting Gatt principles and definitions. Says the document: "Legislation and procedures must conform to the provisions of Gatt and the final Act of the Uruguay Round of talks. Maximum transparency must be achieved and anti-dumping and countervailing measures must be of a defensive nature against disruptive international trade practices and should not serve as protectionist."

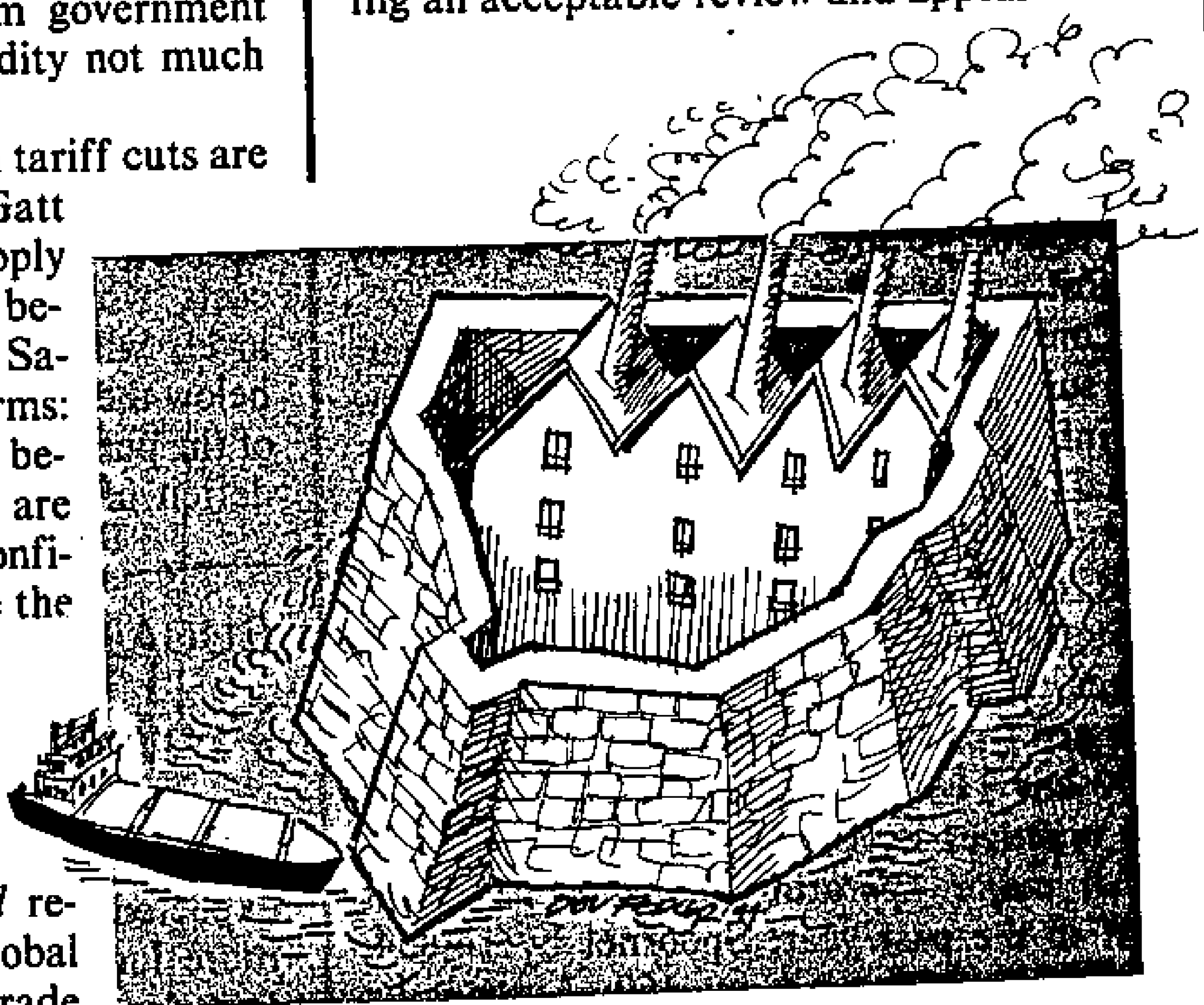
Dumping is defined as the sale of a product into another country at a price below that in the source company's domestic market. A subsidy is deemed to exist if a benefit is conferred on goods at government expense. According to Gatt, an anti-dumping duty and a countervailing duty may be imposed only if the dumped or subsidised goods could damage an industry in the importing country or retard the establishment of a domestic industry.

Applying these criteria, suggests the document, means decisions must be neutral and not subject to political or sectoral pressure. Hence the forum's insistence that the Minister be obliged to accept the conclusions of the investigating authority.

The forum wants regulations spelt out in a new Act — separate from the Board on Trade & Tariffs Act. The new authority will use board members, staff and infrastructure only when needed.

The document claims the lack of formal regulations allows the board unlimited discretion in investigations and recommendations. The Trade & Industry Minister is also not bound by parameters. All of this adds to the lack of transparency, the report claims.

It also criticises the system for not providing an acceptable review and appeal mechanism outside the courts. Redress through the traditional court system, says the report, is costly and limited to issues of procedure and not economic fact.



The forum's proposed rigid time limits could hasten investigations. When a complaint is lodged now, the board usually takes 25 days to make an initial merit assessment, 100 days for a preliminary finding and 125 days for a final decision. But the time limits are seldom met because the board often grants extensions.

The forum wants to end this concession a year after legislation is passed and get the authority to make a preliminary finding 100 days after publishing a notice indicating it has accepted the case. The authority would then have 125 days in which to publish a final finding. This period could be extended by up to 60 days.

"Of course, rigid time frames mean adequate staffing will have to be provided since a major inflow of complicated petitions can no longer be accommodated through extensions," says the report. That prompts the question: just how much is all this regulation likely to cost the taxpayer? ■

Picture: DOUG PITHEY, The Argus.

BIG THREE: Robert Mugabe with Nelson Mandela and F W De Klerk at the banquet.

Mandela, Mugabe renew warm ties

TOS WENTZEL
Diplomatic Correspondent

THE warm embrace President Mandela had for Zimbabwean president Robert Mugabe at Cape Town airport when he arrived on a state visit said it all.

This was no ordinary state visit; it was the first by the leader of an African country. It was also a reunion of two statesmen renewing a close friendship.

Neither of them is demonstrative but they were clearly very pleased to meet again.

When the two smilingly posed for pictures in the garden of Tuynhuys Mr Mugabe said he was "delighted" to be here. At last night's banquet at Tuynhuys he spoke of a "joyous and memorable occasion".

He came in for high praise when Mr Mandela later conferred on him the Order of Good Hope Class I, Grand Cross (Gold), the highest award that can go to a foreigner.

The citation said the award was an expression of gratitude for his important role "in promoting the cause of liberating South Africa from the oppressive system of apartheid."

It said he had also "provided moral and material support to the freedom movement in spite of the risk of antagonising a powerful neighbour and exposing his people to acts of aggression".

He was also praised for being prominent in moves to reintegrate South Africa into the community of nations by helping to facilitate the country's admission to the Organisation of African Unity and its return to the Commonwealth.

Speaking at the banquet, Mr Mandela again expressed gratitude for the role Mr Mugabe and the people of Zimbabwe had played in the national liberation effort.

Mr Mugabe in turn paid warm tribute to Mr Mandela as "the one individual who became the epitome and embodiment of the South African struggle, a man whose name kept the revolutionary fires burning, a man whose will 27 years of incarceration failed to break."

It was Mr Mugabe's third visit to South Africa this year.

S African leaders emphasise the importance of trade links

ARG 17/8/94 (74)

TOS WENTZEL
Diplomatic Correspondent

THE importance of expanded trade links between South Africa and Zimbabwe has been highlighted by Nelson Mandela and Robert Mugabe.

The two presidents were speaking at the Tuynhuys banquet that ended the first day of Mr Mugabe's state visit yesterday.

Mr Mandela said the most important area of co-operation between the two countries was trade and commerce. The countries had historically been natural trading partners.

Mr Mugabe said: "The attainment of democracy in South Africa has eradicated old constraints, making it possible to expand this trade relationship within the context of equality and our joint responsibility in the sub-continent."

He added that the countries had exchanged proposals for a joint economic commission.

South Africa and Zimbabwe were set to open negotiations on issues such as trade and co-operation in technical, social and cultural fields.

Mr Mandela referred to the fact that South Africa would become a member of the Southern Africa Development Community (SADC) on August 29.

The country would contribute to the development of Southern Africa as an equal partner.

Progress and development could be achieved only through meaningful co-operation between the countries of the region.

There also had to be "mutual support for our singular endeavours to consolidate our freedom and to achieve lasting political and economic stability".

Mr Mandela said South Africa looked forward to developing existing contacts and co-operation in the field of transport.

The recent signing of an agreement to build an additional bridge over the Limpopo at Beit Bridge was a symbol of a new relationship and the need to provide for increased road traffic across the borders.

Agreements between the national airlines and railway operators would further improve transport between the two countries.

In the field of energy and electricity supply, close co-operation between Eskom and the Zimbabwe electricity supply commission had led to the first steps to integrate the electricity supply grids in Southern Africa.

South Africa was prepared to give its full co-operation towards the expansion of energy supplies in Southern Africa and further afield.

It also wanted to co-operate with Zimbabwe in the area of tourism.

Mr Mandela referred to a process of redefining the parameters of the Frontline States in regional co-operation on security and stability.

A good start had been made with co-operation between South Africa, Zimbabwe and Botswana in an attempt to resolve the problems in Lesotho. There should also be co-operation in attempts to break the impasse in Angola.

Mr Mugabe said South Africa's neighbours and members of the SADC looked forward to welcoming South Africa.

SA's European trade boosted and R440-m injection for RDP

☐ Duty scrapped on industrial products

(74) ARG 19/8/94

TOS WENTZEL
Diplomatic Correspondent

TRADE between South Africa and Europe has been given a boost by concessions from the European Union and a R440 million grant towards the Reconstruction and Development Programme.

The trade concessions, which are expected to make certain South African goods more competitive in Europe, was announced today.

The European Union ambassador in South Africa, Erwan Fouere, said: "The offer should help to increase and stimulate the trade relationship between South Africa and the EU.

"Together with the other measures being proposed by the EU in the economic and development areas, it should provide a boost in particular to job creation and medium and small enterprises.

"At the same time there is a major input into the priorities set out in the RDP."

From next week the EU is granting duty-free access to its market for a wide range of industrial and semi-industrial South African goods.

A revised generalised system of preferences (GSP) that would not contain any ceiling was expected to come into effect on January 1, an EU statement said.

The European Commission wants to include South Africa in the system as a standard beneficiary, receiving the same favourable treatment as other eligible countries in Africa, South America, Asia and Eastern Europe.

Details of the scheme will be presented to the EU institutions for a decision later in the year.

The EU statement said that Europe, which absorbs 40 percent of South African exports, was easily its biggest trading partner, with total bilateral trade last year amounting to R40,29 billion, eight percent up on 1992.

The first four months this year had brought further increases in European exports and imports. South African exports were worth R6,1 billion, 30 percent up on last year's R4,6 billion and imports by 27 percent from R7,2 billion to R9,1 billion.

Major exports to Europe included fruit, coal and base metals, diamonds, and gold and platinum group metals.

Imports included machinery, mechanical appliances and electrical equipment as well as chemicals, vehicles and vehicle components, base metals and hi-tech equipment.

The EU statement said the extension of GSP to South Africa would act as a catalyst in promoting a welcome diversification of South African products going to European markets.

The R440 million allocation would identify EU firms with the technological and financial resources to become involved in joint ventures and investment as well as informing companies on both sides about opportunities.

The mechanism also provided for the organisation of business meetings between potential partners.

The mechanism included grants for this year to help South Africa address the priority needs of education, training, health, rural development and job creation.

Discussions were under way with the government to determine how this money would be used to help to attain the RDP's goals.

FM 19/8/94

THE RAND

Defending the frontier

(74)

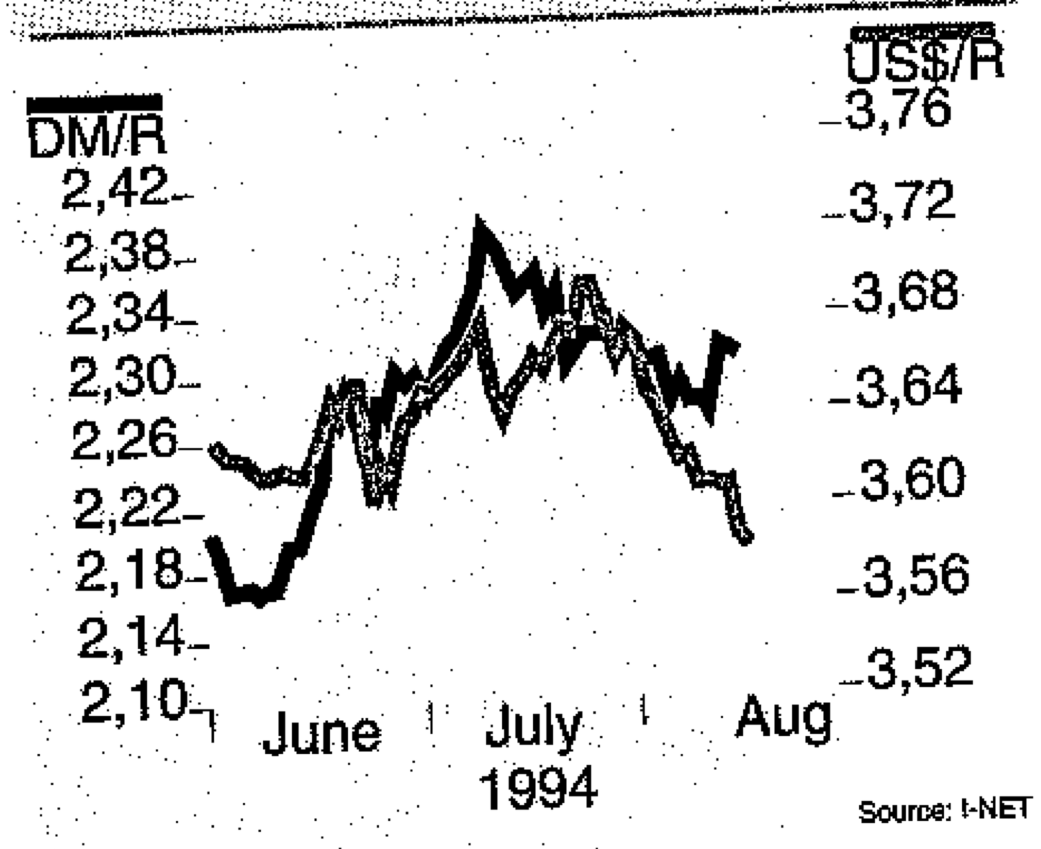
Between the last week in July and the start of this week, the value of the rand rose 3,5% against the dollar. When the foreign exchange market closed on Tuesday, the rand rate for the dollar was R3,584, the highest since the time of Nelson Mandela's inauguration in May.

Against the cross currencies, the rand has also appreciated, though to a lesser extent. It gained 2% against sterling in the first two weeks of August, to R5,54; while against the Deutschemark, after initial gains in the month, it now trades at DM0,43, about the same level as at the end of July.

But these gains were on the back of persistent intervention by the Reserve Bank. And it was the Bank's good fortune that the dollar weakened on international markets at precisely the time it chose to support the local currency: from close to US$/DM1,59 about two weeks ago to about $/DM1,55 early this week (see P34).

Can the rand sustain its gains once the Bank withdraws support and the dollar stabilises? Or will it simply fall freely? In this context, "sustain its gains" means a return to the gradual downward drift against major currencies, seen a few years ago.

RATING THE RAND



Source: I-NET

No central bank has yet won a battle to support a currency when fundamentals were stacked heavily against it. The current situation could easily reverse itself so, unless there is a real change in sentiment about the rand, it could soon lose all its recent gains.

There is an indication that the underlying situation has improved. Gross foreign exchange reserves rose in July, for the first time this year. And the daily money market shortage has fallen dramatically, dipping below R2bn last week for the first time since March — a clear indication that the market is more liquid.

Acquiring an international credit rating, possibly by the end of next month, will allow fund-raising programmes to start abroad. And this should immediately help the currency.

Unfortunately, uncertainty about controls is causing speculators to go long on dollars, according to Absa international treasury economist Charles Jonker. "People are holding dollars in the expectation that they will strengthen sharply against the rand after exchange controls are abolished.

"Until we get a clear statement about how, and when, the exchange control regime is going to change, there will be underlying bearishness towards the commercial rand. Were it not for this uncertainty, the rand would probably be even stronger than it is now." (See box) ■

SA trade with Russia R648m

CT 20/8/94

GOODS worth $180 million (about R648m) were traded between South Africa and Russia last year, Dr Rudolph Gruber of the SA Foundation said yesterday.

Dr Gruber, who is based in Bonn, said South Africa had sold $30m (about R108m) worth of goods in Russia and imported $150m (about R540m) worth from Russia.

74

Speaking at a conference marking the opening of the Centre for Russian Studies at UCT, he said there was great potential for trade.

Gatt not enough for South Africa, says Manuel

Star 24/8/94

■ BY CLAIRE GEBHARDT

Trade and Industry Minister Trevor Manuel says the General Agreement on Tariffs and Trade (Gatt) is not enough to make SA internationally competitive.

He told Parliament yesterday trade-distorting policies such as import controls, high import tariffs in certain sectors and direct cash export subsidies such as the Geis should be eliminated.

"The speed with which we improve on our factors of competitiveness has a direct bearing on our capacity to attract both foreign and local investment."

(7 4P)

"The Department of Trade and Industry operates in an environment marked by large and powerful lobbies of vested interests."

Business had so far opposed changes to the Geis, being alarmed at the extent of the cuts and the fact that they would take place very rapidly.

Reduced protection based on the Gatt also posed a threat to existing industries and employment, though it was acknowledged that benefits would arise from lower material input costs.

Manuel said the open-ended Geis placed a severe strain on the fiscus and would become unaffordable as the level of exports increased.

Fundamental imbalances included the fact that only 30 exporters received 53 percent of Geis benefits, while the remaining 47 percent was shared among 5 078 exporters.

The focus should also shift downstream from mining and beneficiation to more labour-intensive forms of industrialisation.

"Our capacity to implement the RDP will be severely debilitated unless we can generate sufficient new wealth."

Manuel said manufacturers would be pressured, in the short term, to improve the utilisation of production factors and competitiveness.

"A number of supply-side measures such as assistance for the training and retraining of workers, the upgrading of plant and machinery, the development of technology and industrial re-organisaion are already under discussion."

Government was limited by fiscal constraints from bearing a significant cost component of the measures, he said.

Reserve Bank chief kills rumours of demise

Financial rand to stay put — Stals

Star 21/8/94

BY CLAIRE GEBHARDT

The finrand is not about to be scrapped.

Reserve Bank Governor Chris Stals yesterday firmly put a lid on rumours of its imminent demise in his annual address to shareholders in Pretoria.

He warned that interest rates could quickly go up if certain adverse developments went unchecked.

Stals's dampener came after persistent rumours about the finrand over the past few weeks had sent financial markets into a frenzy.

Capital market rates rocketed past 15 percent on bearish sentiment relating to a drop in the commercial rand rate, a dramatic rise in inflation and higher interest rates, were the finrand to go.

Share prices dropped in sympathy.

74

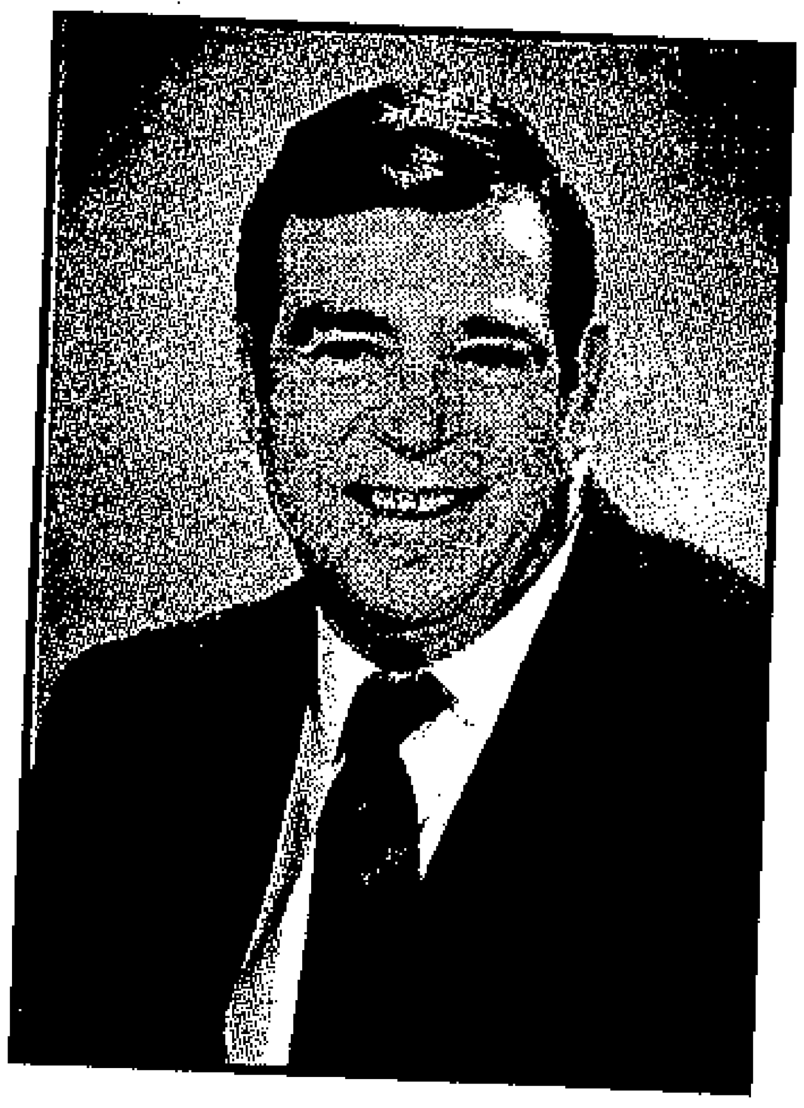
Economists said yesterday that capital market rates could rally strongly now that speculation had been squashed.

Stals said it would be advisable to take the plunge and scrap the finrand only after SA had finalised arrangements for re-entering international capital markets.

That exercise would, hopefully, be completed before the end of the year.

Stals said it was naive to believe that huge amounts of capital would flow into SA on a net basis, once restrictions on the outflow of capital were removed.

Exchange control was but one obstacle for the foreign investor.



Chris Stals . . . monetary and fiscal discipline.

Others included social and political stability, economic viability, sound fiscal and monetary policies and improved multi-factor productivity.

In the long run, SA must liberalise its foreign exchange market and revert to a system of unitary floating exchange rates, said Stals.

Adjustment would be painful, however.

Other countries had successfully abolished exchange control only as part of a comprehensive and well-planned macro-economic restructuring programme, often with the co-operation and support of the International Monetary Fund and the World Bank.

"Such programmes normally provided for appropriate interest rate and exchange policies and also committed the central bank and the government to clearly defined restrictive monetary and fiscal disciplines," he said.

These included constraints on future wage increases and established external financing facilities to support the balance of payments in the transition period, if necessary.

In isolation, without any supportive auxiliary measures, serious disruptions in the initial phase of the transition could occur.

"The Bank could be forced to re-introduce the old controls, or even apply other new direct controls over markets, all of which might be more damaging to the economy."

Stals ruled out any further reduction in Bank rate after six consecutive cuts from 18 percent in March 1991 to 12 percent in October 1993.

Interest rates could, in fact, go up unless there was a return to a more stable financial climate, he said.

Ominous signals were an escalation in money supply growth and bank credit extension, changes in the exchange rate of the rand and interest rates — particularly long-term rates and in the shape of the yield curve.

"Producer and consumer price indices recently also started to move up again."

Early and decisive action would be needed if the progress made over the past few years were not to be sacrificed, Stals said.

Manuel in warning on vested interests

B Day 24/8/94

TIM COHEN

CAPE TOWN — Trade and Industry Minister Trevor Manuel indicated yesterday that he would take a hard line on vested interest groups, saying the General Agreement on Tariffs and Trade (GATT) minimum requirements would be insufficient to place the economy on a competitive footing.

Speaking on the Trade and Industry budget in Parliament, Manuel appealed to business, labour and politicians from all parties to support a programme of industrial restructuring.

Notwithstanding a major partnership between the groups to encourage industrial efficiency, "there is no escaping the fact that in the process of leading the changes, we will run the risks of a significant reduction in popularity".

He pointed out that SA's GATT submission had been negotiated by the National Economic Forum and the reconstruction and development programme had noted that the agreement would be "painful".

Manuel made the comments following announcements that government intended substantial cuts in general export incentive scheme (GEIS) benefits.

Commenting on recent announcements regarding the clothing, textiles and automotive industries, he said: "Effectively it's back to the drawing board."

While GEIS had served a useful purpose, new circumstances demanded that the scheme be "redirected" once the initial five-year period ended on March 31. Because GEIS existed for virtually all exports, there was insufficient incentive towards full manufactured goods. (74)

The scheme entailed certain "fundamental imbalances". For example, only 30 exporters received 53% of GEIS benefits costing R1,06bn, while the remaining 47% was shared among 5 078 exporters.

Government would be leading a process with business and labour to create a more competitive environment which would be at the centre of new policy, he said.

He said the Trade and Industry Depart-

□ To Page 2

Manuel

BDay

□ From Page 1

ment operated in an environment "marked by large and powerful lobbies of vested interests", but industrial restructuring would be addressed only if government offered a decisive lead. 24/8/94

He said a number of supply-side measures were under discussion, such as assistance for the training and retraining of workers, the upgrading of plant and machinery and the development of technology and industrial reorganisation. But "all of SA will need to understand that the ability of this government to bear a significant cost component of the supply-side measures is limited by fiscal constraints".

Manuel said his department had received requests from 18 countries wishing to enter into agreements on bilateral investment guarantees with SA. (74)

The department was addressing the need to have a more supportive approach to prospective investors and was working on a "one-stop investment centre".

It was also leading an inter-departmental initiative to draft a national investment policy which would be placed before Parliament at the first opportunity.

Dealing with trade in the southern Africa region, he said when SA acceded to the Southern African Development Community, all relations in the region would be governed by the principles of mutual benefit, equity and balance. The ministerial meeting of the SA Customs Union would be held next month to define a process for amending the existing agreement.

In reply to questions about salary levels, Manuel said the slope of wage levels was too steep in the public and private sectors. "Management is paid Wall Street and workers are paid Indonesia," he said, appealing to fellow parliamentarians to "get off this gravy train".

□ YURI THUMBRAN reports that Cosatu and the SA Clothing and Textile Workers' Union (Sactwu) will hold a news conference in Durban tomorrow to react to Manuel's comments. Sactwu said Manuel's view had caused great uncertainty for its 160 000 members, and it would appeal to Manuel to implement sections of the Swart panel report which gave suggestions on the restructuring of the industry.

Manuel tells of industrial restructuring plans

Political Staff

TRADE and Industry Minister Mr Trevor Manuel indicated yesterday that he would be taking a hard line on special interest groups, saying the GATT minimum requirements would be insufficient to place the SA economy on a competitive footing.

Addressing the Trade and Industry budget in parliament, Mr Manuel appealed to business, labour and politicians from all parties to support a programme of industrial restructuring.

Notwithstanding a major partnership towards industrial efficiency "there is no escaping the fact that in the process of leading the changes, we will run the risks of a significant reduction in popularity", he said.

He pointed out that SA's GATT submission had been negotiated by the National Economic Forum and that the Reconstruction and Development Programme document had noted that the agreement would be "painful".

Mr Manuel made the comments following announcements that it was intended to substantially cut benefits paid out in terms of the general export incentive scheme (GEIS).

Mr Manuel said GEIS had served a useful purpose but new circumstances demanded that the scheme be "redirected" once the initial five-year period ended on March 31 next year. CT 24/8/94

The scheme entailed certain "fundamental imbalances", for example that only 30 exporters received 53% of the GEIS benefits costing R1,06bn. Z460 (74)

The government would be leading a process with business and labour to create a more competitive environment, which would be at the very centre of the introduction of policy, he said.

Denmark urges SA to abandon trade curbs

BRUCE CAMERON, Business Editor (74)

SOUTH Africa needs to be competitive and to open up trade to become an equal world partner, Danish deputy prime minister Mimi Jakobsen said today.

ARG 1/9/94

Ms Jakobsen, who is leading a 50-member Danish trade delegation, said at a Cape Chamber of Commerce and Industry function that lack of competitiveness and open trade were among South Africa's problems.

She realised that the opening up of trade to meet the conditions of the General Agreement of Tariffs and Trade (Gatt) was painful.

Even Denmark would feel the pain in its agricultural sector.

But Copenhagen had a lot of faith in South Africa's future and was committed "to holding on to our interest in South Africa".

This was why it continued to provide aid. But in the end it was free trade that would "make South Africa equal in the world".

The deputy director general of the Danish Confederation of Industry and mission leader, Svend Henriksen, said there was an enormous trade imbalance in favour of South Africa, with exports to Denmark growing by 470 percent last year compared with a 34 percent increase in the other direction.

Although Denmark did not see the imbalance as a major problem, he pointed out that it was "a strong believer in free trade".

Chinese consul urges stronger trade links

CT 2/9/94 Political Correspondent (74)

THERE has never been a better time to strengthen relations between South Africa and the Republic of China, said ROC consul Mr Ching-yang Lu yesterday.

The ROC's largest trade and investment mission ever, led by Minister of State and chairman of the Council of Economic Planning and Development Mr Vincent Siew, is currently in SA.

Mr Lu said Chinese investors in SA could now apply for insurance, interest and travel subsidies.

Manuel queries benefit of lifting forex control

ARG 8/9/94 (74)

ALIDE DASNOIS
Business Staff

THERE was general agreeement in the government of national unity that exchange control should be lifted "at the first opportunity", Minister of Trade and Industry Trevor Manuel said today.

He told a Graduate School of Business breakfast capital inflows in the September quarter were encouraging.

Exchange control was not "an ideological issue", he said.

The Minister of Finance and the Reserve Bank were reviewing the situation regularly.

But, he warned, lifting exchange control might not generate the capital inflows many people were expecting.

Mr Manuel said the prospect of capital inflows had been "much exaggerated" by South African corporations.

Pressure for lifting exchange control was coming from inside and not from outside the country, he said.

"This makes us wonder whether we should be anticipating capital outflows rather than inflows."

On the competitiveness of South African firms, Mr Manuel said it was disturbing that the World Competitiveness Report rated South Africa bottom of a list of 41 countries in terms of human resource development.

Management tended to mistreat labour as a cost rather than as a resource.

Industry did not provide training for the labour force to take up the slack left by years of neglect. On the contrary, companies had resorted to expensive imported skills.

South Africa could not wait "seven to 15 years" for the education system to be reformed. Innovative solutions in industry were necessary in the short term to enhance productivity of the work force.

Mr Manuel said management should be closer to shop floor problems, as was the case in Japan where top managers often moved up from the work force.

Commenting on the results of the GSB's Manufacturing Futures Survey, he said it was disturbing that South African companies rated research and development low.

He said manufacturers were often guilty of "a complacency born out of cosseting and protection".

EU firms up on SA trade concessions

(74)

CT 8/9/94

Own Correspondent

BRUSSELS. — The European Union has announced that it plans new trade concessions for South Africa from January.

This follows delays and confusion over an interim package of trade advantages which have still to come on stream.

Both sets of measures fall within the framework of the Generalised System of Preferences (GSP), which is a mechanism for offering tariff cuts to developing countries.

The EU offered South Africa a temporary set of trade concessions which were due to have come on stream at the beginning of August and will not last beyond December 31.

However, bureaucratic delays in Brussels, combined with attempts by the French and others to water down the concessions, resulted in the deal only just been finalised in Brussels.

"South African businessmen will not be able to begin to benefit from these concessions until we have received a reply to our offer from Pretoria," said an EU trade official. "We are still awaiting that reply."

He did however disclose that South Africa is to fully benefit from the revised GSP, which will begin from January 1.

Unlike the temporary deal, which will cover SA exports worth an annual R1,7bn, the new agreement will also extend to some agricultural products.

South African negotiators are keen to win lower tariffs for farm exports, and are likely to welcome the EU announcement.

However, they will be anxious to study full details of the new GSP framework, to ensure that it offers a full spectrum of tariff cuts.

Meanwhile, the revised GSP plan will still need to be approved by EU trade ministers before it can come into effect.

In another development, Malaysia, Hong Kong, China, Singapore and Saudi Arabia are among a number of states to lose some GSP trade concessions from the EUs because their economies are doing too well.

The products from which trade concessions will be withdrawn include textiles, chemicals, plastics, leather, wood, paper, shoes and electronic goods.

Countries which respect sound employment practices and care for the environment will receive additional tariff cuts under the GSP, but not before 1997.

Taiwan trade triumph

R1,1 billion booster for SA

(74) ARG 10/9/94

■ A high-powered delegation from Taiwan has laid the groundwork for major growth in trade and investment in South Africa.

TOS WENTZEL
Diplomatic Correspondent

TRADE and investment ties between South Africa and the Republic of China have been given a major boost by a high-powered delegation of businessmen and government officials from Taipei.

The delegation, which has just left after a nine-day visit, concluded 25 agreements, or preliminary agreements — covering trade, investment, finance loans and technical co-operation worth more than R1,1 billion.

This announcement follows only a few weeks after the announcement of another big aid package for South Africa — a Japanese assistance package worth R4,7 billion.

This includes development assistance, export-import bank-loans and investment guarantees.

The 48 members of the Chinese delegation were split into eight groups each visiting a different part of the country.

The group which visited Cape Town included the leader of the delegation, Vincent Siew, chairman of the council of economic planning and development, the think-tank of the Chinese cabinet.

Private-sector members of the delegation negotiated for the purchase of a site in Rosebank, Johannesburg, for the erection of two buildings at cost of R34,5 million.

One building will be a Taiwan trade and development centre and the other an office of the Nan Tai shipping line.

A Chinese concern, the Acer group, has entered into a joint venture with the local Persetel to establish a new computer manufacturing plant in Midrand with an estimated first-year turnover of R300 million. Acer will own 50 percent of Acer Africa and provide all the technology for the factory.

The China Steel Corporation and the Walsin-Lihwa company are interested in Iscor's R3,5 billion Saldanha steel project and is awaiting the result of e feasibility studies for further discussion.

The Walsin-Lihwa company also wants to develop stainless steel products with Haggie Steel and National Bolts and has expressed interest in a joint venture in a stainless steel wire-drawing plant.

The Chinese Petroleum Company, the Tuntex Group and other Chinese petro-chemical companies have discussed with the Central Energy Fund of South Africa the desirability and feasibility of establishing a petrochemical industry here.

Taiwan may also take an interest in Mossgas after a feasibility study on redirection of the project has been completed.

A Chinese micro-electronics company may take part in a project to bring a telephone service to remote parts of South Africa.

Another Chinese company is interested in a joint venture with Denel.

The Taiwan tobacco and wine monopoly will enter into technical exchange with Vivo Africa Breweries, a subsidiary of National Sorghum Breweries and the possibility of private businesses from Taiwan investing in Vivo will be investigated.

In the area of trade, the Taiwan railway administration has awarded Union Wagon and Carriage a contract worth R420 million for 64 electric locomotives.

Taiwan will increase to 3,5 million tons a year its long-term import contracts for coal purchases from South Africa.

By April of next year 350 000 tons of maize — worth some R112,5 million — will be imported from South Africa.

The China Steel Corporation is to increase its import of 200 000 tons of iron ore a year to 300 000 tons, if the prices are reasonable.

The Tah Chung Company will buy construction bricks worth R140 million.

In the area of finance the Bank of Taiwan has approved a revolving loan of R70 million to Macsteel to enable the latter to increase its steel exports to China.

The bank has also approved a loan of R107 million to Eskom for importing equipment and materials worldwide for rural electrification under the Reconstruction and Development Programme. If Eskom wants further loans, the bank will consider forming a banking syndicate to extend them in support of the RDP.

The Export-Import Bank of the Republic of China will increase its fixed-rate relending facility, already extended to four leading South African banks, to further stimulate bilateral trade.

At the request of President Mandela, the Taiwanese government will donate R140 million for vocational training centres.

This fund wil be used for establishing and equipping such centres, providing technical advice and training of instructors.

Before these centres are established the employment and vocational administration of Taiwan will offer courses in welding and precision machinery operation for vocational instructors from South Africa.

Cosatu firm on tariff laws

JOHANNESBURG. — Delegates to the Congress of South African Trade Union's fifth national congress on Saturday vowed to resist any tariff reform not preceded by negotiation with trade unions.

The congress also heard about changes to the Basic Conditions of Employment Act from Labour Minister Mr Tito Mboweni.

Cosatu general secretary Mr Sam Shilowa said the 1 705 delegates representing 1,3 million workers had resolved that the cost of tariff reform and restructuring should not be borne by the working class.

(74)

CT 12/9/94

The entire Cosatu national leadership was re-elected unopposed to their positions.

Delegates called for all international trade agreements to contain a clause specifying basic worker rights and that trade with nations which exploited workers be discouraged.

Mr Mboweni announced sweeping changes to the Basic Conditions of Employment Act. These related to working hours, leave and the entrenchment of rights for pregnant workers.

An amendment to the Insolvency Act was also under review in terms of which workers' pay claims would be ranked above those of other claimants.

Mr Mboweni said the redrafted Labour Relations Act should be ready for presentation to the National Economic, Labour and Development Council by the end of the month.

Mr Shilowa denied earlier reports that the union was short of funds but admitted an over-reliance on foreign funding. — Sapa, Own Correspondent

W Cape jitters as GATT plan kicks in

74

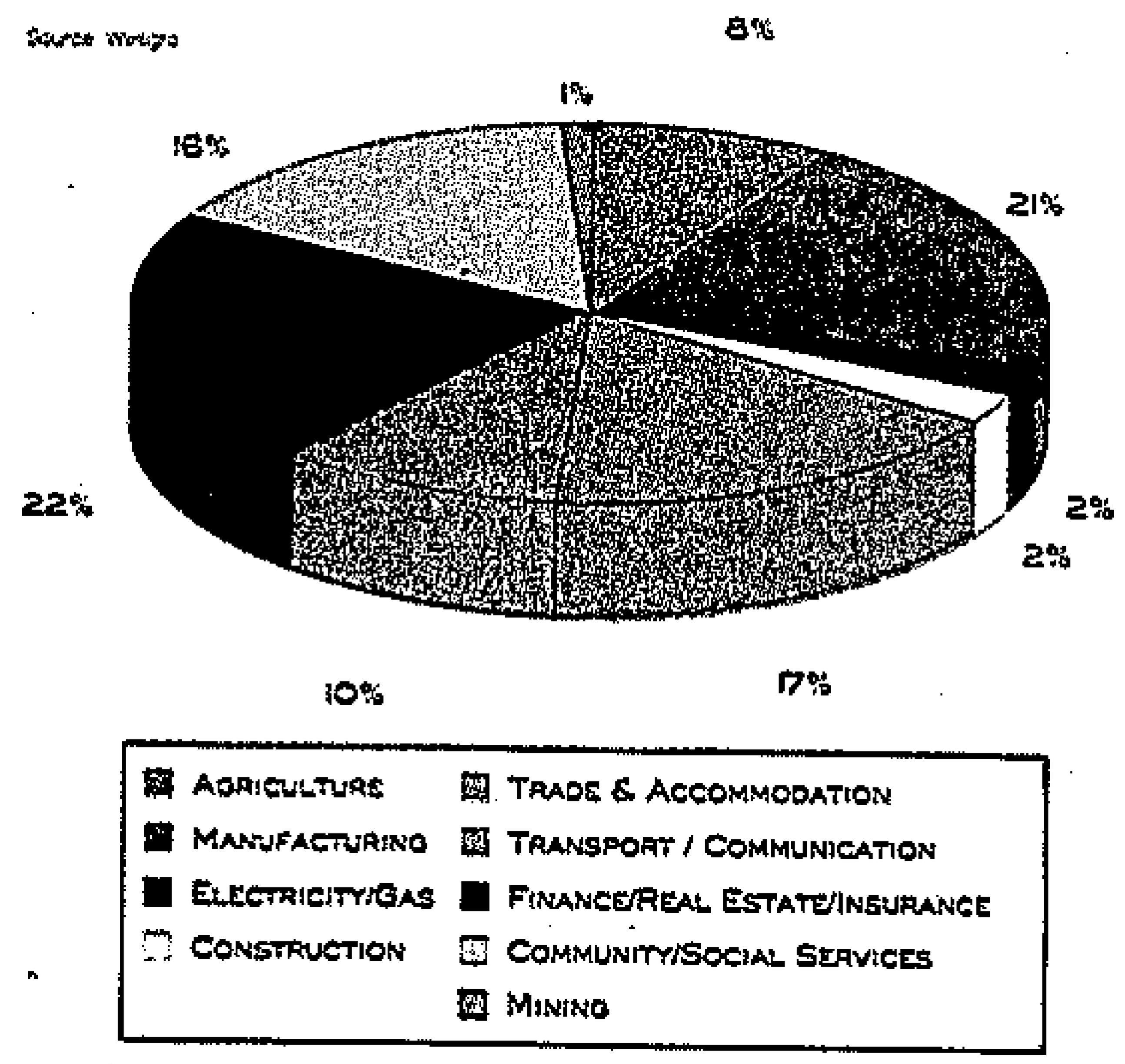
CT 13/9/94

By AUDREY D'ANGELO
Business Editor

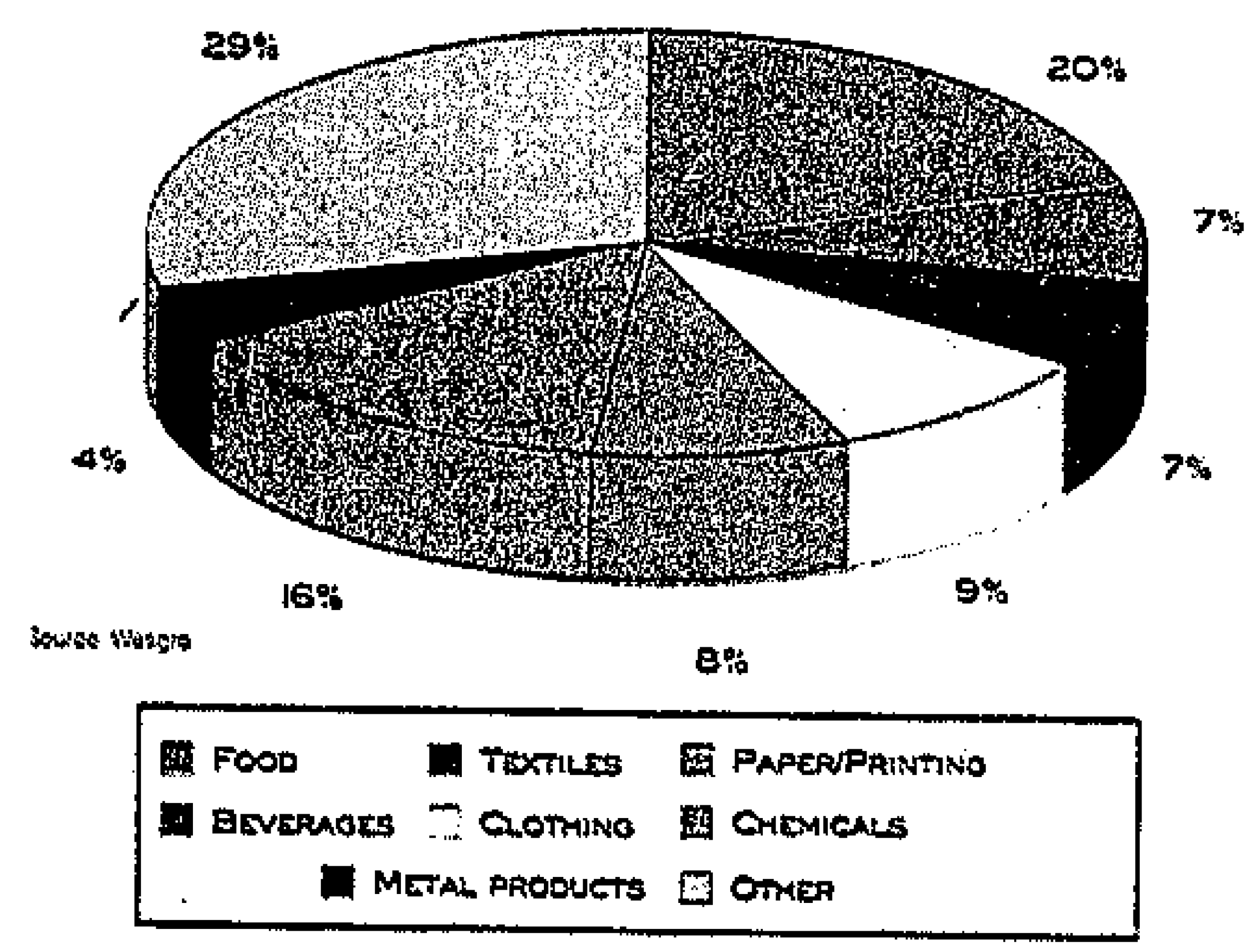
THE Western Cape is particularly vulnerable to the effects of reducing protective tariffs to comply with the General Agreement on Tariffs and Trade (GATT) because of its high dependence on agriculture and manufacturing, says economist Elmien de Kock.

To overcome this, she suggests in the Cape of Good Hope Bank's magazine that "industries such as construction, wholesale and retail trade and accommodation (tourism) should be encouraged. They are not as vulnerable as the manufacturing industry to trade policy changes, while at the same time being labour intensive industries."

WESTERN CAPE ECONOMIC BREAKDOWN



SECTORAL BREAKDOWN OF THE WESTERN CAPE MANUFACTURING SECTOR



De Kock points out that the PWV area will benefit from the expected rise in commodity prices as the international economy improves over the next two years.

"In contrast the Western Cape economy, apart from food commodity prices, finds itself in an environment where the manufacturing sector is facing major structural changes. An upturn in the domestic economy should more than outweigh these adjustments but longer term they cannot be avoided."

Agriculture and manufacturing are both labour intensive "with respective labour utilisation rates of 5% and 23%. Compare this with the financial services sector which contributes 22% of total economic activity but absorbs only 6% of the labour force.

"A small sector such as the construction industry contributes a meagre 3% to the economy but is highly labour intensive by taking up to 9% of the labour force."

Warning that the necessary large scale restructuring of the food and manufacturing industries could result in retrenchments, De Kock continues:

"In addition these industries are also vulnerable to the removal of GEIS (General Export Incentive Scheme)."

Pointing out that manufacturing industry will have to improve its productivity, production lines and worker/employer relationships, De Kock says: "Significant reassessment of its use of resources such as labour and capital is required."

Textile industry

Meanwhile, the textile industry must be prepared for a rapid escalation in orders as the upturn strengthens, Romatex economist Jan van Coller advises.

Discussing concern about an apparent drop in exports — according to official statistics — of 12% in textiles and 66% in clothing in value terms in the first quarter, Van Coller says: "It appears that 1993 export statistics may have been distorted by certain shipments fraudulently declared as clothing in order to collect Category Four benefits under GEIS.

"There is no clarity as yet on this matter."

EU poised to sign SA framework accord

SLA '74 CT 15/9/94

From JOHN DLUDLU

JOHANNESBURG. — The European Union was expected to sign a framework agreement with SA early next month which would include granting of soft loans to SA by the European Investment Bank, EU ambassador to SA Erwan Fouére said yesterday.

He said SA and EU officials were examining a draft of the framework agreement, which would establish an interim relationship between SA and the union.

"We're hoping to sign the agreement during (EU Trade Minister) Leon Brittan's visit to SA sometime next month. The date for the visit is currently being worked out by the union," he added.

The signing of the agreement would enable the EU to open the European Investment Bank's purse strings for SA.

The bank, one of the world's leading lending institutions, operated soft loans and financed infrastructural development projects which could boost government's reconstruction and development programme.

An EU delegation had recently visited the country to explore the feasibility of extending the EIB operations to SA, Fouére said.

In line with the EU's emphasis on regional co-operation, possible projects that could be funded included a regional power grid, and tourism and transport networks. Fouére said the bank would also fund projects without a regional slant.

"The extension of the bank to SA, hopefully next year, will send a positive message to international markets on the country," he added.

The proposed agreement would also pave way for talks on deeper-level long-term arrangements between the EU and SA, which sources expected to begin either later this year or next year.

The object of Brittan's visit would be to "emphasise the importance of the existing relationship" with SA, which covered trade and development aid, he said.

The EU was keen to assist SA in the interim phase to increase its industrial competitiveness, diversify exports of manufactured products and buoy the development of small to medium-sized enterprises which were critical to job creation, Foufe said.

The recent Berlin conference between the EU and the Southern African Development Community had set the tone for future regional co-operation and long-term arrangement with SA.

JOBS

Forex controls 'need to go with a big bang'

14

Should the new South Africa throw caution to the winds and introduce the new rand? **KEVIN DAVIE** reports on the likely consequences of freeing the currency from political controls to which it has been shackled since 1933.

BUSINESSMEN and economists are talking enthusiastically about scrapping the controls which have restricted the rand since 1933.

But this enthusiasm is seen as a fat cat thing — coming from those with money but no confidence in the country, and who want to move their ill-gotten fortunes offshore.

Reality suggests otherwise. If exchange controls were to go in onc big bang the rand would lose its protected value within minutes.

No one can be exactly sure at what level buyers and sellers would price the currency in a free market, but consider that South Africa has at least R60-billion of foreign money which could exit at any time via the financial rand if it chose.

Investors are happy to keep this money in South Africa at the 20% or so premium which the finrand offers, suggesting that the freed rand may settle at about the level of the finrand.

But many argue that it would be madness to risk losing 20% or more of the value of the rand. Imports such as fuel would jump by 20% or 30%, it is said.

These arguments need to be interpreted with caution. Less than 30%, the crude component, of the fuel price is paid for in dollars.

And, import tariffs could be dramatically scaled back as the weaker rand would be a strong disincentive to import.

In theory the average tariff level could be reduced by the same extent as the rand's fall, leaving consumers and industry in the same net position.

But exporters would be 20% more competitive.

Investors in low-growth developed countries who are committing billions of dollars to high-growth emerging economies would take a look at SA companies and find better value.

Most importantly, foreigners would be able to get in and out of the market as they choose.

The new South Africa got off to a bad start earlier this year when foreign fund managers watched with horror as the finrand fell and administrative selling delays led to large losses.

The new rand would give tourism a huge boost, offering tourists holidays "for next to nothing". But South Africans would find foreign travel daunting at R4,50 or R5,00 to the dollar.

Rob Lee, senior portfolio manager with the Board of Executors, who favours the big bang approach, argues that many of the conditions set by the Reserve Bank's Chris Stals before controls can be lifted, would be greatly reinforced by the removal of controls.

Mr Stals, who wants controls to be phased out gradually, has been delegated the responsibility of handling this issue by Finance Minister Derek Keys.

Mr Stals's conditions include fiscal and labour discipline, a more competitive economy and greater foreign exchange reserves.

Mr Lee says the removal of exchange controls presents a wonderful opportunity to embark on much needed structural reforms.

He says the Reserve Bank fears that sharp increases in import prices will be followed by compensating wage demands.

But the current round of labour disputes has demonstrated the severe limits on union power in a weak economy with high unemployment.

Mr Lee says the rise in inflation is likely to be relatively limited as it will be offset by lower tariffs, the abolition of the import surcharge and lower prices in deregulated industries (notably agriculture).

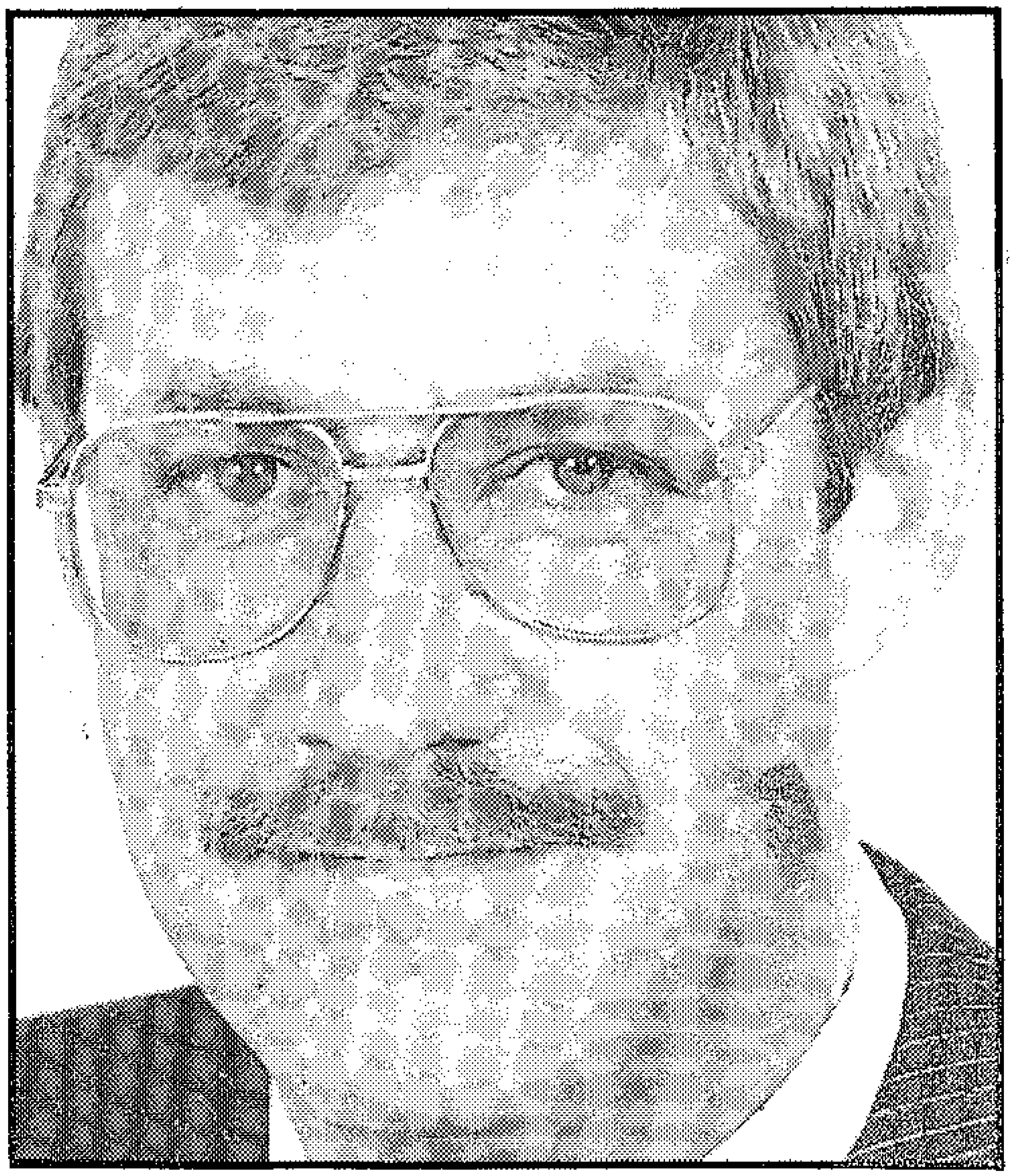
"Most importantly, full exposure to the cold winds of international competition will exert powerful disciplines on the labour market and be more effective than any measure in eroding uncompetitive wages."

Economists differ on the likely effect the removal of controls will have on interest rates, inflation and capital outflows. But there is consensus that without major structural reform the economy faces a ceiling of about 3% growth.

This is insufficient to improve average living standards as popula-

Import tariffs could be cut as the rand falls, exporters would be more competitive

CHRIS STALS ... Governor of the Reserve Bank



ROB LEE ... Board of Executors' senior portfolio manager

tion growth is about 2,6% a year.

Market observers say that long-bond rates, hovering this week at about 17%, show that investors have already discounted the abolition of the finrand.

"We're paying the price as though the finrand has gone, without having the benefit of having got rid of it," says a leading businessman.

Mr Stals told the Parliamentary standing committee on finance this week that controls could only go with reserves of about R30-billion.

Mr Lee says the Reserve Bank will need borrowings of R20-billion (including several billion from the International Monetary Fund) to be able to support the new rand, say at R4,50 or R4,75 to the dollar.

Observers say that Mr Stals would need a standby facility with the IMF to be able to build reserves to the R30-billion level.

So both the "big bangers" and "gradualists" need to have the IMF on board.

But the IMF will insist that South Africa embark on reforms so that the economy can break through the 3% growth ceiling which threatens its long-term potential.

The issue is gaining immediacy as modest economic growth has brought with it increasing import demand.

The trade balance is expected to go into the red, perhaps in the early part of next year, meaning that economic growth "will have to be hit on the head" (in the words of one economist).

Or, South Africa will have to strike a deal with the IMF. The reforms which the IMF would want are no more than those which are now the subject of heated debate such as the deregulation of the food and fuel industries and the restructuring of the motor and textile/clothing industries.

State support for the primary sector and for capital intensive production would be reduced in favour of low input prices into the higher value-added, job-creating manufacturing sector.

Inefficient industries which require endless state support would make way for high-growth industries which give a better return on investment.

State assets would be privatised to improve competitiveness and reduce government debt. State monopolies would be subject to private-sector competition.

The labour market would be freed from restrictive, uncompetitive practices such as extending agreements through the industrial council system to non-parties.

Exchange controls would also go, in all probability, as part of a phased process at the end of the reform agenda.

But the longer it takes to get national consensus on the need for a reform programme, the less gradual the process is likely to be.

Restructuring is inevitable: the gradualists hold the upper hand now but the longer policy makers take to grasp the need for vigorous reform the more likely change will come in one almighty big bang.

Dip in SA cargo trade

JOHANNESBURG. — Portnet said yesterday it had handled 11,095-million tons of cargo (including petroleum products) through the seven South African ports during July 1994. This is 7,33% down on the figure for July 1993.

Exports (9,084-million tons) constituted 81,88% of the total volume of cargo handled, and imports (1,695-million tons) 15,28%.

Coastwise traffic constituted 2,02% and transhipment cargo 0,82% of the total volume of cargo handled.

Export commodities handled were 3,81% up on the same period last year, while imports showed a marked decrease of 41,63% — mainly because of the vast ~~amount of~~ grain imports during 1993. 74

As a result of ~~the~~ bumper harvest of maize, 297 481 tons of maize and maize products were exported during July 1994. CT 20/9/94

Vessels, which berthed at the seven South African ports during July 1994 numbered 1 158 — 111 less than for the same period last year.

The gross registered tonnage (41 056 972) for July 1994 is 7,39% up on the figure for July 1993. — Sapa

Major: SA should lift controls

(74)

CT 22/9/94

Own Correspondent

JOHANNESBURG. — South Africa should lift financial controls, reduce tariffs and phase out special subsidies to compete internationally for new investment and sell its products, British Prime Minister Mr John Major said yesterday.

Addressing an SA Chamber of Business (Sacob) lunch in Sandton, Mr Major said South Afria was competing with other economies in the world.

"Many of these countries — not just in Europe but in South America, Asia and elsewhere — are increasingly lifting financial controls, reducing tariffs and phasing out special subsidies.

"You know that to compete it is essential to follow the same path," he said.

Mr Major said he knew that such changes were not easy to make and could not be made at a stroke, but were essential if industry was to be self-reliant and competitive. "Essential if two-way trade is to expand freely and rapidly. Essential to attract new investment."

Opportunities

He said Britain was "alive with interest" in the new South Africa and in the opportunities it offered, as was shown by the team of leading businessmen and financiers accompanying him — and by the presence of Minister of State at the British Treasury, Mr Anthony Nelson and Minister for Africa and for Overseas Development Baroness Lynda Chalker.

The financial team was keen to add its expertise to that of South Africa's own sophisticated financial industry. "They are particularly well-placed to advise on the opportunities for privatisation, having worked so closely with the British government on our own extensive privatisation programme."

Mr Major said: "I am delighted to announce that some 30 British firms — including many of those here today — have now undertaken to take businessmen, initially from Soweto, into their own companies to gain experience in management, telecommunications, pharmaceuticals, electronics, water, construction and information technology.

Manuel discusses support

(74) CT 23/9/94.

BONN. — South African Trade and Industry Minister Mr Trevor Manuel met yesterday with German counterpart, Mr Guenter Rexrodt, on future co-operation between South Africa and the European Union (EU).

Mr Manuel sought support for the speedy conclusion of an EU-South Africa co-operation agreement, arguing that South Africa was on the threshold of becoming an industrialised state and merited equal treatment.

Mr Rexrodt said a balanced agreement was in the EU's interest and promised Germany would pursue the matter.

Mr Manuel also asked that South Africa be struck from an export control list subjecting the sale of so-called "dual-use" goods to special authorisation.

Mr Rexrodt said he expected this matter to be resolved.

The ministers also discussed a proposed bilateral treaty for spurring foreign investment in South Africa, and updating an accord avoiding double-taxation.

● South Africa's economic importance will soon rise markedly, according to Deutsche Aerospace president Mr Jurgen Schrempp, who also said the company was encouraging the German government to boost support for South Africa's economic development. — Sapa

Slump in trade surplus puts reserves at risk

S/Times (Buss)

25/9/94

By SVEN LUNSCHE

SOUTH Africa's trade surplus fell sharply in August, threatening to undermine the recent recovery in the country's foreign exchange reserves.

The Department of Customs and Excise reported on Friday that the trade surplus plunged to R290-million in August from R1,65-billion in July, amid a strong surge in imports.

The import bill over the two months increased to R8,07-billion from R6,68-billion while exports in August at R8,36-billion were only R30-million up on July's level.

"The strong rising trend in imports is very disturbing as it defies a weaker rand — which makes them more expensive — and is very broadly based," says Carlos Texeira, economist at the SA Foreign Trade Organisation.

He says that many manufacturing import categories reported increases of well over 20% in August — imports of plastics rose by 25,8%, textiles by 30%, base metals by 39%, machinery by 22,7%, transport equipment by 44% and chemicals by 19,5%.

Rising imports are a reflection of the stronger economy, as companies are forced to buy new equipment to meet increased demand. So far this year, for example, imports of machinery have risen by almost R5-billion to R15,9-billion.

Total imports for the first eight months of the year at R48,3-billion are over R10-billion up on the same period last year, while exports have risen to R58,8-billion from R51,6-billion.

This year's trade surplus has subsequently dropped to R10,5-billion from R12,5-billion.

(74)

Mr Texeira says that the export performance should pick up as a result of stronger agricultural and commodity exports later this year. However, he expects the 1993 current account of the balance of payments to fall slightly below his original forecast of R3-billion.

This could impact negatively on South Africa's net gold and foreign exchange reserves, which have only recently recovered from a R13,5-billion decline between January 1993 and June this year.

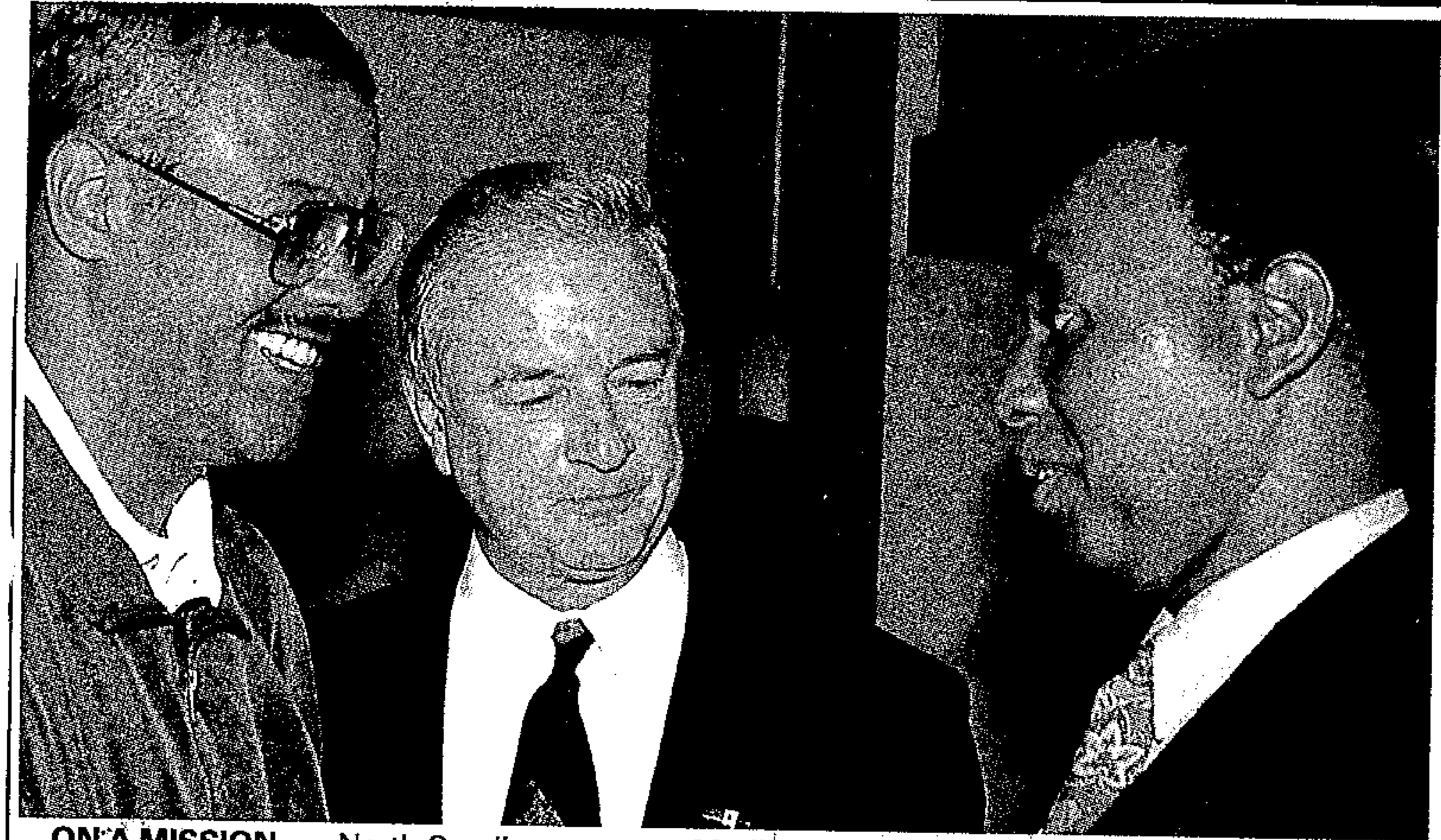
The Reserve Bank reported this week that the net reserves in July and August improved by R2,7-billion, coinciding with a sharp fall in capital outflows from South Africa.

The net outflow of capital amounted to R3,7-billion in the first half of this year, but the Reserve Bank observes that the outflow was concentrated mainly in April.

"An inflow of short-term capital probably occured in the rest of the second quarter," it adds.

Top US trade mission in city

(74) CT 29/9/94



ON A MISSION . . . North Carolina governor Mr Jim Hunt (centre) introduces the state's auditor, Mr Ralph Campbell (left) to US consul-general Mr Bismarck Myrick at D F Malan Airport yesterday on the arrival of the trade mission in the city. Picture: ALAN TAYLOR

A HIGH-POWERED trade delegation from the US state of North Carolina arrived in the city yesterday on a 11-day fact-finding mission aimed at establishing business ties with South Africa.

Heading the 40-strong delegation of politicians and business people was North Carolina governor Mr Jim Hunt.

The aim of the visit was to assess South Africa's potential with a view to forging business partnerships.

South Africa had "unlimited" potential for economic and human development, he said, adding that "investments from the United States" came mainly from individual states and not the federal government.

North Carolina had the third largest economy and the ninth largest bank in the US, he said.

"When a state governor arrives you can be sure that he is here to match business with business. Some of these businesses were here before sanctions and would like to return," Mr Hunt said.

US Commerce Department officials have predicted South Africa would soon be one of the 10 major markets in the world, he said.

Mr Hunt will meet Deputy President FW de Klerk for talks today.

Finrand rumours fly as discount narrows

BiDay 29/9/94

SAMANTHA SHARPE

PLAY on the discount between the commercial and financial rands had been a major factor behind the narrowing gap separating the currencies in the past few weeks, banking sources said yesterday.

The shrinking discount was fuelling speculation on the imminent demise of the finrand, market sources said. A precondition set by the Reserve Bank for the abolition of the currency is a substantial narrowing of the discount.

(74)

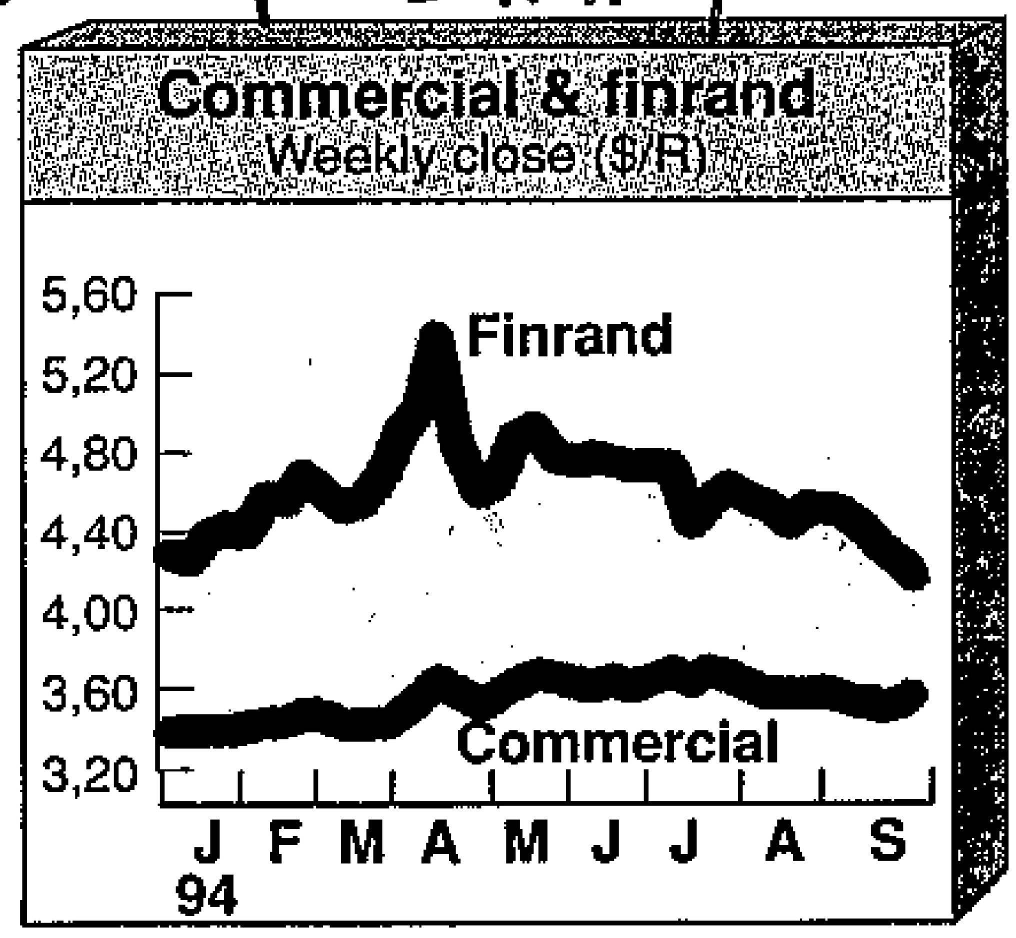
Banking sources said illegal discount play, which has foreigners selling commercial rands through local institutions without furnishing proof of an underlying commercial transaction, and then buying financial rands, was one of the culprits behind the narrowing of the discount.

The discount narrowed to 16% yesterday, from 20% earlier this month.

But offshore demand for finrands and large purchases from New York and London had also helped strengthen the unit.

The commercial rand had weakened on import demand and rumours that Reserve Bank Governor Chris Stals could "pull another rabbit out of his hat" with a sooner than expected abolition of the finrand.

Economists said they would not be surprised if the finrand's demise caught a few people unawares.



They said "the magical discount figure of 10%" had been bandied about as one of the precursors to finrand abolition, but the way markets worked demanded an element of surprise.

A continued pattern of increasing net foreign reserves and rising short-term interest rates boded well for an end to the dual currency system, perhaps before the end of the year. The finrand's abolition would probably be accompanied by a further rise in the Bank rate.

The finrand firmed marginally yesterday to finish at R4,23 to the dollar from R4,2350, while the commercial rand weakened to R3,5553 from R3,5433.

fect of lowering the cost of borrowings, deputy finance minister Alec Erwin said yesterday.

guidelines.

"We have no intention of increasing our interest payments on Budget; we have no intention of increasing the

Group (Ocfish), which holds 60% of Commercial Cold Storage (CCS), has bought the

The economy grew at a 3,3% rate in the first quarter this year. Analysts said in advance of the GDP report they are surprised by the

Business Report

FRIDAY, SEPTEMBER 30 1994 ★ 11

SA urged to push for bilateral trade deal with Europe

From LINDA ENSOR

LONDON. — SA should avoid being fobbed off in its trade relations with Europe with Generalised System of Preference (GSP) "benefits" which would amount to a mere R26,5m for the last five months of this year, delegates to a conference on SA's economy, investment and trade were told yesterday.

Keith Hendry, a partner of the Brussels-based law firm Clifford Chance said in a speech on Europe's trade policy with SA that SA should also avoid being "fobbed off" with Lome associate status and should push for a bilateral agreement with Europe.

He was addressing a high-powered conference attended by leading financers, businessmen, stockbrokers and bankers. Other speakers included Reserve Bank governor Chris Stals, deputy finance minister Alec Erwin, Anglovaal chairman Basil Hersov, Gengold chairman Gary Maude and Old Mutual chairman and MD Mike Levett.

Hendry said a "great deal of ballyhoo" was heard from the European Commission (EC) over the fact that it had quickly admitted SA to the GSP scheme which granted duty free access into the European market of products from developing countries.

But in fact, he pointed out, the GSP advantages extended to SA in August would have minimal effect for SA's trade with Europe, firstly, because sensitive (mainly agricultural products) were almost universally excluded from preferential trade, and secondly because severe limitations were imposed by means of quotas on other sensitive products such as textiles, electronic and steel products.

(74) CT 30/9/94

Furthermore, the EC regulation governing GSP benefits for SA listed the products to be given preferential treatment, whereas normally the GSP scheme applied to all products except where specifically excluded or limited.

Hendry said the EC itself estimated that the value of GSP benefits accorded to SA over the last five months of the current year would be in the region of six million ECU, or about R26,5m. "This, on a rough calculation, is no more than 0,05 percent in value of South African exports to the EC," he added.

"SA should argue hard for a bilateral arrangement as soon as possible and, if necessary, contribute dynamically to the SADC if the EC refuses to deal only with the region," he said.

Softer bu

African states wary as SA returns to fold

(74)

ARG 7/10/94

MADRID. — As South Africa said thanks for a welcome back to the global economy, it also had to assure neighbours speaking with a mix of wariness and optimism about the country's new role in their region.

"I stand here today as a very proud South African," Finance Minister Chris Liebenberg told the closing session yesterday of the International Monetary Fund and World Bank. "My country for the first time represents all its people at the annual meetings."

Fellow finance chiefs and central bankers had shown South Africans a "wonderful reception and spirit of good will," he said.

But as South Africa returns to the fold, neighbours that backed the anti-apartheid struggle for decades are wondering how much competition and how much cooperation will come from what could soon be an economic powerhouse.

Meanwhile, ending a conference punctuated by calls for change, the two main lending institutions in international development promised to do more to help the poor.

The nearly two-week meeting marked the 50th anniversary of the World Bank and its sister agency, the International Monetary Fund.

The World Bank, a specialized agency of the United Nations established along with the IMF in 1944 to assist European recovery after World War 2, is the single most important lending agency in international development.

World Bank President Lewis Preston sought to assure finance ministers and central bankers from the 178 nations that belong to the bank — and the 179 to the IMF — that the institutions had not strayed from their mission of 50 years ago.

"We are more committed than ever before to help the poor," Mr Preston said.

The global economy was in better shape than it has been for years.

Industrial nations, vital for the world's economic health, were pulling out of a prolonged slump. Inflation rates were low, although the IMF cautioned the US and other economic giants to act quickly if prices surged.

Mexico and some other nations in Latin America had recovered from the foreign debt crisis that in the 1980s appeared to dash hopes of an economic rebound.

And in Asia, China's economy was one of the fastest growing in the world, attracting foreign investment along with the magnetic draw of the "Tigers" of Singapore, Taiwan, South Korea and others.

Still, conference speakers told the IMF and World Bank that there was no reason for complacency.

Poverty in Sub-Saharan Africa, long a recipient of IMF and World Bank aid, was expected to grow by the end of the century.

"The clearest point of consensus emerging from these meetings is that the development agenda remains enormous," Mr Preston said.

He said a billion people lived "in grinding poverty" and nearly 4 million children died annually "because of easily preventable diseases."

The conference was the target of protests by those angry about the ecological damage caused by bank projects and the slow progress in reducing poverty levels. — Sapa-AP.

74

Special trade status for SA

CT 7/10/94

LIBREVILLE, Gabon. — South Africa should enjoy preferential trade access to the European Union, according to a breakthrough resolution passed by the Lome Convention here yesterday.

SA's development needs should be recognised and the options for SA-EU "harmonisation" be drafted, the resolution said.

In the interim, SA should be an observer on all Lome institutions.

The 82-nation convention — including the EU and 70 members of the African Caribbean Pacific formation — also resolved SA should continue to be funded through its bilateral conduit to the union.

SA delegation leader ANC senator Dr Sam Motsuenyane said later he was pleased. — Sapa

Foreign investors pour in cash . . . but not to buy shares

Finrand closing fast on commercial rand

Star 12/10/94

BY DEREK TOMMEY

The financial rand took the markets by surprise yesterday by firming sharply to its best level for two years following large-scale purchases by foreign investors.

At the same time the financial rand discount shrank to its lowest level for three years to indicate greatly increased confidence by foreigners in this country.

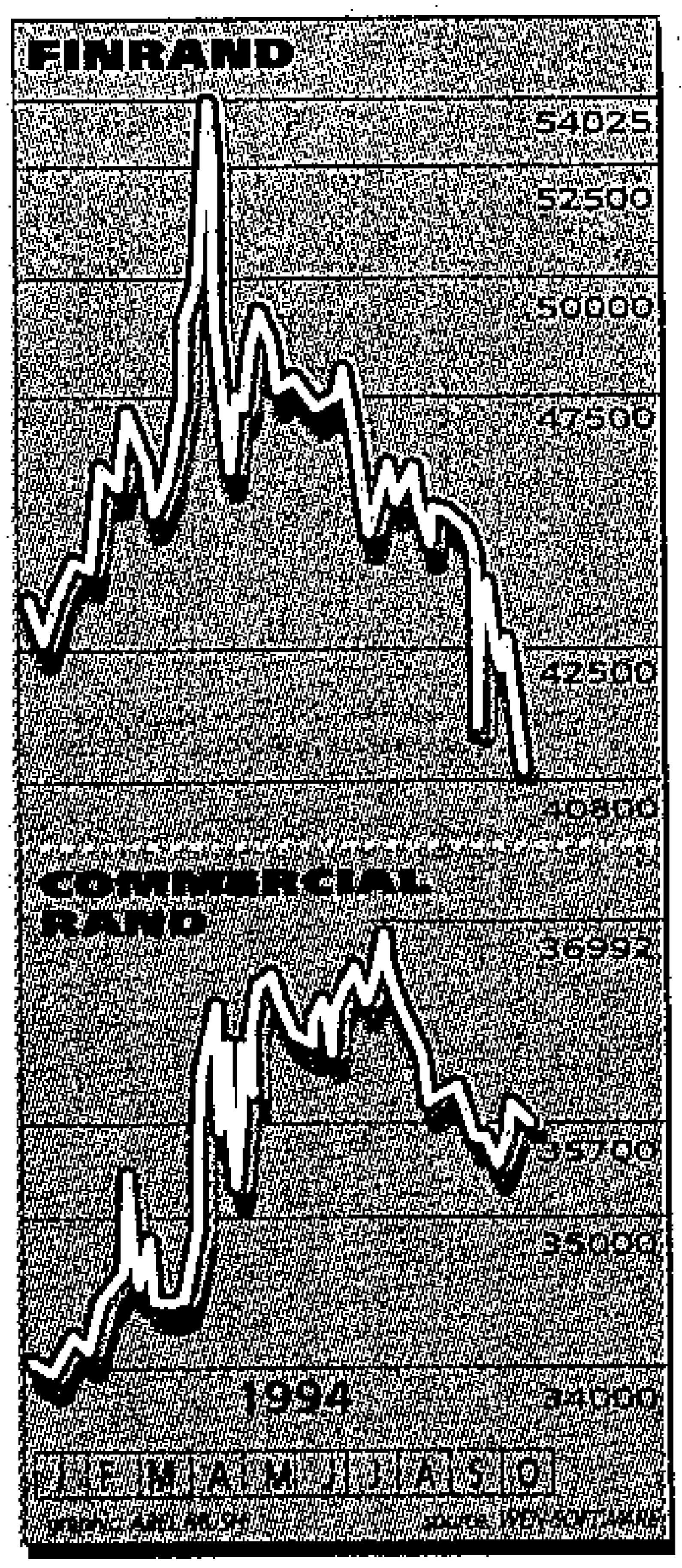
Brokers pointed to the confidence-building visits by President Mandela to the United States and by the Minister of Finance, Chris Liebenberg, and the Governor of the Reserve Bank, Dr Chris Stals, to Europe as the probable cause for the latest upsurge in financial rand buying.

Foreigners have known for a long time about the high returns they could get by investing in South Africa through the financial rand.

But it seems that it required reassurances by the country's three top financial spokesmen to convince them that their money was safe — and the financial rand would ultimately be abolished, a broker remarked.

High point

The financial rand rose 9c to R4,08 in active trading yesterday. This is the highest it has been since September, 1992. But even more impressive was the reduction in the financial rand discount to the commercial rand to 12,7 percent — its lowest since November, 1991. Four weeks ago the discount was 20 percent.



Richard Jesse, head of research at stockbrokers Martin and Company, said it appeared that foreigners were acquiring financial rands to make direct investments in this country rather than to buy shares.

He said there was a strong possibility that buying by Pepsi-Cola, which is returning to the country could have been behind yesterday's rise.

An interesting development was the use of financial rands by foreigners to invest in South African bank deposits because of the attractive returns they receive.

(74)

A foreign investor depositing money through the financial rand at its current rate will get 14 percent more in interest than a South African. And if the financial rand discount eventually shrinks to zero, their capital would increase by 14 percent.

However, the firming of the financial rand is not good news for South Africans holding gold, diamond and mining house shares.

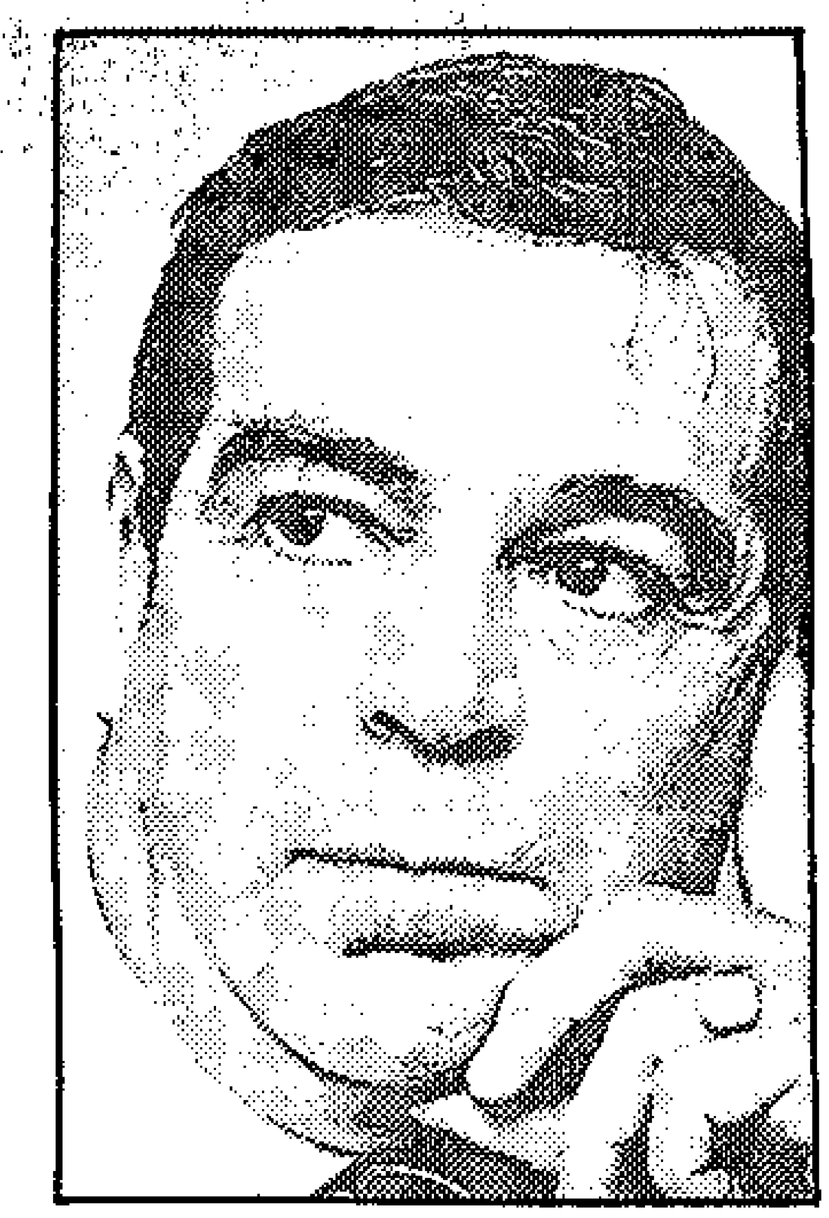
Because of the financial rand discount, the prices of these shares on the Johannesburg Stock Exchange are some 14 percent higher than in London and New York.

But as the financial rand discount narrows, Johannesburg prices will fall toward the London and New York levels, until they are the same. Evidence that this is already happening is the 91-point drop in the JSE gold share index yesterday.

Jesse said that the mining shares are likely to be the most affected, with industrial shares being the least hit.

Meanwhile, the latest upsurge in the financial rand suggests that it could be unified with the commercial rand without a "big bang" much sooner than expected.

Brokers have been forecasting the unification of the financial rand and commercial rand sometime in the first quarter of next year — and at a midrate between the two currencies.



Stals . . . Set target of 10 percent differential for scrapping finrand.

But a currency dealer pointed out that if the financial rand were to repeat yesterday's 9c gain for the next four days it would reach R3,72.

At this level the discount to the commercial rand would be less than five percent and the Reserve Bank would be able to start making plans to unify the two currencies at the current commercial rand rate.

While this is most unlikely for this week at least, it indicates how close the financial rand could be to being abolished.

Finrand discount still falling

BDay 13/10/94

PETER GALLI

THE Reserve Bank was intervening in financial rand trade to help narrow the discount and limit the commercial rand's devaluation once the investment unit was scrapped, market sources said yesterday.

The finrand ended 2,5c firmer at a 12-month high of R4,05 to the dollar after strengthening to an intraday high of R4,01. The discount slipped to about 11,75%.

The market was awash with rumours that the Bank was intervening by selling dollars and buying finrands.

"Given the positive international investor sentiment following President Nelson Mandela's recent visit to the US, the release of SA's credit ratings and its inclusion in international emerging market indices, the Bank would not have to use much of the country's forex reserves to help push the unit firmer," a senior dealer said.

But Bank exchange control head John Postmus denied that the Bank was intervening. Governor Chris Stals had instructed it to remain neutral in its finrand dealings. "The only time the Bank intervenes is to facilitate the smooth transaction of large deals so as to avoid undue disruptions and volatility. But it is not allowed to influence the market and any finrands bought by it to smooth over the effects of specific deals have to be sold back."

Finrand buying from Europe continued to drive the unit firmer on speculation of its imminent demise. Economists said the continued demand was coming from speculators rather than investors. (74)

Standard Bank economist Nico Czypionka said the question was whether SA could afford not to scrap the finrand. "It originated as a device to hide bad policies and politics, but this is no longer necessary."

SA was also out of step with the international trend towards abolishing capital controls. "By definition the finrand is more or less a closed pool and for as long as this

□ To Page 2

THE WEEKLY MAIL & GUARDIAN
October 14 to 20 1994

The economic disaster called Gatt

(74) WM (BM) 14-20/10/94

The proposed world trade deal could end global prosperity, argues international financier and European parliamentarian **James Goldsmith**

IT IS extraordinary that the General Agreement on Tariffs and Trade (Gatt), the instrument of global free trade, could have been negotiated by successive United States administrations without a full public and national debate.

By contrast, the North American Free Trade Agreement (Nafta) was the subject of substantial and reasonably well-informed debate in Congress — yet Nafta is insignificant compared to the so-called Uruguay Round of Gatt. If fully successful, Gatt — and its successor, the World Trade Organisation, to be established by the Uruguay Round agreement — will ultimately create a free trade area not just with America's neighbours, Mexico and Canada, but with China, India, Vietnam, Bangladesh, indeed with the whole world. It is impossible to conceive of an international agreement with deeper social consequences. The American public cannot afford to let its collective eyes glaze over at the mention of Gatt.

In no sector will the social and economic consequences be more far-reaching than in agriculture. A principal purpose of Gatt is to recast the world's agriculture in the name of efficiency and increased agricultural "productivity". Modern economists, more particularly those in favour of global free trade, claim that the best agricultural system is one that produces the maximum amount of food for the minimum price and employs the fewest people. But even in economic terms, that calculation is incomplete.

When you reduce the number of people employed on the land, those who become redundant are forced into cities. Therefore, you must add to the direct cost of producing food by intensive methods the indirect costs of those who have been uprooted. As there are insufficient non-agricultural jobs throughout the world, there will be increased unemployment, with the consequent costs of welfare. As there is insufficient urban infrastructure, such as schools, hospitals and housing, there will be a need for substantial new capital expenditure.

Yet there is a deeper price. In a stable society when, as a result of changes in technology, some jobs are lost in a particular industry, the fundamental balance of society is not altered. Some declining enterprises necessarily suffer while other, more competitive, entities emerge. But loss of rural employment and migration from the countryside to the cities causes a fundamental and irreversible change. It has contributed to the destabilisation of rural society and to the growth of vast urban concentrations from the First World to the Third. Within these huge urban groupings resides an alienated underclass whose cultural traditions have been extinguished and whose families are dependent on public and private charity.

The cost of contributing to such social breakdown cannot be measured. As Jose Lutzenberger, the far-sighted former minister of the environment of Brazil, reminds us, the notorious slums of Brazil, known as *favelas*, were the direct result of the rural dislocations caused by the "green revolution" of the 1950s, which, through intensive farming, was supposed to end for all time famine throughout the world.

Maximising agricultural output per person might have been an important consideration in the highly developed Western nations in which the cost of labour was great and standards of living were high. But we are entering a new world. Four billion people are suddenly joining the world economy. Until recently they had been held separate by their political systems, usually communist or socialist. They include the populations of China, India, Vietnam, Bangladesh and countries of the ex-Soviet Union, among others. Their populations are growing fast and it is forecast that they will reach 6,5-billion in 35 years.

It is estimated that there are still 3,1-billion people throughout the world living in the countryside. If Gatt succeeds in imposing worldwide the sort of productivity achieved by the intensive agriculture of Canada and Australia, then it is easy to calculate that approximately 2-billion of these people will lose their livelihood. Rural communities will be uprooted and swept into urban slums. If many cannot find jobs in an expanded industrial sector, mass migrations of displaced and tragic peoples will follow. They will be the Gatt refugees.

If global change is too vast to contemplate, consider the effects of Gatt on one country. Vietnam is typical of the many nations making their first faltering steps toward joining the free world and the global economy. It has a population of 67-million, of which 78 percent live in the countryside (compared to 14,8 percent in Australia, a major agricultural country). The current version of Gatt would drive millions of poor Vietnamese from the fields into urban slums and create deep and long-lasting devastation.

But Gatt is not only of concern to landless Third World peasants. The developed world will suffer Gatt-induced stresses of its own, in addition to the need to cope with refugee movements. The principle of global free trade is that anything can be manufactured anywhere in the world to be sold anywhere else. That means that the 4-billion new entrants into the world economy will be in direct competition with the work forces of the developed countries. This massive increase in the supply of extremely cheap labour is taking place at a time when technology can be transferred instantly anywhere in the world on the back of a microchip, and capital is free to be invested worldwide wherever the anticipated yields are highest.

Some high-tech industries can survive under these circumstances because they are highly automated. For them, labour is a minor item in the overall cost of their products. But as soon as they need to increase employment, they are forced to move offshore. For example, IBM is moving its disk-drive business from America and Western Europe to low-labour-cost countries. According to *The Wall Street Journal*: "IBM plans to establish this new site as a joint venture with an undetermined Asian partner and use non-IBM employees so that it will be easier ... to move to an even lower-cost region when warranted ... Moving from higher-cost regions to Asia cuts in half the cost of assembly."

> ❛ Rural communities will be uprooted and swept into urban slums ... They will be the Gatt refugees ❜

Supporters of global free trade argue that jobs in the service industries will replace lost employment in manufacturing. But even service industries will be subjected to substantial transfers of employment to low-cost areas. Today through satellites you can remain in constant contact with offices in distant lands. Swissair, for example, has recently transferred a significant part of its accounts department to India.

Developed countries need to begin thinking about their balances of trade in terms of employment as well as money. If we export $1-billion of goods and import products of the same value, we now conclude that our overseas trade is in balance. But if our exports are heavily weighted toward high-tech products, while our imports are labour intensive, we are importing unemployment — with large social costs not counted in the balance.

And global trade will not only increase unemployment in the developed world but exert downward pressure on wages because the value of labour will decline. Value-added is the increase of value obtained when you convert raw materials into a manufactured product. A mature society such as that of the United States has been able to develop — through generations of political debate, elections, strikes, lockouts and other conflicts — a general agreement as to how it should be shared between labour and capital. Global free trade will brutally shatter that agreement.

Of course, there will be those who will benefit from these extraordinary changes — principally, companies with access to an almost inexhaustible supply of very cheap labour. But they will be like the winners in a poker game on the Titanic. The wounds inflicted on their nation will be too deep to be acceptable without brutal consequences.

Until wage levels and standards of living in the developing world can be brought into closer alignment with those of the West, we must replace the concept of global free trade by free and vigorously competitive regional markets. Nafta and Europe are the two largest free trade areas ever created. Obviously both are more than big enough to ensure highly competitive internal markets. They would not cut themselves off from the world, but would welcome innovation from anywhere. Foreign corporations wishing to sell their products would build factories in America, employ Americans and bring with them their technology and capital. The same, of course, is true for the European economy. What is more, each region would be free to decide how it wishes to trade with other regions including developing countries, entering into bilateral agreements to the mutual advantage of each party.

Developing nations should also form free trade areas, as is currently the case in Latin America. These areas should consist of nations with economies reasonably similar in terms of development and wage structures. Of course, freedom of transfer of technology and capital would be maintained. Thus, corporations wishing to sell products in these regions would produce locally, importing capital and technology and creating local employment. That is the way to create prosperity and stability in the developing world without destroying our own. — *The Washington Post*

Sir James Goldsmith is an international financier who has recently been elected to the European parliament from France

Foreign speculators strengthen finrand

BDay 19/10/94

GRETA STEYN

THE financial rand broke through the key R4 to the dollar barrier yesterday as speculators climbed into the market, taking the unit to its strongest level in two years.

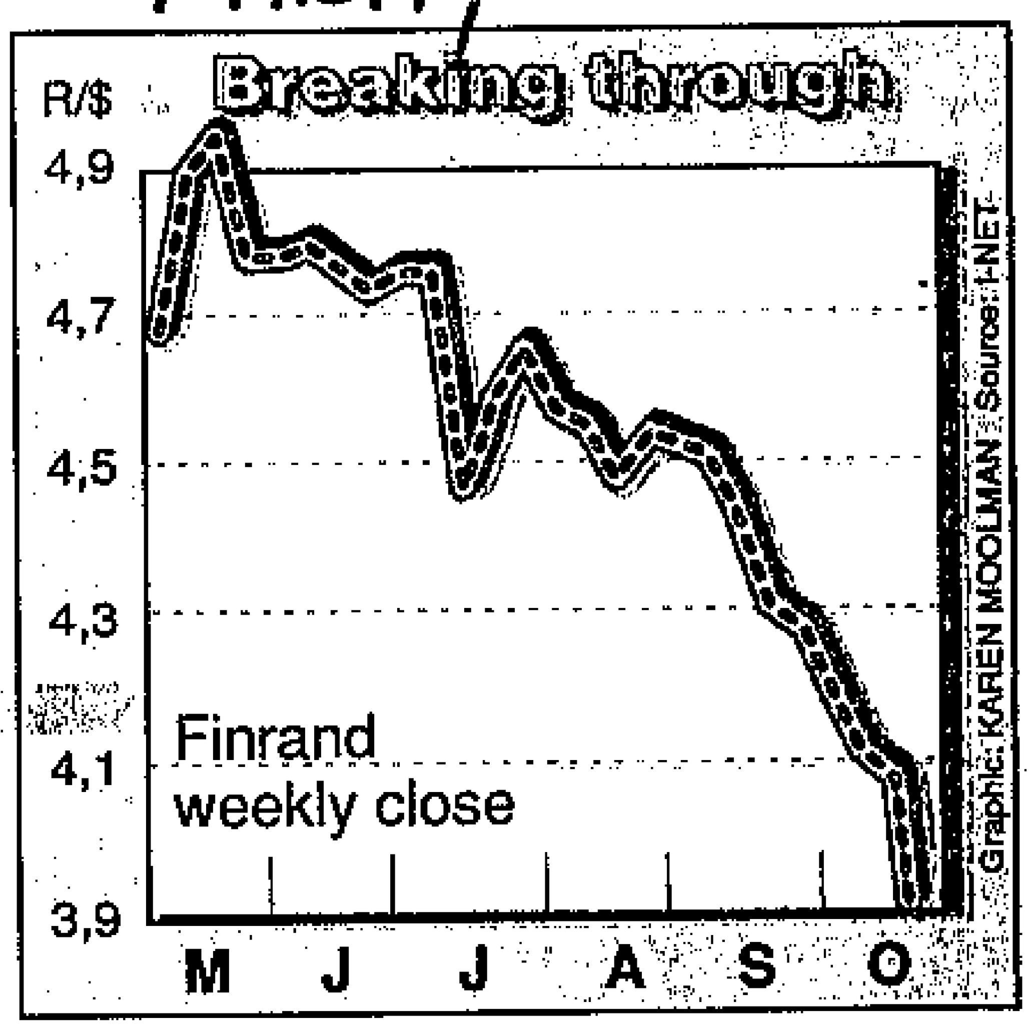
The discount between the finrand and the commercial rand — one of the key indicators for the abolition of the investment unit — narrowed to 11,4% from Monday's 12,7%. The gap between the two currencies became smaller despite the strengthening of the commercial rand.

Shortly before the close of trade, the finrand was trading at R3,9820 compared with an overnight R4,06. At the end of last month, it was trading at R4,22.

(74)

A trader ascribed yesterday's move to a new rush of currency speculators, rather than investment in SA. Although large buy orders emanated from London, he believed US speculators were the driving force behind the buying. "I didn't expect the move below R4 and find it hard to believe that it can be maintained."

But it is expected that the market will try to take the unit further in the short term. Reserve Bank Governor Chris Stals has said a discount of below 10% would have to be maintained before SA could contemplate scrapping the dual system.



I-Net reported that one dealer felt the commercial rand's move below the R3,5300 level had also buoyed the finrand. Dealers said the commercial rand had initially firmed after mining houses placed a large amount of dollars in the market. There were also rumours of "small amounts" of Bank intervention. The rand ended at R3,5273 from R3,5455.

Polish businessmen seek more SA trade

Diplomatic Correspondent

A DELEGATION of Polish industrialists, under the leadership of Industry and Trade Minister Marek Pol, is visiting South Africa.

Industries represented include electronics, shipbuilding, avionics, mining and defence.

The visit is at the invitation of Foreign Affairs Minister Alfred Nzo who recently visited Poland.

Among the members of the delegation are Kazimierz Modzelewski, chairman of Poland's commission on foreign economic co-operation, and Zenon Dereszkiewics, deputy minister of transport and maritime affairs.

A Polish embassy spokesman said today rapidly developing relations as well as changes in both countries were creating favourable conditions for increased economic co-operation.

The delegation will have talks with various departments, including foreign affairs, trade and industry, mineral resources and energy, transport, agriculture, public enterprises, environmental affairs and tourism, education and defence.

The delegation will also meet representatives of the Small Business Development Corporation and the National African Farmers' Union to offer agricultural machines for small and mid-sized farms.

The delegation will in particular discuss the assembly of Polish Ursus tractors in South Africa, Polish involvement in oil and water drilling and the construction of sewage utilisation systems.

The Ursus company has already begun a training programme for local technicians.

The spokesman said his governmnent was ready to embark on large-scale vocational training for South Africans.

Other matters to be raised were more effective methods of exploiting coal and copper deposits. ARG 20/10/94

The delegation will meet the Western Cape provincial government and will look into areas of co-operation on the regional level. (74)

There are plans for the Polish airline LOT to start a direct service between Warsaw and Johannesburg.

'Regional trade barriers must go'

PORT LOUIS. — Finance ministers and central bankers urged each other yesterday to remove obstacles to regional trade in Eastern and Southern African.

"African nations must remove bottlenecks like restrictive import licensing, overvalued exchange rates, and restrictions on capital transfers," said a Ugandan delegate to yesterday's closed door session in Mauritius.

CT 22/10/94

"Africans must also promote further the role of the private sector in economic development, build stronger financial systems to support private sector initiatives and accelerate economic cooperation and integration on a regional basis," he said.

The delegate was taking on the sidelines of a five-day conference of the 22-nation Preferential Trade Area in Port Louis.

Conference sources said delegates had bitterly criticised each other for what they said was their failure to make tangible progress on regional trade expansion.

R2bn trade surplus for '94 seen

(74)

CT 24/10/94

By MAGGIE ROWLEY
Deputy Business Editor

The trade surplus for 1994 was unlikely to exceed R2bn, says Sanlam economist Johan Louw.

In his latest Economic Survey, Louw said the trade surplus of R288m for August was the second lowest monthly figure in 10 years.

Taking into account the net payment for foreign services such as interest dividends, freight and insurance, this meant that the current acount of the balance of payments showed a deficit of about R1bn in that month.

"In our opinion this completely offset the current account surplus built up during the seven months of 1994.

"In fact at this stage it apperas as if a surplus of barely R1bn to R2bn will be achieved this year," he said.

However, he says the fact that there had been a substantial improvement on the capital account of the balance of payments was a hopeful sign.

The net inflow of capital experienced was sufficient to finance the deficits on the the current account with relative ease.

"Consequently, foreign reserves also showed a welcome increase."

Louw said a further favourable development was the recent announcement regarding South Africa's credit rating.

"This has removed the uncertainty that existed in this regard and gives the country access to a wider range of international capital markets.

"It is clear nevetherless that foreign investors are still concerned about certain aspects such as a firm political stance and the handling of government finance."

Turning to inflation, Louw said while they now expected the inflation rate to be running at around 12% by year end, due in part to the increase in interest rates and rising food prices, the underlying inflation rate was not yet cause for concern.

As the upswing in the economy was still fairly frail, he believed the monetary authorities would be reluctant to increase the bank rate again soon.

As far as long-term interest rates were concerned, certain positive developments could in fact contribute to a softening of rates in the short term.

These included an improvement on the capital account of the balance of payments, the favourable position of government finance, greater foreign interest in local stock and the realisation that it could take longer than expected to abolish the financial rand.

"We believe however that any decline will be of a limited nature."

Louw said that although short-term growth in the economy was expected to continue, several factors cast doubt on longer term prospects.

Economic growth, this year, he said should average between 2% and 2,5% moving up to about 3% next year.

Factors working in favour of continued growth included the stronger and more synchronised world economic recovery, higher commodity prices, increased investment, higher wages and good agricultural prospects.

However optimism about strong and unhampered growth over the next 12 to 18 months was clouded by a number of developments including the earlier-than-expected rise in interest rates and that the reconstruction and development programme would take some time to bring about higher production and spending.

The transitional levy would also skim off a large part of consumers' disposable income while the faster than expected rise in inflation would counter the benefits of higher growth and any growth in disposable income and company earnings.

● **September trade surplus figures are due out today.**

Business Report

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● **September trade surplus figures are due out today.**

SA's trade surplus skids to two-year low

(74) CT 26/10/94

By MAGGIE ROWLEY
Deputy Business Editor

SA's trade surplus shrank by a further 40% in September to R167,6m — the lowest surplus in almost two years — sparking fears that a further increase in interest rates could be in the offing before year end.

September's "disappointing" decline followed shock August figures which saw the trade surplus plunge R1,4bn to R288m.

Customs and Excise figures show that while both exports and imports were up on a year ago the 28% growth in imports to R7,4bn far outstripped the 13,6% growth in exports to R7,6bn.

While up year on year, both exports and imports showed a month on month decline with the drop in exports again exceeding that of imports. In August exports totalled R8,4bn and imports R8bn.

Safto economist Linda Smith said September figures brought the monthly surplus average for 1994 to R1,13bn.

If this average continues until December, the trade balance for 1994 would be R13,56bn, down R6,8bn on 1993.

"Given service payments of about R15bn this makes us less optimistic that SA will record a current account surplus for 1994."

The surge in imports, she said, was indicative of the turnaround in the domestic economy.

Import categories which have shown year on year increases are those related to increased capital expenditure on machinery (44,9% up) and transport vehicles (up 38%). Imports of industrial materials have also increased sharply — base metals up 27,1%, chemicals up 22,8% and plastics 19,4%.

Certain agricultural products including animal products, particularly meat, and prepared foodstuffs were also up significantly.

Most export categories improved only slightly from August's totals. Those showing strong improvements were certain vegetable products (up 73,5%), prepared vegetables, fruit and nuts (42%) and wood pulp and paper (19%).

The important export categories of base metals, minerals and precious stones (particularly diamonds) remained relatively flat, increasing by 13%, 12,7% and 15% respectively. However exports of diamonds were down almost 8% year on year.

The unclassified category of exports (mainly gold), registered a slight improvement of 12,5% which was below the average increase and as such impacted heavily on total export figures.

Old Mutual chief economist David Mohr said the rapidly shrinking trade surplus, coupled with higher than expected inflation figures and M3 money supply growth which had spiralled way over target could force the Reserve Bank to "move sooner than later" in raising the Bank rate.

"Many people had been thinking that we might only see interest rates rise further next year but these latest figures suggest Stals might move before the year end," he said.

"Taking into account the net payment for foreign services such as interest dividends, freight and insurance this probably means we are in a deficit situtiion.

"A deficit on the current account points the way to tighter economic policy which in turn would pave the way to an economic downturn."

While the current account might be in deficit, foreign exchange reserves had improved: "The improvement in the capital account, which compensates somewhat for the decline in the current account, is the one bright light indicating that the upswing might not yet be over."

Describing the trade figures as "incredibly disappointing" Southern Life economist Sandra Gordon said that if trade figures for the rest of the year showed no improvement it might be necessary to go to the IMF for standby facilities.

She pointed out that imports, particular of machinery and equipment, were possibly under pressure due to speculation over the demise of the finrand and companies looking to take advantage of the more stable rand.

Meijer juggles the odds

Wall Street

ARG. 12-13/11/94

Scrapping of exchange curbs again 'Stal-led'

74

ALIDE DASNOIS
Business Staff

THE dramatic turnaround in the capital account of SA's balance of payments, which is showing a surplus for the first time in 10 years, brings the prospect of the abolition of the financial rand a little closer.

But Reserve Bank governor Chris Stals says the time is not yet ripe.

At a Stellenbosch Bureau for Economic Research conference in Bellville yesterday, Dr Stals said the country had about R9 bn in reserves plus R13 million in credit facilities, but only about R12 bn to R13 bn could be used to back up the rand.

"In a few months time we'll have R20 bn available, and then I'll feel more confident," Dr Stals said.

But, in an interview with Weekend Argus he emphasised that R20 bn in reserves was not "a hard and fast rule" for the abolition of exchange control.

The goal was to have "sufficient reserves not to need them". Without a convincing level of reserves, the Bank could not risk exposing the rand to speculative capital movements.

"The quality of the reserves is also important. At present, 50 percent is borrowed money, which is clearly not satisfactory."

However, signs were the improvement on the capital account would continue. The Bank was already preparing to sterilise the economy against inflows of capital, he said.

"Since the elections in April, there has been a remarkable turnaround in the net capital outflow from South Africa."

So far the inflow had mostly been short term capital, but there were now signs of net portfolio investment. Prospects were also good for net inflows of medium and long term capital, with the pending issue of a government loan on foreign markets, and of new direct invsttment by foreigners.

But, he said, the premature scrapping of the finrand would benefit currency speculators and some portfolio managers, but not the national economy.

He slammed portfolio managers who claimed the rand would not suffer from the abolition of exchange controls, while simultaneously advising clients to invest in rand hedge stocks.

Board of Executors senior portfolio manager said Dr Stals was being "disturbingly defensive."

Maintaining exchange control was "indefensible" and might be unconstitutional, as an infringement of individual rights, he said.

In an interview Mr Lee reiterated his opposition to the gradual phasing out of control.

He said all exchange controls should be scrapped and not just the financial rand.

"Rather than do it bit by bit, we should rather wait a few months and do it all at once."

Mr Lee said Dr Stals might be ready by March next year.

● Turn to page

Viva Brazil!

ARG. 12-13/11/94 74

Business Staff

SOUTH African exports to Brazil rose 20 percent last year and the Department of Trade and Industry says it could double.

The boom is attributed to Brazil's slashing of duties and enthusiasm for the new South Africa.

Brazilian tariffs have declined from an average of 32 percent 1990 to an average of 14 percent today; maximum tariff from 105 percent to 40 percent and 1 800 banned products freed.

SA exports include chemicals, swimming pool and mining equipment, construction materials, packaging, stainless steel and beverages.

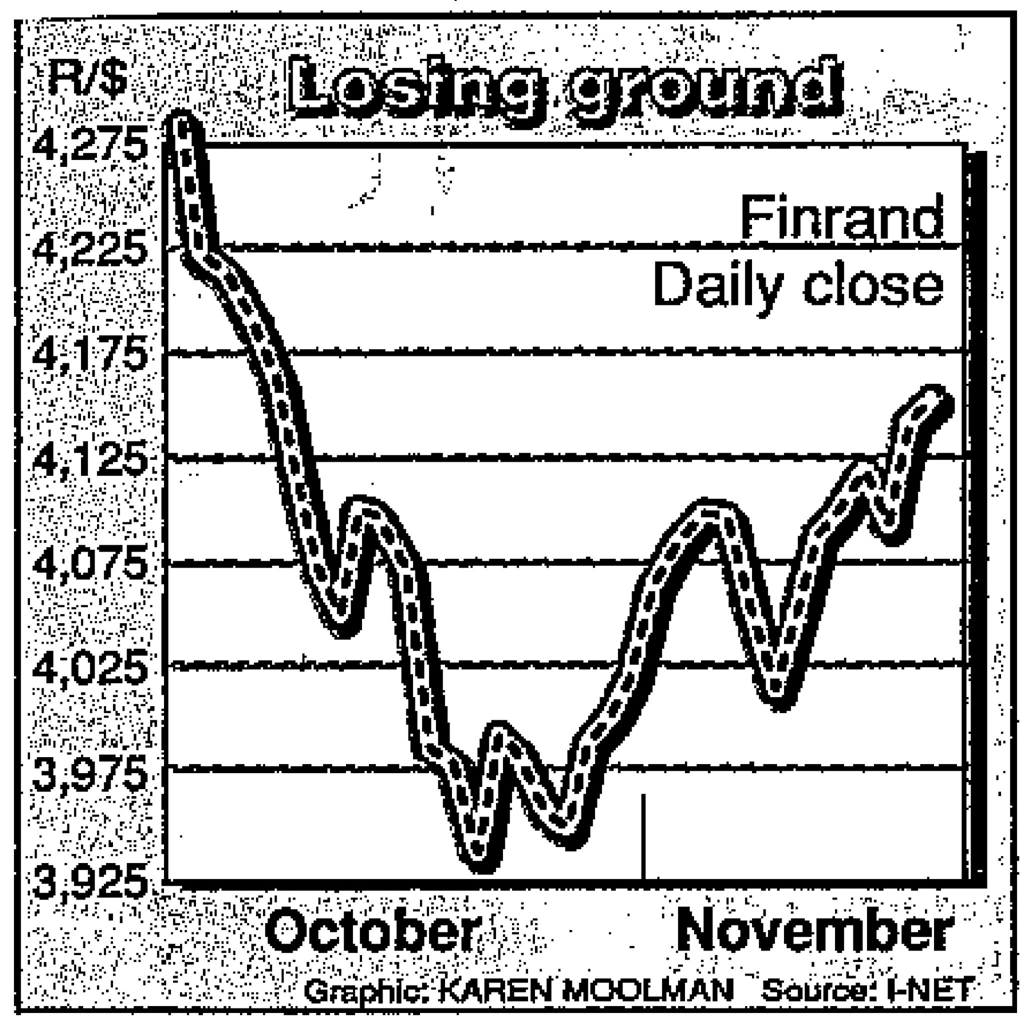
Business boost for GDP

(74) CT 17/11/94

JOHANNESBURG. — At least R1,5bn worth of business was generated at this year's South African International Trade Exhibition (Saitex '94), according to an exhibition report-back released yesterday.

The report showed a total of 89% of the 892 exhibitors from 108 countries recorded business contracts and orders during the week-long exhibition earlier this month.

Saitex marketing manager Pep Joubert said exact figures would be available within six months, but indications were that this year's expo would exceed last year's total of R1,5bn in terms of overall contribution to SA's GDP.



Finrand weakens on dollar chase

PETER GALLI

THE financial rand lost more ground yesterday to close 2c weaker at R4,16 to the dollar, as a large buy order of dollars from a local bank sparked a run of selling.

"There were a lot of foreign equity sales over the day, which resulted in strong finrand selling for dollars through the local market," a bank dealer said. B/Day

The finrand "could well" weaken further to R4,20-R4,25 in the short term, but was unlikely to weaken much further as good buying interest would probably return at those levels. 18/11/94

It was trading around the R4 level at the start of the month — largely due to active buying on speculation that the Reserve Bank was considering its abolition "sooner rather than later".

The commercial rand was little changed at R3,5280 yesterday from Wednesday's close of R3,5283. (74)

The finrand discount now stands at 15,2% — a long way off the level required by the Bank before it can be abolished. The Bank has said the discount must fall below 10% "for a sustainable period" before the finrand can be abolished.

An analyst said that, at these levels, the discount was becoming "tempting" to discount players. Also, while the discount had hovered around the 10% level in recent weeks, there had been sustained buying on speculation about its imminent demise.

"That protection — which effectively prevented the currency from weakening — has now been lost and no one seems to have the urge to push the unit firmer. As such, it appears to have greater downside potential than upside over the next few days."

International exposure 'vital'

CT 18/11/94 (74)

JOHANNESBURG. — International exposure is vital if South Africa hopes to reconstruct and modernise its economy, according to former British prime minister Sir Edward Heath.

Speaking via satellite to delegates attending a RDP summit at Midrand yesterday he said South Africans needed to realise the "tremendous changes" that had taken place during the country's political and economic isolation.

International trade and economic success depended on the ability to take advantage of opportunities wherever and whenever they arose.

Most international investors, both private and public, were "waiting to see what will happen" in South Africa.

The government therefore needed to establish a track record of investor-friendly economic policies and delivery of election promises. — Sapa

SA takes aggressive global trade stance

CT 18/11/94

(74)

Deputy Business Editor

THE delay in foreign investment anticipated after the elections has forced SA to focus more urgently on global markets and to become far more aggressive in courting potential investors than it had in the past, says Pepkor chairman Christo Wiese.

Addressing the United Kingdom Southern Africa Business Association (UKSABA) in London yesterday, Wiese, who is also chairman of the Industrial Development Corporation said that instead of "waiting for foreign alms with open palms" the country was focusing on fiscal dicipline and free-market principles, lowering trade barriers and promoting deregulation to encourage entrepreneurship.

South Africa was using its wealth of natural assets and strong skills and technology base to develop a number of beneficiation projects such as Columbus and Alusaf in which foreign investors could participate as partners while advancing job and wealth creation in SA.

He said in addition to these mega-industrial developments which were expected to generate billions of rands annually in exports and spawn a bevy of downstream industries, many other projects had been identified in the agro-industry in which foreign investors could become involved.

"Projects either ready to be implemented or at the advanced feasibility stage in this sector which has significant job-creating capacity in the short-term, include the expansion of pulp mills and of the export fruit and nut industries which together could yield an additional 23 000 jobs and generate several hundred million pounds in foreign revenue."

Wiese said that while some overseas investors had been inhibited by the perceived lack of domestic investment, the acutal picture was significantly different.

"Private sector investment has risen by 4,7% last year and predictions are that it will increase by a further 7% to 8% in 1995. Moreover, economists are forecasting that once underway, the RDP will result in an increase in total fixed investment for the country of more than 10%."

He added that in upgrading its outmoded technology now that it was re-entering world markets, South Africa had a highly advantageous position in that it could access state-of-the-art technology in a single quantum leap.

According to Wiese, developing nations were currently more keen to do business with SA than its traditional, well established trading partners.

"The South East Asian countries, in particular, have in a short space of time succeeded in crossing the divide from Third to First World and might therefore have greater confidence in South Africa's ability to do likewise."

Cape Times, Wednesday, N

'SA must adopt world standards'

CT 2/11/94

(74)

NOW that South Africa was reintegrated into international markets, the challenge was to raise competitiveness to world standards, Sanlam chairman Marinus Daling said yesterday.

Addressing a business conference in the city, he said South Africans should realise that better living conditions depended on exports and economic growth. At the same time, growth could only be maintained if reconstruction was successful.

The two were inter-dependant, Daling said: "The challenge therefore is to become internationally competitive and at the same time reconstruct and develop South Africa."

Primarily, it was management's job to bring about the required increases in productivity. The country's human resources had to be developed by improving skills, opportunities, support systems and living conditions.

"Investments in improving people's living conditions could yield large returns and are of the utmost importance in our current situation," Daling said.

Management and employees needed to work together as a team towards the same goals, and the information explosion should be harnessed at all levels. This was the key to success in the next century, he said.

ARG. 21/11/94 (14)

SAB brass in top level mission to UK

A high-powered delegation from South African Breweries will fly to London this week to make presentations to leading City institutions.

The move may herald a round of fund-raising for international expansion by what is already the world's sixth-largest brewer.

The delegation includes Meyer Kahn, chairman, Selwyn MacFarlane, deputy chairman, Graham Mackay, chief operating executive, and Malcolm Wyman, finance and development director.

SA Breweries' worldwide beer sales rank only just behind Foster's Brewery, the Australian company and owner of Courtage UK.

The world league is headed by Anheuser-Busch, the American group, which sells almost twice as much beer as its nearest rival, Heineken.

One leading drinks analyst, said: "It is conceivable that SA Breweries could move into the UK market in a very big way.

"Everyone's been talking about Whitbread and Scottish & Newcastle as possible buyers for Courage, but what about SA Breweries?"

But SA Breweries' more immediate plans will probably involve moving deeply into emerging markets to satisfy its aspirations to be at least the fifth-biggest brewer in the world by the year 2000.

Research on the company by analysts at SG Warburg says: "While the past success of the domestic beer division should continue, a new future profit driver is likely to be the expansion of the core beer interests offshore.

"Reacceptance of South African internationally will allow SA Breweries to increase the growth rate of its foreign operations."

South African companies have been forming an orderly queue to tap funds from the Square Mile since the political changes in the country.

Warburg, the base for the brewers' presentation on Friday, has been involved in finding backers for South African companies.

London is where it all started for SA Breweries in 1895 when the company was incorporated, absorbing Charles Glass Brewery in Johannesburg.

The scope for SA Breweries to do more in its home market is very restricted.

It produces the 10 biggest brands, notably Castle and Lion, from nine big breweries.

And it has a formidable control over 98 percent of the distribution network in a country which drinks 6,4 billion pints of beer a year — two-thirds as much as the UK.

Emerging markets, which have witnessed an explosion of takeover and investment activity in the last couple of years, are likely to be high on SA Breweries' agenda. — The Independent, London.

Trade surplus bodes ill for finrand move

CT 24/11/94

(74)

By AUDREY D'ANGELO
Business Editor

THE trade surplus soared by more than 500% to R847,6m last month compared with the disappointing R167m in September.

But economists pointed out that the rise was due mainly to a seasonal drop in imports rather than a hoped-for rise in exports.

Exports totalled R7,7bn, almost unchanged from R7,6bn in September, but imports fell by more than R500m to R7,4bn.

Sanlam chief economist Johan Louw said it was fortunate that the capital account was improving. But with the current account likely to show a deficit for the year he did not think it likely that the financial rand would be abolished until late in 1995.

SA Foreign Trade Organisation (Safto) economist Linda Smith pointed out that SA companies usually deferred imports of equipment and materials until the new year to avoid holding big stocks over the Christmas holiday period.

"Thus, the improvement in the trade balance should be seen as a seasonal factor rather than a longer-term decrease in imports."

She thought it unlikely that the improvement in the surplus would be sufficient to stave off a current account deficit for 1994 "since it is still significantly below the levels achieved in the first half of the year."

Smith said "massive increases" in imports of machinery and transport equipment had been the problem area on the current account over the previous two months. These had slowed in October, particularly in the case of machinery imports. "This is significant as machinery imports make up 32% of our imports. Any slowing down in that category makes an important impact on imports as a whole."

The rate of vehicle imports fell by 3,4% in October, indicating that domestic production was getting back on track. "Unfortunately the improved production conditions have not fed through into exports as vehicle exports continue to be relatively sluggish.

"SA motor manufacturers are using almost all domestic production to meet the needs of the local market. Once the production backlog is met exports should start to rise."

Exports of base metals improved by 12,3%. Smith said this was important because base metals accounted for nearly 13% of total exports.

"Exports of prepared foodstuffs showed a healthy improvement of 17%."

This meant this category — mainly fruit and nuts — was making significant gains in overseas markets.

Johan Louw said the surplus was disappointing, with exports more or less at the same level as in October a year ago. This was worrying in view of the international upswing.

Taking services into account, it meant that the current account was probably in deficit for about R600m.

It was fortunate that the capital account was improving. Reserve Bank Governor Chris Stals was "very optimistic about the capital account, so I don't think he's too worried about the balance of payments. But I don't think

It was fortunate that the capital account was improving. Reserve Bank governor Chris Stals was "very optimistic about the capital account, so I don't think he's too worried about the balance of payments. But I don't think we're ready to scrap the financial rand. It will probably happen late in 1995."

ARG. 24/11/94

S Africa's trade with neighbours rocketing

74

The Argus Correspondent

JOHANNESBURG. — South Africa's trade with its northern neighbours has taken off.

Customs figures just released show that South African exports to Zimbabwe were up 54 percent in the first eight months of this year to R1,5 billion and imports were up 70 percent to R606 million.

Mozambique, which had a 19 percent growth rate last year, has moved past Zambia to become South Africa's second-largest African trading partner outside the South African Customs Union (Namibia, Botswana, Swaziland and Lesotho).

Evidence of the take-off in trade is found in rural roadside trading huts and crowded shops in Maputo, Beira, Harare and Bulawayo, where visitors can see the unmistakable signs of a trade boom: toilet paper, soap, razors, canned foods, beer, cement, tools, building materials — made in South Africa and in ready supply.

At a time when South Africa's worldwide exports are flat, trade with Mozambique and Zimbabwe is rushing ahead.

For the first eight months of 1994, South African exports to Mozambique grew 28 percent to R752 million. That follows a surge of nearly 42 percent in South African exports to Mozambique between 1992 and 1993.

Freed from international sanctions, South African business has been able to expand significantly in both Zimbabwe and Mozambique.

"The moment the South Africans had their elections, we invited them to come to our meetings," said Erick de Mul, head of the United Nations Development Programme in Mozambique.

"The South Africans have been very helpful since they are right next door."

Access to UN-funded projects has been a particular boost to South African trade in war-torn Mozambique.

No specific figures are available on the portion of aid funds won by particular countries, but South African firms have won major contracts for projects such as road and bridge reconstruction, airport renovations and the elimination of the estimated two million landmines sown during the war.

For the UN-assisted elections in October, South Africa provided spare parts, mechanics, pilots and aircraft used to move voter education personnel and election observers.

South African companies have also begun taking a more sophisticated approach to African trade.

"Under sanctions we tended to have the attitude that if we had extra capacity, we would export it. But we have changed to viewing it not as a dumping ground but as a market," said Tom Larkin, export manager for Durban-based Unilever.

To improve its marketing in Mozambique, the company has been bringing its distributors and wholesalers to South Africa for training. Mr Larkin said such steps had helped produce a 25 percent growth in sales to Mozambique in 1994, while the economy had been growing at about six percent.

The largest export category to Zimbabwe was machinery followed by base metals and chemicals.

In Mozambique, prepared foods were in greatest demand followed by machinery and transport equipment. Mozambican exports to South Africa in 1993 totalled only R60 million, a mere six percent of the value of its imports.

Although economists express optimism about Mozambique's long-term prospects, problems remain. The government still officially owns all land and buildings, and the process of getting approval to start a business is fraught with problems.

Manuel to Brussels for key trade talks

From LINDA ENSOR

LONDON. — Trade and Industry Minister Mr Trevor Manuel is to visit Brussels this week for key talks with European Commission officials and may also address the Lome Convention's council of ministers.

An application for him to address the ministers from African, Caribbean and Pacific countries has been made, but by yesterday there had been no response from the ACP secretariat.

The central issue of the talks is likely to be trade relations between South Africa and the European Union.

Great confusion has arisen over a confidential letter from Deputy President Thabo Mbeki to the president of the European Commission, the development commissioner and the chairman of the European Union.

Official sources said the letter merely stated that South Africa wished for the closest possible relationship with Europe.

But at a meeting of European non-governmental organisations (NGOs) this week a German government minister horrified South African diplomats by saying South Africa had asked for full Lome membership. (74)

In fact, South African officials said, no decision had been made.

● South African NGOs are believed to be lobbying their European counterparts to ensure they do not lose aid money to the Reconstruction and Development Programme. CT 28/11/94

Sources in Brussels said South African NGOs harboured a widespread belief that the RDP department wanted all international funds channelled through it.

'Weak rand, low tariffs best for SA'

(74)

CT 29/11/94

By AUDREY D'ANGELO
Business Editor

A WEAKER currency, combined with lower import tariffs over time, would provide the most important single stimulus for SA exports, Old Mutual economist Terence Moll said yesterday.

He told a Johannesburg conference on economic, business management and manpower research that complex industry-specific export incentives should be avoided because "the state lacks the competence to implement them".

Moll said black education must be upgraded rapidly, with the aim of raising the productive capacity and incomes of the poor and enabling shifts towards more skill-intensive manufactured products. The priorities should be to increase primary and secondary school enrolments and improve the quality of teaching.

Labour market policy was crucial because there had to be some trade-off between the level of wages and the number of jobs available, particularly for unskilled workers.

"Real wage rises should be limited, particularly at the lower end of the labour market where unemployment rates are highest, and jobs should be created instead.

"Some redistribution of income is also essential, aiming at both social justice and increased economic efficiency — particularly by way of action on poverty, education, skills and employment. The harsh truth, though, is that action in all these areas might have to be limited by efficiency constraints."

Moll pointed out that the RDP could succeed only if supported by a market-friendly economic environment, steady growth and an active but limited redistributive role for the state.

After a decade of economic stagnation the government of national unity faced an enormous struggle.

It would be trying to turn the economy around at a time when the world economy was bitterly competitive and domestic confidence and investment levels were low. SA was further handicapped by a poor human capital base and strong demands for redistribution of income and wealth.

Necessary policy shifts if the economy were to be turned round would include a smaller role for the State in the economy and a vigorous industrial exports drive.

"An export focus might begin where we have an immediate advantage — such as mining machinery or in the SADCC countries — but would move gradually towards rationalising much of industry and persuading large swathes of manufacturing industry to export vigorously."

Manuel moves on Lomé

(74)

CT 1/12/94

Own Correspondent

BRUSSELS. — Trade and Industry Minister Trevor Manuel gave notice to the European Union (EU) yesterday that SA wanted to join the Lomé convention after having won the support of current beneficiaries.

Addressing ministers from the African, Caribbean and Pacific (ACP) countries and the EU, Manuel said SA was wanted "to align itself with the Lomé convention in a manner which is acceptable to the existing membership and to the benefit of all".

The convention, the world's most comprehensive trade and aid scheme, could allow the 28% of SA goods currently subject to import tariffs to enter the EU duty-free.

Manuel said the ACP council had resolved to form a task force to undertake necessary research, indicating its support for the SA initiative. He suggested the joint council establish a working group to investigate SA's eligibility to join the convention.

The application would have to be submitted by February, Manuel said. Although SA had all the characteristics of a developing country it had taken the "full-strength version of the GATT '94 medicine".

This commitment would strike hard at SA's most sensitive labour-intensive industries.

Regional trade bloc encouraged

ARG 3/12/94 (74)

BRUCE CAMERON
Weekend Argus Business Editor

■ South Africa's formal application to become a signatory of the Lomé Convention, joining the 70 developing nations given preferential access to the 12-member European Union market, has again raised the question of a southern African trade bloc.

BRUSSELS. — Whatever relationship is finally negotiated for South Africa with Europe it is already clear that an emphasis will be on regional development.

Recently South Africa became a member of the Southern African Development Community (SADC) and is revising the rules of the Customs Union — but a structure anything like the European Union is still many years down the road.

However, there are issues that need to be tackled in the regional context as rapidly as possible to stimulate not only regional trade but also cross border investment.

A few years ago an enterprising journalist decided to show why it was so necessary to have a single currency for the European Union.

He set off from Britain with £100 and travelled to each of the member states, changing his money from currency to currency.

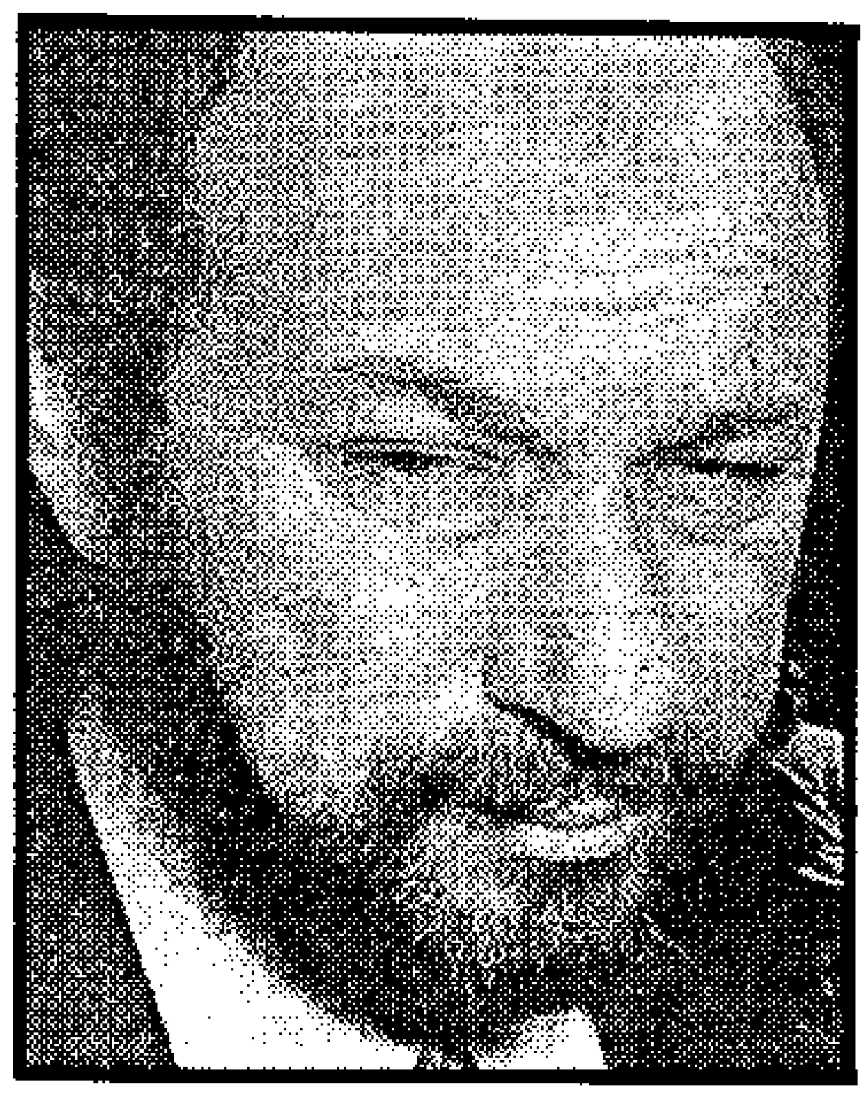
He returned home with five pounds sterling!

If someone attempted the same exercise in southern Africa they would not get much further than Beit Bridge because of the plethora of exchange control regulations in the region.

None of the currencies of the region, including the rand, can be defined as fully convertible currencies.

It is on the financial side where the difficulties of regionalisation are highlighted.

The European Union is still some way from a single currency and has had to opt for a dual stream process with Germany, France, Belgium and Luxembourg forming the core, with the others coming along later.



□ TREVOR MANUEL: 'Window'.

The problem is that to have a single currency the member states need much the same inflation rate so that equal value is retained. This means, among other things, government budget deficits must be kept more or less in line and interest rate regimes must be similar.

The European Union was essentially driven by the need to prevent another world war by interlocking the countries economically. The first step was to remove trade barriers. From that point it has been a natural, although bumpy, progression to targeting a single currency.

The difficulties facing the southern African region are accentuated because of the enormous disparities in the levels of socio-economic development, to say nothing of the effects of the wars that have raged in recent years.

Europe, as it contemplates bringing six central European states — including Poland, the Czech Republic and even Rumania — into the fold, realises that it is going to have to redesign many of its systems to take account of the disparities and pressures on the financial resources of the Union.

The European Union also acknowleges the problems in the southern African region. In a document dealing with regionalisation in southern Africa, it says: "Although it would be wrong to raise expectations too highly, the South African participation in the SADC linked to the improvements currently experienced by other member states, should enhance development prospects and lead to a greater level of co-operation with infrastructure development, facilitating trade and communications."

There appears to be an argument for the region creating a dual stream strategy of its own, concentrating on breaking down internal trade and investment barriers within the region as rapidly as possible — even if it is more difficult to do it on a global scale.

Trade and Industry Minister Trevor Manuel indicated this could be possible when he suggested in Belgium this week that a window could be created by dropping exchange controls within the region.

Scots home in on SA

74

CT 5/12/94

Business Editor

SCOTTISH manufacturers who lost market share in SA in the 1980's, when the call for sanctions made trade difficult, were back in Cape Town last week renewing old contacts.

They were part of a trade mission from 19 companies representing interests ranging from engineering and low-cost prefabricated houses to kippered herrings and, of course, whisky.

Some members were in SA for the first time, exploring it as a new market. But at least one, Dewar Horne, MD of the Horne Engineering Co — whose company has exported thermostatic valves to SA for the past 40 years — was visiting established customers.

Mission manager Iain McTaggart, trade promotion executive with the Scottish Council for Development and Industry, said the visit would result in two-way trade.

Although it was mainly exploratory, some mission members had already made sales. Most were planning to return to SA to follow up opportunities.

And they had called on Wesgro, which is now the development organisation for the Western Cape in addition to its original purpose of attracting investment to the area.

SA is Scotland's 10th largest international market for whisky. It is included — in 22nd place — among the top 40 markets for Scottish manufactured exports. These include office machinery, chemicals, electronics, food and drink and transport equipment.

New Year's Day sees birth of World Trade Organisation

GENEVA. — New Year's Day will mark the birth of the new World Trade Organisation (WTO) to succeed the 124 nation GATT, the General Agreement on Tariffs and Trade.

The date of January 1, 1995 to launch the WTO was confirmed yesterday by a short implementation conference of 100 trade diplomats from the GATT.

The creation of the WTO was decided on as part of the seven year long trade liberalisation negotiation known as the Uruguay Round, alter the Latin American country where it began in 1986.

The WTO will have stronger powers than the GATT which was formed in 1948 as a "temporary" arrangement after the United States, because of fears of encroachment on its sovereignty in trade matters, refused to back the creation of a planned International Trade Organisation ITO.

The wheel has now turned full circle and US Congressional opponents of the WTO, citing the same fears of infringement of sovereignty, were heavily defeated last week when the new trade accord was ratified.

The United States officially ratified the General Agreement on Tariffs and Trade pact yesterday when President Bill Clinton signed it into law.

The agreement was approved in the US Congress last week after a difficult passage through the Senate.

Though some problems over the transitional arrangements from the GATT to the WTO were cleared at the last minute, other troublesome issues remained to be solved.

First, is the deadlock over the choice of a head for the WTO. So far, there are three candidates.

The former Italian trade minister, Renato Ruggiero regards himself as the front runner since he has a pledge of more votes than the others and has the support of the European Union.

But the man who has just stepped down after a six year term as president of Mexico, Carlos Salinas, has the explicit endorsement for his candidature of President Clinton.

The third contestant is the South Korean trade minister, Kim Chul-su.

Another major and potentially damaging issue concerns the entry of China into the WTO.

China, which left the GATT at the time of the Communist takeover, reapplied for membership eight years ago, and has shown increasing irritation over the humiliating delay in admitting the world's sixth largest trading power, and frustrating its wish to be a WTO founding member.

Beijing has repeatedly accused the US of blocking its application.

But by late last night, China had shown little flexibility in 11th-hour negotiations.

The lack of progress between China, the world's sixth largest trade entity, and the US — the main importer of its goods — bodes ill for next week's fresh round of talks with its other partners, Japan and the European Union.

(74)

Japan ratified the GATT world trade accord yesterday, formally setting its seal on a process that will bring stiffer international competition and prise open the country's long-protected rice market.

CT 9/12/94

The Irish director-general of GATT, Peter Sutherland, who is not in the running to stay on as head of the WTO said yesterday that the consensus on the launch of the new body on January 1 was further confirmation that the world could act together in great endeavours with harmony.

74

Cosatu to oppose privatisation, tariff reductions and wage freeze

BD 14/12/94

ERICA JANKOWITZ

PROPOSALS for privatisation, tariff reductions, a wage freeze and cuts in social spending would spell the failure of the reconstruction and development programme (RDP), Cosatu general secretary Sam Shilowa warned yesterday.

Although Cosatu was prepared to debate any policy proposals intended to resolve SA's economic problems, the federation believed this "unsolicited advice" was tied to conditions set by international trade and finance institutions dominated by advanced countries. "Cosatu opposes the growing phenomenon of these unelected and unaccountable institutions undermining the sovereignty of democratic states by imposing policies which directly contradict the programmes of those societies."

The union federation wanted a new democratic platform for world trade and financial relations which recognised the social priorities of member states rather than financial and trade interests of developed countries. It would lobby international trade union movements and government to propose this at the UN social summit meeting in Denmark in March.

The union federation would also vigorously oppose privatisation which, it said, would have an adverse effect on the RDP. Subjecting parastatals to the laws of profit would hamper uplifting the poor, as would unplanned trade liberalisation.

"The push by some elements in government to implement tariffs even lower than the rates set out in GATT, without consultation, will be resisted by Cosatu."

Shilowa said Cosatu would be involved in drawing up the Budget to ensure resources were channelled away from supporting bureaucracy to service delivery. "We will be monitoring the extent to which government implements zero-based budgeting — advanced in the RDP White Paper — which requires all line departments to justify their budgets from scratch in line with RDP objectives."

Cosatu would also push for the restructuring of the tax system to move towards a progressive and fair scheme which shifted the burden from the poor and encouraged productive investment. Parastatals and semi-autonomous state institutions would be scrutinised as all state-funded bodies should be fully accountable and democratically run. The Reserve Bank would have to prove its monetary policies were based on political choices which would not undermine the RDP.

The private sector should invest profits in productive local initiatives, not "in an orgy of speculation" abroad, so as not to squander the benefits of an economic upswing. "When international and local investment picks up, tangible results must be seen in terms of jobs created, people trained and technological development."

● See Page 11

Manuel holds talks on clothing, textile tariffs

BD 15/12/94

74

YURI THUMBRAN

TRADE and Industry Minister Trevor Manuel is to meet representatives of the clothing and textile industries today to discuss tariff reform.

The Textiles Federation (Texfed), the National Clothing Federation, the SA Clothing and Textile Workers' Union and small and medium-sized enterprises are to attend the meeting.

This follows a public split between the industries after Manuel rejected their joint call for heavy subsidisation from government.

Sources said Manuel had called the meeting to facilitate consensus on the tariff issue following the fallout between Texfed and the National Clothing Federation. There were signs that Manuel had softened his hard line, as he had decided to extend duty rebates in the form of the duty credit certificate scheme. [redacted] [redacted]

Texfed supported the extension of the scheme and noted the move had been part of the plan devised by the Swart panel. The federation was hopeful that the relief might help the industries reach a joint plan based on the panel's recommendations.

Texfed president Mervyn King said the clothing federation had pulled out of the Swart package after government had opposed export incentive components, including extending the credit certificate scheme.

In terms of the scheme, clothing exporters get a R30 credit against future import duties for each R100 of clothing exported. Fabric exporters get R15 credit for every R100 and yarn exporters R10. A new inclusion is domestic textiles which would receive the same credit as clothing.

2 BUSINESS DAY, Monday, December 19 1994

Provincial premiers list their govts' difficulties

BD 19/12/94

ADRIAN HADLAND

BLOEMFONTEIN — A lack of funds and powers, and problems with the restructuring of provincial bureaucracies were continuing to hamper the effectiveness of regional governance, the ANC's 49th triennial conference was told at the weekend.

In a report to the conference by secretary-general Cyril Ramaphosa, ANC provincial leaders cited many common difficulties, as well as problems unique to their areas, in the establishment of the country's nine regional governments.

Eastern Cape premier Raymond Mhlaba reported the debt inherited from former homelands, and the rationalisation of the former Transkei and Ciskei's civil services, were impeding the implementation of the reconstruction and development programme. Inherited differences in conditions of service of civil servants had caused strikes and other disruptions, while there had been a delay in setting up an effective police force.

A border dispute with KwaZulu/-Natal had also created tensions.

ANC Western Cape leader Chris Nissan said the constitutional guarantee of civil service jobs had been a problem in the province. He cited also the lack of regional powers and insufficient autonomy of provincial ministers as added difficulties.

The Northern Cape's regional head Manne Dipico reported that drought continued to adversely affect the province's economy.

He said minimal infrastructure in this "large and sparsely-populated province", a lack of capacity and delays in the flow of funds from national to provincial government had caused problems in the implementation of the RDP.

In the Northwest, ANC leader and premier Popo Molefe reported continuing strikes in the civil service and the protracted assignment of powers was hampering effective government in the province.

"The closing of the books of the Bophuthatswana department of finance has been somewhat problematic and is incomplete."

Free State regional premier Terror Lekota said the ANC had been criticised by other parties in the Free State as one of its candidates had been improperly registered.

Difficulties in the province's civil service and the looting of public property had also made things difficult for the new government.

The constitutional protection of civil service jobs had resulted in the provincial government becoming "tainted in the eyes of the community for protecting allegedly corrupt individuals", Lekota said.

In the PWV, now Gauteng, land invasions, a culture of services and rent non-payment, acrimonious local government negotiations and the need to reduce the size of the bureaucracy were all identified by premier Tokyo Sexwale as being in need of urgent consideration.

Northern Transvaal premier Ngoako Ramathlodi reported a border dispute involving ANC constituencies was "sapping" government's energy, while serious problems in obtaining office and residential accommodation for officials in Pietersburg were being experienced.

Only the Eastern Transvaal reported "high expectations of immediate delivery" as one of the province's most important challenges, while KwaZulu/Natal leader Jacob Zuma said violence in the province was "still far too high".

While these were all problems cited by provincial governments, many also reported good progress on a number of fronts. These included the provision of schools and housing, the attainment of peace and stability, improved financial control, the passage of important provincial legislation and higher levels of co-operation between government and stakeholders in society.

ANC backs tariff cuts to challenge SA cartels

74 TIM COHEN BD 19/12/94

BLOEMFONTEIN — The ANC's conference is set to endorse government's tariff-reducing policies following President Nelson Mandela's charge that SA cartels were overcharging consumers.

In his speech to the conference at the weekend, Mandela said SA's socio-economic problems were compounded by a "serious economic crisis". Funds to accelerate reconstruction and ensure economic growth were concentrated in a few white hands, he said.

SA also faced problems because of attempts to discourage new entrants and foreign investors in SA's economy. This discouragement took place because "cartels overcharging society fear competition".

Mandela touched on a variety of other economic issues, saying government was constrained by the "reality of an overtaxed society, arising from the regime's efforts to mobilise funds for the defence of apartheid".

He said government could not rely on hand-outs from donors or on increasing government's debt.

"Rather, we must operate within our means as we rearrange government's spending and create optimum conditions for economic growth."

He said from time to time references to fiscal discipline, macroeconomic stability and economic growth tended to irritate those justifiably impatient about change. But these were neither luxuries nor requirements foreign to the ANC's own policies.

"Sheer logic tells us that our programme cannot be carried out in a sustainable way without a rational utilisation of resources at our disposal."

Fiscal discipline, therefore, meant responsible, sustainable and transparent usage of people's resources by a people's government.

The creativity of ANC ministers and the co-operation of others had enabled government to introduce changes to release funds for the RDP. Preparations were under way for next year's Budget, which had yielded many good decisions in re-orienting government's expenditure to bring it in line with new objectives.

Exploitation clause sinks SA trade deals

(74)

By BARRY STREEK
Political Staff

BLOEMFONTEIN. — Some countries had refused to sign trade agreements with South Africa because the government insisted on a clause refusing to buy goods where labour had been grossly exploited, Trade and Industry Minister Mr Trevor Manuel disclosed yesterday.

He said in a confidential report, circulated to the delegates to the ANC's conference here, that his department was busy with the signing of a series of new trade deals.

"In some instances, we were unable to secure co-operation from trading partners because we seek to include a clause that would allow us to refuse to buy goods where labour has been grossly exploited," Mr Manuel said.

The government's tough stand is likely to have serious implications for the Taiwanese proposal involving R28 billion to take over Mossgas and upgrade South Africa's petrol and chemical industries.

CT 20/12/94

The Taiwanese investors proposed a clause in the deal which excludes trade union activity as well as a free port at Mossel Bay or Richards Bay.

In view of the government's exploitation clause in trade agreements and the ANC's alliance with Cosatu, it seems highly unlikely it will agree to a ban on trade union activities in the Taiwanese project.

Mr Manuel said the department had established 54 foreign offices to secure markets for South Africa.

Govt labour clause scares off investors

Political Staff

BLOEMFONTEIN — Some countries have refused to sign trade pacts with SA because government insists on a clause refusing to buy certain goods where labour has been grossly exploited, says Trade and Industry Minister Trevor Manuel.

In a report circulated to conference delegates yesterday, he said his department was discussing signing a series of new trade agreements. "In some instances we have been unable to secure co-operation from trading partners because we seek to include a clause that would allow us to refuse to purchase goods where labour has been grossly exploited in the country of origin," Manuel said. (74)

This stand is likely to have serious implications for the R28bn Taiwanese proposal to take over Mossgas and upgrade SA's petrol and chemical industries.

The Taiwanese investors want a "no trade union activity" clause in their agreement, as well as a free port at Mossel Bay or Richards Bay.

Manuel said his department had established 54 foreign offices to try to secure markets for SA and had engaged in "extensive discussions with prospective investors from a number of countries.

"Our focus is on direct investment in order ... (to) create jobs and new production facilities." BD 20/12/94

Pressure increases on trade surplus

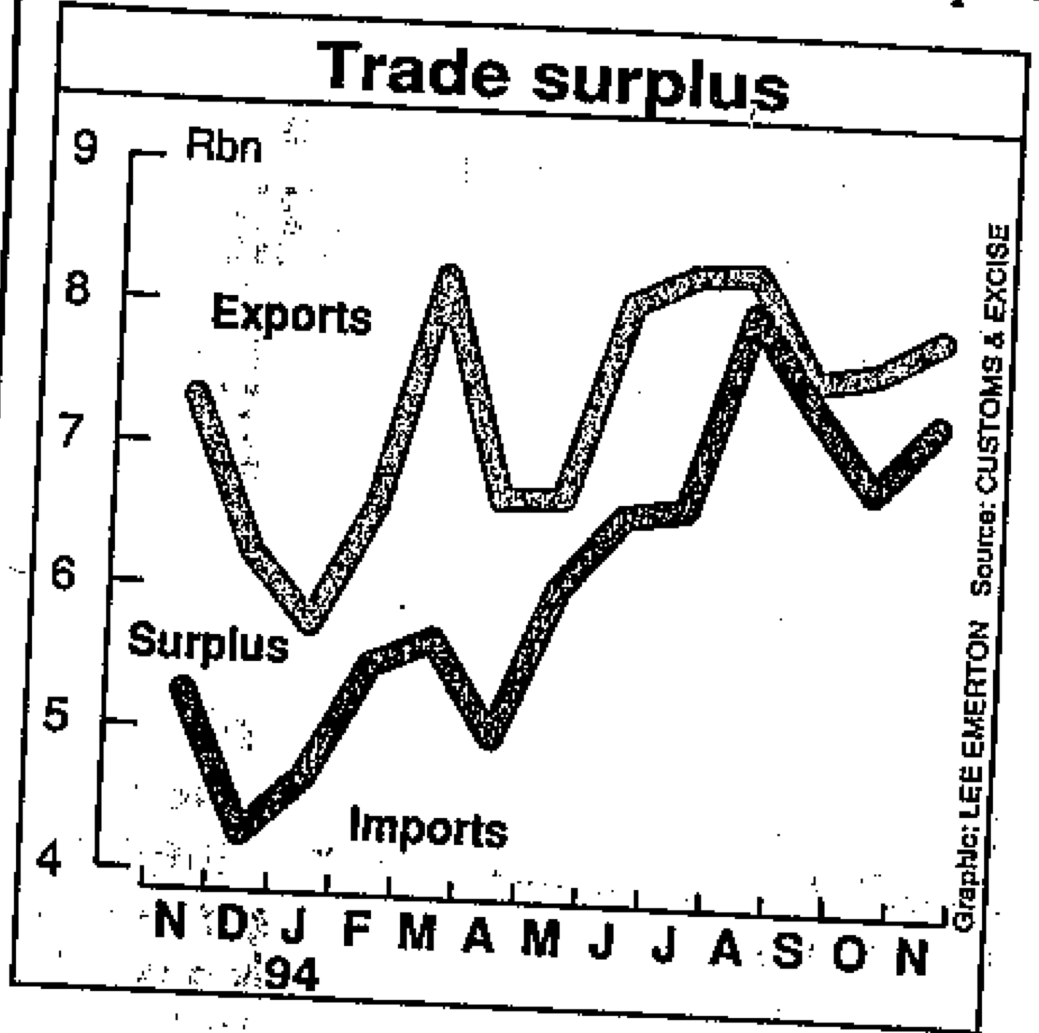
(74) BD 23/12/94

MUNGO SOGGOT

A SURPRISE surge in imports squeezed the trade surplus to R610m in November from R847m in October, which means that SA will incur a deficit on the current account of the balance of payments (BoP) of at least R3bn this year.

The current account is the trade balance less payments for services such as tourism, interest and freight charges. Economists had expected a rebound in the merchandise trade performance to R1bn as imports subsided because of seasonal factors and improved sentiment on the rand.

Customs and Excise figures released yesterday showed that the boom in imports continued to overshadow a weak export performance — a pattern which has affected the past few months' trade balance.



The figures showed imports up 7% at R7,31bn (R6,84bn), while exports improved slightly to R7,93bn (R7,68bn). November's machinery imports were up 5,4% and transport equipment imports were up 15%.

Nedcor chief economist Dennis Dykes noted most of the surge in imports was because of capital equipment, rather than consumer goods. He predicted that the rate of increase in imports would slow in the new year as demand from the import-hungry projects of Columbus Stainless Steel and Alusaf started to slacken.

But SA Foreign Trade Organisation economist Linda Smith said the 8% drop in imports in October had been temporary. Rising imports were "here to stay".

Imports usually slowed ahead of the December holidays, so the November increase indicated a "commitment to expansion plans that bodes well for growth".

Economists said the current account deficit for the year could be as high as R3,5bn, but the blow to the BoP would be softened by capital inflows which were likely to continue feeding the Reserve Bank's reserves.

Smith said SA's export performance continued to be pedestrian, with exports up only 3% on October's figures.

☐ To Page 2

Trade surplus

(74) BD 23/12/94

Mineral product exports, which accounted for 8% of total exports, were lower than in November last year, while base metal and precious stone exports recorded smaller increases than the previous month.

"It may be that exports in these categories are facing stiffer competition and that even though demand for these products in industrialised markets is rising, alternative sources are being found."

Old Mutual economist Ursula Maritz said the poor current account situation was unlikely to prompt tighter monetary policy because of the strengthening capital account, which would also be boosted by government's $750m global bond issue.

Meanwhile, a Customs and Excise spokesman said the 1993 figures quoted in yesterday's release were incorrect. Amendments would be published today. The 1994 figures were accurate.

● See Page 4

African states reach stalemate in trade summit

74 CT 28|12|94

HARARE. — Yet another meeting of African states has come and gone without progress towards resolving the problem of overlapping, competitive, regional organisations in southern and East Africa.

The December summit of the common market of eastern and southern African states (Comesa) held in the Malawian capital of Lilongwe ended with very little to show for itself other than partial agreement to restructure the organisation as Comesa from the former preferential trade area for eastern and southern Africa (PTA), and the admission of Zaire as the 23rd member.

The crucial issue of how to deal with the threat to its future posed by the rival 11-member Southern African Development Community (SADC) was postponed until early in the new year when a further summit will be convened. Last August, the SADC 11, nine of whose members are also members of Comesa, resolved to pull out of the larger grouping, thereby splitting Comesa into a northern (mainly East African) wing and a southern unit.

Complexities

None of the SADC states has yet carried out that threat, though its newest member, South Africa, has declined to join Comesa, while others have delayed ratification of the Comesa treaty pending a solution to problems of overlapping associations.

Two other regional organisations add to the complexities of restructuring economic relationships in sub-Saharan Africa.

Talks started last month to revise the southern African Customs Union (SACU), dominated by South Africa but including Botswana, Lesotho, Namibia and Swaziland. Some other states in the region — Malawi and Zimbabwe for instance — have shown an interest in joining an enlarged SACU, though officials say this is not yet on the formal agenda for treaty renegotiation.

Also in November, the presidents of Kenya, Tanzania and Uganda formalised the re-emergence of the East African Community with the signing of a protocol setting up a secretariat for a permanent tripartite commission. Although members of both the Comesa and SACU groupings deny that this latest effort to revive the EAC, which collapsed at the end of the '70s, constitutes any kind of threat to their regional plans, the fact is that it does.

In setting up the commission, presidents Moi of Kenya, Mwinyi of Tanzania and Museveni of Uganda agreed that, among other things, the community would eliminate trade barriers and promote the free movement of capital and people. A railways secretariat to resurrect East African Railways Corporation has already been established.

All three are members of Comesa while Tanzania is also a member of SADC. Clearly, if regional free trade — part of SADC's agenda — is to become a reality in the SADC region, then the EAC as well as Comesa will have to adjust its plans accordingly.

The revived EAC is seen by analysts as damage limitation on the part of Kenya, in particular, which fears the unravelling of Comesa should the SADC states go ahead with their threat to split the unwieldy 23-nation bloc into two.

The two bloc scenario certainly makes more sense economically and administratively, though it will force a country like Tanzania to make a choice between siding with its long-standing traditional partners in the EAC or looking south to closer links with already industrialised states like South Africa and Zimbabwe.

That decision is probably some way down the road given the reluctance of African political leaders to break up organisations, like Comesa. What is worrying some states — like Zambia and Zimbabwe — is the growing evidence that they are being deindustrialised to some extent as multinational companies restructure and relocate activities in the region.

SA favoured

South Africa tends to be the favoured location in the south and Kenya in the east. Businessmen and policymakers in Harare and Lusaka worry that the longer the uncertainty over future economic links persists, the greater the danger that new investments will go to South Africa which commands over 80% of SADC's buying power.

Zimbabwe, in particular, is anxious to renegotiate a bilateral trade deal with Pretoria, primarily to revive its clothing and textile sector which has been hit hard by punitive South African import duties. But first prize, some Harare businessmen say, would be a widening of SACU to include more — if not all — SADC states, rather than bilateral trade arrangements.

That goal may yet be reached, but only after tough political and economic decisions have been made in a dozen or more capitals. — Reuter

FOREIGN TRADE-1995

JANUARY — MAY.

Men who will shape dealings with Europe

(88) (74) CT(BR)16/5/95

BRUCE CAMERON
POLITICAL EDITOR

The two men who will decide the future of South Africa's trade relations with Europe come from very different backgrounds but both have been associated with momentous events in history.

On the side of South Africa is Trevor Manuel, essentially a revolutionary, who along with many others played a significant role in the fall of apartheid.

He was born in Cape Town on January 31 1956 and was to grow up to become the hero of many on the Cape Flats as he challenged the system in the dark years of the late seventies and eighties, suffering detention, banning, house arrest and persecution.

Manuel emerged as one of the leaders of the mass democratic movement in the eighties. After the ANC was unbanned in February 1990 he was accepted into the new leadership structure, slotting into the economic group within the party. He came to be seen as the shadow finance minister and slowly earned respect from business with a pragmatic approach.

He has been subject to criticism for not moving fast enough since taking over the difficult trade and industry portfolio.

However, Manuel is acknowledged to have a tough job, not only in restructuring his department but also in developing new policies to deal with a range of problems. These include the greater importance being given to labour as well as the need to overcome the legacy of an economy which became uncompetitive behind barriers constructed during the apartheid years.

Manuel has come down on the side of a free-market economy with the phasing out of trade barriers to create a more efficient industrial base for the country. But this is not at any cost. He is equally concerned about the effect on employment.

Across the table Manuel faces Joao de Deus Pinheiro, who was born in Lisbon in July 1945.

He started his working life as a teacher, moving to Mozambique to lecture at the university in Maputo in the early seventies when the war for liberation in the country was well under way.

He left Mozambique for home at the height of the revolution in Portugal. He went on to study in Britain where he obtained a PhD in chemical engineering and a DSc in engineering sciences.

In 1981 he was appointed the senior civil servant in charge of education in Portugal before becoming minister for education and culture in 1984 and minister of foreign affairs in 1987.

In 1993 he became a member of the European Commission responsible for relations with the European parliament and member states. In November last year he took over his current position in charge of dealing with the world's 70 poorest nations and South Africa.

EU move gives SA a 'window on Lomé'

(74)

ALIDE DASNOIS
Deputy Business Editor

SOUTH Africa is set for tricky trade negotiations with Europe following the European Commission's reluctance to open its markets through the Lomé Convention.

The Commission decided yesterday on a framework for negotiations which offers South Africa only limited access to the benefits of the Convention.

The Lomé Convention links the European Union (EU) with a group of 70 countries in Africa, the Caribbean and the Pacific, including South Africa's neighbours.

Products from these countries, called the ACP group, have easy access to European markets without the ACP countries having to offer reciprocal access to European goods.

The "window on Lomé" suggested by the Commission does not include the crucial trade benefits which are the key to South Africa's application.

Instead, the Commission suggests South Africa and the EU should negotiate a bilateral agreement which could lead to the creation of a free trade area.

South Africa could be allowed to lower tariff barriers more slowly than the EU in terms of an "asymmetrical time frame" suggested by the Commission.

"This would allow South Africa at an early stage to get improved access to the EU's markets without having to grant simultaneously preferential treatment to the Union's exports," the Commission said in a statement following yesterday's meeting.

"South African industry would thereby win time to restructure and enhance its competitiveness and to prepare itself to a situation of decreased protection against EU exports. For certain sensitive products longer transitional periods may be necessary for both parties."

South African negotiators are unenthusiastic about a free trade area, claiming that SA would give up more than the EU in a mutual lowering of tariffs. Even after South African import barriers have been lowered to comply with the country's commitments to the General Agreement on Tariffs and Trade (GATT), tariff levels on imports to South Africa will be higher than most European tariffs.

South Africa has also argued that trade agreements with Europe must take into account the Southern African Customs Union, which will be strained by differential agreements between Europe and SA, on one hand, and Europe and the other four members of the SACU on the other.

The other members of the SACU — Botswana, Lesotho, Swaziland and Namibia — are all signatories to the Lomé Convention.

ARG 30/3/95

The Lomé Convention countries strongly support South Africa's bid to join. Lingering doubts about competition have been dispelled by South African negotiators who have promised that sensitive products — such as sugar for example — could be excluded.

But several European countries, particularly in southern Europe, fear competition from duty-free South African goods on their markets.

EU unveils SA trade plan

SPECIAL CORRESPONDENT

BRUSSELS: The European Union Commissioner responsible for South Africa, Mr Joaò de deus Pinheiro, has unveiled a "twin track" strategy for relations between Brussels and Pretoria.

Next week, Mr Pinheiro will be presenting his EU colleagues with a detailed blueprint for relations with SA which, if approved, will form the basis for formal negotiations on a new trade and co-operation framework.

Mr Pinheiro told a European Parliament committee yesterday that the first element of his approach would involve a trade agreement with SA, with the eventual aim of free trade.

Under the second track, SA should be given "qualified membership" of the Lomé Convention.

This is the trade, aid and co-operation treaty linking the EU with 70 African, Caribbean and Pacific states.

In terms of the qualified membership, Mr Pinheiro suggested, political dialogue, regional co-operation and industrial support between Brussels and Pretoria could be dealt with inside the Lomé Convention; trade and aid, however, would NOT fall within the convention.

A team of ambassadors representing the Lomé Convention countries is currently in SA, as the existing members will need to give their approval to SA's partial membership.

Mr Pinheiro told European MPs he was seeking a "totally new" relationship between SA and Europe.

This highlighted the fact that Europe had made its relations with SA "a priority".

And he pledged to keep up the current level of EU aid for SA, which is more than that given to any other African country.

In a separate speech, Mr Pinheiro stressed the importance of the private sector in economic development.

Attacking poverty

(74)

"A prosperous private sector encourages a dynamic and sustainable economic development as well as larger and more equitable distribution of growth amid the population.

CT 24/3/95

"At the same time it attacks unemployment and poverty at their very roots."

He said African governments should encourage investment "simply by creating stable conditions in the home country and by developing local financial markets".

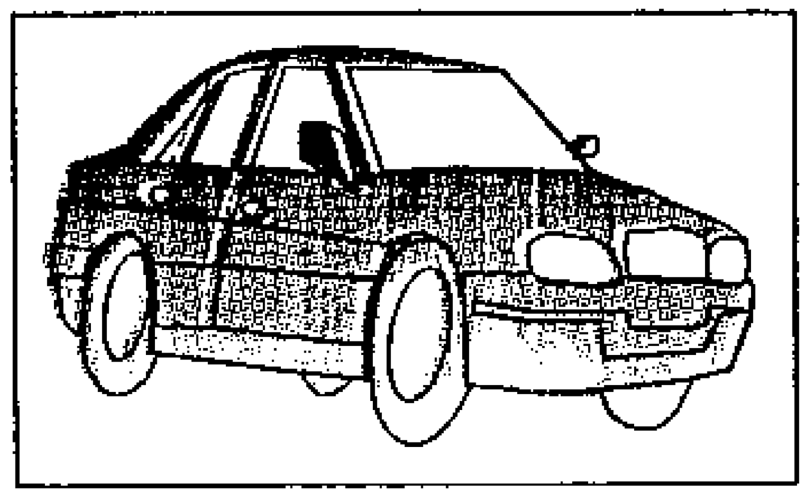
"As regards foreign investment, most African governments favour it, but I think most fail to understand that a generally benevolent attitude towards foreign investors is not enough."

CAPE TIMES

BUSINESS REPORT

SOUTH AFRICA'S NATIONAL FINANCIAL DAILY

IN THE PINK
NEWS
HEALTH AND RACQUET CLUB LIFTS EARNINGS BY 63 PERCENT



DRAGONS ON WHEELS
BACKGROUND & ANALYSIS
CAR PRODUCTION SET TO BOOM IN ASIA OVER NEXT 15 YEARS

CONTINENT'S HOPE
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HOSNI MUBARAK OPENS AFRICAN TRADE CONFERENCE

Europe extends a friendly hand even as it rejects SA's request

564 (74)

EU commissioners are expected to agree today to negotiate a unique relationship with this country

By John Fraser
STAFF CORRESPONDENT

Brussels — South Africa will be told today that it does not qualify for full membership of the Lome convention, the treaty linking the European Union with 70 African, Caribbean and Pacific countries.

But European commissioners are expected to agree on a blueprint to negotiate a unique relationship with South Africa that will include "qualified" membership of Lome and a separate trade agreement.

A memorandum, which will go before by the 20-strong commission today, says Deputy President Thabo Mbeki's request in November for negotiations to establish "the closest possible relationship" with the convention, included elements that might be more appropriately accommodated outside Lome.

It says Europe's relations with South African cannot be handled under the convention because this would be "impossible to defend under Gatt".

The commission will therefore support "qualified" membership for South Africa, while elements for which the country is not eligible (such as general trade arrangements) or that need more coverage (for example, political dialogue) should be accommodated in a separate agreement.

The memorandum says the commissioners have concluded that the only way to approach South Africa's request for improved access to the EU market is via a free trade agreement.

"This agreement would grant South Africa a level of market access equal or similar to that under the Lome convention, while ... its own market would gradually be further opened for EU products," the memorandum says.

The agreement's timetable should be "asymmetrical", allowing South Africa a "grace period" to get early improved access to the EU's markets without having to grant simultaneously preferential treatment to EU's exports.

There should be separate agreements on wine and spirits and on fisheries, the memorandum says.

The proposal must get the go-ahead from EU foreign ministers next month for formal negotiations to start.

The EU plans to keep up aid of about R550 million a year to South Africa — more than is given to any other African state.

EU team to help boost SA trade

(174) CT 22/3/95

SPECIAL CORRESPONDENT

BRUSSELS: A high-powered delegation of European Union officials and businessmen flies in to Cape Town tonight to help give a kick-start to South African industry.

This follows an invitation from Deputy President Thabo Mbeki, who visited Brussels recently, where he held talks with EU Industry commisisoner Mr Martin Bangemann. One of Mr Bangemann's chief advisers, Mr Alexander Schaub, will lead the delegation.

"One of the best ways in which the EU can help South Africa is through industrial co-operation," Mr Schaub said.

"Our aim is to get companies from both sides together, and to set favourable conditions in certification and standardisation.

"We also want to boost the role of small- and medium-sized enterprises, and I will be addressing a conference on this in Durban next week.

"If South Africa wants to re-enter the world economy, competition will become tougher and tougher. Only truly competitive countries will have a chance to succeed.

"We believe South Africa has all the resources and the talent available — but we want to help give the extra knowledge and experience that is needed."

He added that the EU could help promote links between European and SA businesses through a new R8 million fund.

The delegation would also discuss a request by Mr Mbeki for a conference in SA on the telecom and computing revolution.

SA a top performer in world's emerging markets

(74)

	% chg 1993	% chg 1994
LATIN AMERICA		
Argentina	72	-25
Brazil	99	67
Chile	35	41
Colombia	35	27
Mexico	49	-42
Peru	37	52
Venezuela	-7	-27
ASIA		
China	-7	-35
Korea	21	16
Philippines	135	-1
India	19	7
Indonesia	113	-21
Malaysia	103	-23
Pakistan	56	-10
Thailand	103	-13
REST OF THE WORLD		
Greece	22	-2
Jordan	24	-12
Portugal	38	17
Turkey	234	-43
South Africa	84	29

Emerging markets' annual dollar-based performance

CT 22/3/95 (BR)

BY JOHN SPIRA
GAUTENG BUSINESS EDITOR

Many of the world's emerging markets will re-emerge in the future.

That's the prediction of New York-based merchant bank Bear Sterns. The bank points out, however, that until investor confidence returns, a cloud will continue to hang over the emerging markets.

The re-emergence will occur, the firm believes, if stability returns, if the United States market performs well and if international fund flows remain strong.

Bear Sterns draws attention to the dollar-based return on the JSE for 1994 — a relatively high 29 percent aided by a (then) stronger financial rand and speculation of its abolition.

"This compares favourably with other markets and, together with the inclusion of the JSE in key financial indices, should underpin new South African equity offerings in 1995."

The accompanying table demonstrates how favourably the JSE has performed in the past two years in relation to what Bear Sterns regards as emerging markets.

Few such markets managed to gain ground in both 1993 and 1994, the exceptions being South Africa, Brazil, Chile, Columbia, Peru, India and Portugal.

NEWS IN BRIEF

Taxi task force

ABOUT 250 representatives of taxi organisations throughout the country reached agreement at a meeting with government in Johannesburg to form a joint task group to investigate problems confronting the industry. Issues to be examined include road safety and driver discipline. Transport Minister Mac Maharaj addressed the meeting. BD 20/3/95

Pay talks deadlock

NEGOTIATIONS on wage increases for the year by the Southern African Clothing and Textile Workers' Union (Sactwu) and Pep Stores deadlocked on Friday.

Sactwu said a Conciliation Board hearing would be held this week to try to find a solution.

If the Conciliation Board was unable to resolve the dispute, the union would conduct a ballot on whether to strike. BD 20/3/95

SA eyes arms market

DEFENCE Minister Joe Modise is confident SA can sell locally designed military ware successfully on the international market. Speaking before leaving for the Abu Dhabi Defence Exhibition in the United Arab Emirates, he said SA would display its G-5 and G-6 weapons, laser range-finder, mine detection equipment and an array of naval vessels.

Modise said several countries had approached SA saying they wanted to buy weapons, but he refused to identify them.

Modise was accompanied by Defence Force chief of staff Gen Wessel Kritzinger, Defence Secretary Pierre Steyn and Armscor chairman Johan Moolman.

Reporter wins award

BUSINESS Day reporter Nomavenda Mathiane last week won a merit award in the essay/fiction category of the Mondi Paper Magazine Writing competition. Mathiane won the award for her short story titled Labour Pains, which appeared in last April's issue of Femina. Her story dealt with the birth of a new society.

REPORTS: Sapa, Business Day Reporter.

French visit leads to trade deals

BD 20/3/95 (74)

EDWARD WEST

CAPE TOWN — The R600m of foreign aid pledged to SA by France, including contributions to European Union (EU) aid, put the country among the front-runners of donor countries to SA, French Industry, Telecommunications and Foreign Trade Secretary Jose Rossi said on Friday.

Rossi was speaking at a briefing shortly before his return to France following a four day visit to SA during which he met several national and provincial government and business leaders.

Agreements reached included the creation of a Franco/SA trade and industry commission, a R70m loan from the French Development Bank to the Development Bank of Southern Africa, renewal of the 1992 industrial co-operation agreement with the Industrial Development Corporation and the establishment of a Franco/SA engineering company, Ingerop-Bergman.

During the visit French company Gemplus created a technical development and commercial subsidiary in Johannesburg and signed an agreement of association with a service company in the banking sector.

Rossi also presented SA trade and industry officials with a project to establish a institute of training for electronics, automation and telecommunications, with the support of the French government and businesses and in liaison with the Pretoria Technikon, for underprivileged students.

Rossi said France had doubled its investment in SA in the past two years, while the number of French companies to have established operations in SA had grown to more than a 100 from only 12 in 1990.

In addition, a R110m financial aid package approved by the French government last week would complement loans from the French Development Agency, donations from the French foreign affairs ministry and from the French fund for the global environment announced by the French president in July last year.

Asked if France, during its chairmanship of the EU, would support SA's aim of joining Lomé now that other develoment countries no longer objected to it, Rossi said: "France is not trying to block anything. France aims to facilitate the emergence of a sympathetic position."

He said SA's position with the EU would be determined by the 15 member states at the ministers' council in mid-April on the basis of proposals by the EU Commission.

Probe 'contravenes GATT'

(74) BD 20/3/95

JOHN DLUDLU

AN INVESTIGATION by the Board on Tariffs and Trade into allegations of dumping of cheap footwear imports by Chinese firms could constitute a contravention of GATT provisions, a lawyer acting for the Chinese companies said at the weekend.

In a Government Gazette notice, the board said an investigation was being conducted into complaints lodged by the Footwear Manufacturers' Federation — representing SA manufacturers — that certain footwear classes originating from Hong Kong and China were being dumped on the SA market.

Webber Wentzel international trade partner Leora Blumberg, who is representing the Chinese firms, said there were four definitions of dumping in the Board on Tariffs and Trade Act. The board had invoked the fourth, which was contrary to GATT principles and would soon be repealed. "A draft Bill, which amends the definition of dumping to comply with GATT, has been introduced. In particular, the Bill removes the fourth definition of the Act."

A spokesman for the board said on Friday the investigation had not yet been completed.

After the drama comes February trade figures

THE WEEK AHEAD by Mungo Soggot

(74) BD 20/3/95

AFTER facing the finrand's demise and the Budget, the markets will this week have only February's trade figures to digest.

Although there is usually a slowdown in imports in February and therefore a better trade surplus, economists said the heady pace of SA's fixed investment-led import growth could offset this trend and turn in a February trade balance not that much better than January's R1,04bn.

The Reserve Bank's latest Quarterly Bulletin said there had been an annualised 19,5% fixed investment surge in the last quarter of last year, leading to a 7% year-on-year real increase — the first since 1989. This fed the import surge which put the current account of the balance of payments into a R2,1bn deficit.

February forecasts ranged between R1bn and R1,5bn. Sanlam senior economist Pieter Calitz said judging from the rate of fixed investment reflected in the Quarterly Bulletin, imports would probably remain high. Although some big projects had sucked in a large chunk of the recent capital equipment imports, the growth seemed fairly widespread.

Looking further ahead, Calitz said SA's export performance should improve this year from last year's 5% volume increase. A poor gold export performance had hobbled last year's showing — the bulletin had said there had been an 11% decline in gold export volumes. Calitz said the absence this year of some of the negative factors which underpinned the drop, including poor grades and labour unrest, could mean a better export performance. Despite this, he said the current account deficit could deepen to about R7bn.

If the rand remained on a high it would clearly boost imports and knock exports.

Another economist said the healthy R12,37bn February reserves could have reflected an improved trade performance, although most of the increase probably stemmed from capital inflows.

Finance Minister Chris Liebenberg said in his Budget speech: "It can be expected that the deficit on the current account of the balance of payments will increase further in 1995. It is therefore imperative that SA should remain attractive to foreign investors and should continue to draw in a net inflow of capital at least sufficient to cover the expected current account deficit."

Economists said sentiment towards SA should be good enough to bag the capital inflows needed to keep the balance of payments growing. One said Liebenberg's prediction of 2,5% growth this year — considerably below most forecasts of at least 3% — was "very conservative", which meant his target of a 5,8% budget deficit as a percentage of GDP for 1995/6 could even be overshot.

It will also be a quiet week on international markets after last week's Bundesbank meeting — where the Bundesbank did not cut interest rates — and US economic indicators which pointed to a more muted inflationary picture.

One economist said that as the US Federal Reserve's Federal Open Market Committee meets next week, there would be talk of a possible hike in US interest rates, but the general feeling was the Fed would leave them unchanged.

Queen's visit a precursor to British trade and investment drive

(74)

BD 20/3/95

EDWARD WEST

CAPE TOWN — A smiling Queen Elizabeth was greeted by Deputy President Thabo Mbeki and his wife when she landed at a grey and blustery DF Malan airport yesterday.

She was presented with a bouquet by Zanele Ngakane, 3.

The Queen was then whisked away on an SAAF helicopter to board the royal yacht Britannia at Simonstown.

Her visit this week, largely symbolic and political in nature, will be backed up by a top contingent of British businessmen next week, the first of a series of nine UK trade missions to SA this year intended to strengthen the investment and trade links between the two countries.

There was tight security for the queen's arrival yesterday. The tarmac was closely guarded by police and security personnel, who allowed the 100-strong local and foreign media contingent into the cargo handling area only. One British correspondent remarked that the arrival had been organised far better than the queen's visit to Moscow.

Mbeki, asked what the queen had said during their brief walk from the aircraft to the helicopter at DF Malan, said she had commented on the good view she had of Cape Town before landing and that she had recognised Table Mountain.

Mbeki said the fact that the queen — last in SA in 1948 — was visiting SA so soon after the change of government signalled the strength of relations between SA and the UK.

Three hours after the queen's flight landed the Duke of Edinburgh arrived aboard an aircraft he piloted himself from Madagascar. He was in Madagascar on a trip partly sponsored by the World Wildlife Fund, of which he is international president.

Today the queen and the duke will sail to the Waterfront from Simonstown to a 21-gun royal salute. She will be met by President Nelson Mandela, who will introduce his Cabinet to her, and will inspect a naval guard of honour.

The queen's schedule today includes an address to Parliament, a walkabout in Darling Street and at the Victoria and Alfred Waterfront — where 20 to 30 corgis will be among those to welcome her — a reception at Cape Town's city hall and a state banquet at the Cape Sun hotel.

Peter Longworth, director of British Trade in SA, indicated that British businessmen were keen to investigate business opportunities during their visit.

"The businessmen will arrive with their sleeves rolled up, keen to cement business opportunities following a fact-finding mission to SA last year," Longworth said.

The Britannia will remain in Cape Town harbour for a week after the queen's visit

☐ To Page 2

Six SA institutions apply to EU scheme

(74) BD 20/3/95

ABOUT six SA financial institutions had applied to the Brussels-based European Union to participate in the union's EC Investment Partners Programme (ECIP), the union said at the weekend.

EU ambassador to SA Erwan Fouéré said the union was evaluating all the applications, and a decision would be made shortly.

Only three banks would be chosen to administer the scheme with the EU, which would allow SA companies to tap into the R100m budget for 1995.

The ECIP scheme — in which SA was recently included — seeks to support developing nations of Asia, Latin America and the Mediterranean through joint ventures with European companies.

Criteria for successful bids include a good track record of financial accountability, transparency and the bank's nature of business.

Banks would also have to show how the ECIP activities fitted into their priorities.

ECIP support comes through grants for feasibility studies, interest-free loans for preparation of projects, human resources development and equity loans for investments.

The focus of the programme, in which banks play a pivotal role, is largely on buoying small to medium-sized enterprises.

A series of seminars is planned for next month in Durban, Johannesburg and Cape Town, to assist in familiarising SA companies with the technical details of the scheme.

An industry mission with leading EU companies is planned for later this month, Fouéré said.

In another development, the European Investment Bank (EIB) sent a mission to SA last week to investigate projects which could be given financial support by the bank.

The EIB, which provides loan finance, last year extended its operations to SA and more than R1,2bn worth of loans is available.

Fouéré said the package plans were on stream, and details would be finalised soon.

TRUCKING AND TRANSPORT


GARY HOPCROFT


MIKE SCOTT


MAHESH RANCHOD


HERMAN LEMMER


DERRICK GARDENER


PETER FARMEREY

(74) ST (BT) 19/3/95

CROSS-BORDER TRADE: A LONG WAY TO GO

CONSIDERABLE costs can be avoided if the transport ministers in Preferential Trade Area and the Southern African Development Community countries recognise the benefits of harmonising standards and procedures.

This is the view of representatives of the Road Freight Association, the Federation of Regional Road Freight Associations and leading cross-border haulage companies invited by Business Times to a roundtable discussion on cross-border trade.

Participants in the discussion were Peter Farmerey, managing director of Biddulphs and deputy-chairman of the RFA; Herman Lemmer, deputy chief executive of the RFA; Derrick Gardiner, general manager, Central African Road Services; Garry Hopcroft, divisional chief executive, express freight division, Rennies Group; Mahesh Ranchod, executive chairman, Kabwe Transport International; and Mike Scott, marketing director (international), Cargo Carriers Management Services.

A major concern expressed by the six was the urgent need to harmonise legislation governing the mass and dimensions of vehicles.

Mr Scott said: "Zimbabwe (at 55 tons), Botswana and Mozambique (each at 50 tons) limit gross mass closely to the 56 tons envisaged by SA regulations. But Zambia has no gross mass limitation — it subjects individual axles to a limit instead.

"Under SA regulations, a six-axle rig cannot achieve a payload of much more than 25 tons. Using the same configuration, Zimbabwean and other foreign carriers achieve a legal payload of 28 tons. It is difficult to cover the difference in payload, especially when 85% of the haul is beyond South Africa's borders."

There was widespread acceptance of the need to compensate countries for road maintenance and rehabilitation.

Zimbabwe, Zambia and Malawi levy non-domestic carriers US$8/100km — the rate recommended by the Southern Africa Transport and Communication Commission (SATCC).

However, Tanzania, currently at $21/100km and Mozambique, at $25/100km, are both pushing for $30/100km. Rates for these territories fluctuate frequently.

This, said Mr Hopcroft, emphasised the need for open and frank dialogue.

Mr Lemmer said: "FRRFA members had already agreed on several aspects concerning standardisation. But the problem, according to the RFA, is getting the respective governments to implement these decisions."

Can the FRRFA succeed in bringing about meaningful changes to present problems?

Mr Ranchod is not sure. "The FRRFA is a federation of private-sector interests. To be successful we need a federation of political interests."

Agreements reached at a recent meeting between permanent secretaries representing PTA transport ministers were, said Mr Ranchod, later rejected or ignored by the ministers.

The discussion group unanimously supported the need for a meeting of regional transport ministers to address the key issues. Mr Ranchod suggested that South Africa's Minister of Transport, Mac Maharaj, should convene such a meeting as soon as possible.

However, Mr Gardiner believed there was an indication that the Department of Transport was reluctant to be seen dominating regional affairs and it would prefer some other country to take the initiative.

The high cost of new vehicles and the fuel price inhibited the ability of SA operators to compete effectively. Said Mr Farmerey: "Current experience of running a business in three African countries confirms operators cannot compete on certain routes if they use SA-sourced vehicles."

Despite the recent 23% increase in Zimbabwean fuel prices there is still a 66c/l price disadvantage for SA-based operators.

"The SA government should recognise that diesel fuel is the powerhouse that drives the economy. Operators should lobby hard to change this," said Mr Farmerey.

What about cabotage, which allows foreign carriers to uplift freight for delivery in a third country? What do carriers want?

"If we want a free market," says Mr Ranchod, "cabotage should be allowed. Companies would establish branch operations wherever it was desirable or feasible to do so. In times of drought or other natural disaster, a freer market would ensure cost-effective and rapid movement of goods to affected areas," said Mr Ranchod.

Mr Scott adds: "Any carrier should be permitted to haul maize landed at Durban, say, then railed to Harare en route by road. Discrimination against SA carriers frequently results in starving people paying a premium to get life-sustaining rations."

Mr Farmerey believes that despite the industry's determination, SA operators cannot compete in cabotage under prevailing conditions.

Mr Gardiner expressed his concern about the on-going discussion favouring railing of goods to border posts for collection by road vehicles.

Mr Hopcroft said road transport was seen as a threat to government-owned rail systems, all of which ran at a huge loss.

Following many complaints by cross-border operators about excessive delays and even favouritism at various border posts, there are now signs of improvement — especially at Beit Bridge.

This situation results from better and more comprehensive clearing facilities, more and better trained customs inspectors and greater consideration for drivers.

However, Mr Farmerey said not much had changed when it came to multi-consignments (up to 16 consignments in a single shipment).

"There are just no facilities to seal a vehicle for onward travel and subsequent customs inspection at destination. When such loads are unpacked by customs at Beit Bridge it causes problems — damage to goods, theft and huge difficulties getting the load back into the vehicle."

Mr Hopcroft predicted that inspections would become more intense as the new facilities came on stream.

"Apart from wanting to make full use of the facilities, customs authorities in most countries are sensitive to the increase in smuggling and drug traffic. We can expect more loads to be unpacked."

There was uniform dismay over the SA government's capitulation in respect of the building, commissioning and tolling of the new bridge at Beit Bridge.

In total disregard for historic undertakings between the Rhodesian and SA governments (August 1929), enshrining free passage between the two countries in perpetuity, the new bridge has been awarded to a Zimbabwean concessionaire of uncertain reputation to whom truckers will have to pay US$17 (R60) for each crossing.

Manuel tackles trade policy

(74) BD 10/3/95

TIM COHEN
in Cape Town

MUCH of the new approach being adopted by the Trade and Industry Department can be traced to an analysis of the fate of the humble metal bolt. Something called the "three-quarter by three inch high-tensile 125 PSI bolt" is being used by the department to justify its belief that there are certain "structural deficiencies" in the SA manufacturing sector. This poor bolt is considered a victim of a host of sins such as ownership concentration, import parity pricing, human resource limitations, archaic work organisation, poor technological capacity and little commitment to research and development.

What is the result? First, the bolt costs too much. Figures produced by the department show this bolt is produced in SA for \$1 055 a ton, compared with \$1 024 in Italy and \$920 in the US.

But what is more important, the department argues, are the relative input costs. The figures show that the costs of raw materials in SA are significantly higher than those in Italy and the US.

Tooling and overheads are as expensive as they are in the US, and slightly more expensive than those in Italy. Most importantly, labour costs in SA are about half of those in Italy and markedly less expensive than those in the US.

Consequently, even if SA's tooling, overheads and labour costs remain as they are, and even if transport is added, SA could produce these bolts at \$893 a ton if SA paid the same for its raw materials as is paid in the US.

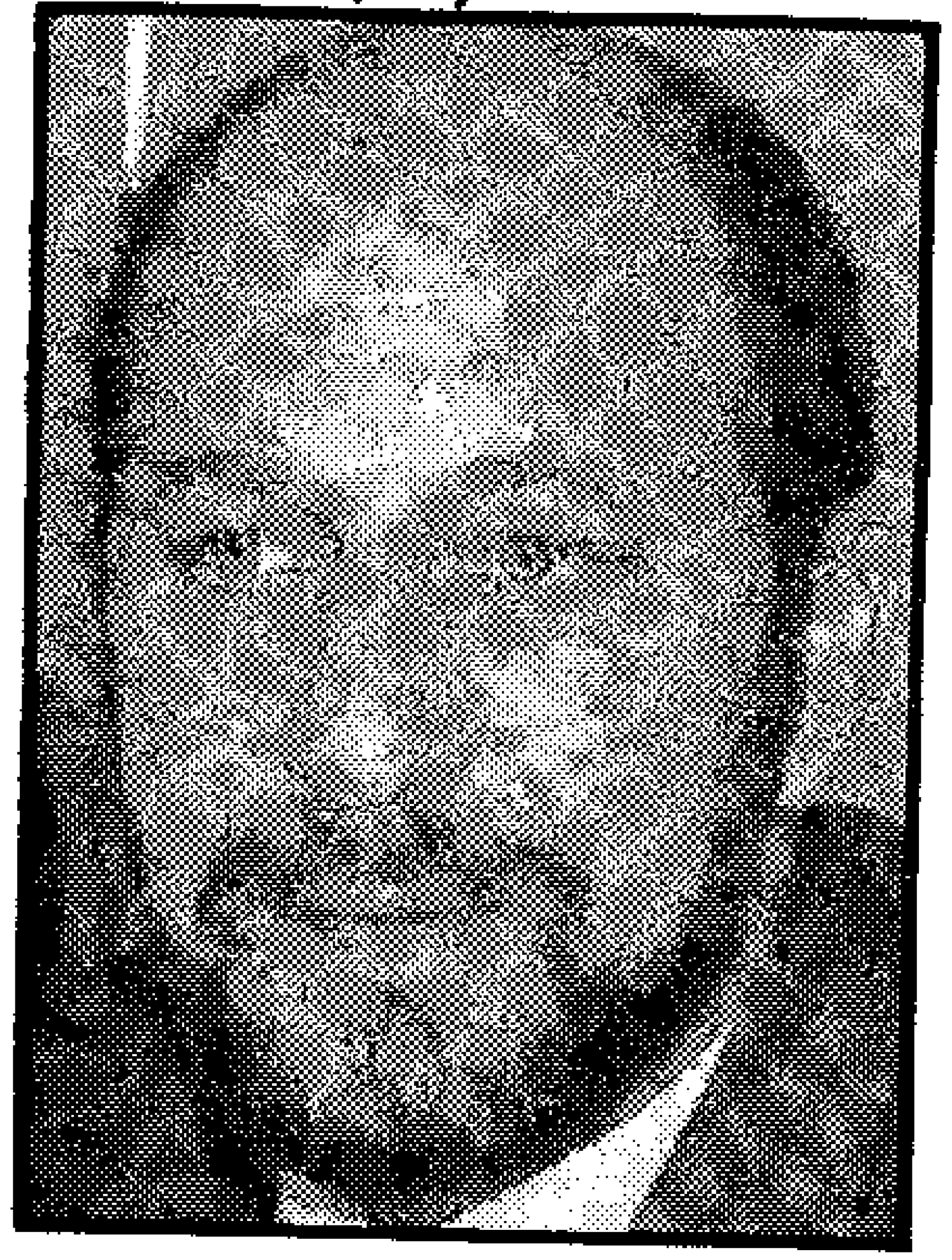
The conclusion drawn is that "in the metal products industry high costs are driven by high steel costs and the use of outdated machinery combined with poor skills and poor work organisation".

With this rather simple example as a basis, the department is pursuing wide-ranging changes with the zeal of the newly converted. Out goes tariff protection, in comes new competition policy. "Overconcentration" is the root of all evil and SMMEs (small, medium and micro enterprises) are to be the country's salvation. The policy is not one of building on the existing structure, but a revision of the structure as a whole.

The driving force behind the new policy comes from Trade and Industry Minister Trevor Manuel. The hallmark of Manuel's approach is functionality and an awareness that his primary political responsibility is to take care of the needs of small businessmen. Academic debates on the policies of, for example, the new Asian tigers, do not feature highly in Manuel's world view. What counts is what the bolts actually cost.

Many of the current changes would probably have taken place anyway. SA's political transformation has meant that while the industrial policy watchwords in the apartheid era were "protect and defend", they are now "open up and extend". Hence, the cozy relationship that existed between government and some elements of the business community was inevitably doomed. In addition, changes in world trading patterns and GATT (the General Agreement on Tariffs and Trade) would also have led to changes here, and will lead to more.

But were it not for Manuel, they would probably not have been implemented with such enthusiasm or quite in the same form. The real irony is the Trade and Industry Department's embrace of GATT, or what is known as the Marrakesh Agreement where GATT's successor — the World Trade Organisation — was established. Many African countries have seen the opening of their economies as a threat and have had to be cajoled into accepting the directives of the IMF and the World Bank. Despite the fact that GATT was primarily an agreement between the rich and powerful with little real reference to the countries of the South, the SA government has bucked the trend and accepted its provisions with alacrity.



□ MANUEL

The main reason for this is that the provisions of the Marrakesh Agreement are aligned with two aspects of the Trade and Industry Department's new policy: weaning some of SA's big businesses from government support and improving competitiveness. The country's new politicians have little sympathy for the needs of "big business" which they see as too rich, too white and the unfair beneficiaries of the old order. In any event, the government has new priorities for the money it was using to assist some of SA's industries and by improving competitiveness, the government hopes small business will get a new lease of life.

Whether this new strategy will actually work remains the key unanswered question. The policy assumes that small enterprises will pick up the ball and run with it, and it seems likely that this is where the whole pack of cards could come tumbling down. Big companies are now so dominant in so many parts of the SA economy, and the owners of small business have so few skills and capital at their disposal.

But help is on the way. The owners of small businesses will have new weapons in their armories in the form of three new pieces of legislation. In the pipeline are a national law on small business, to determine who should be eligible for state support, a transaction and procurement Act to provide for incentives for big businesses to subcontract and for new public sector procurement rules, as well as a small business finance Act.

But will these be sufficient? The whole debate is epitomised by the case of the township cinema owner taking on a big cinema chain. The owner probably doesn't realise it, but in his fate lies the future of SA's new industrial policy.

Trade: It's mission impossible

(74)

~~ARG 21/12/95~~

ARG 21/1/95

JOHN VILJOEN

Business Staff

A GOVERNMENT freeze on aid to businessmen attempting to break into foreign markets could prove a multi-million rand blow for Western Cape exports, the Cape Chamber of Commerce and Industry has warned.

The Department of Trade and Industry (DTI) has frozen its Export Marketing Assistance incentives for overseas selling missions, a move the chamber describes as "regrettable".

A spokesman for the Department of Trade and Industry confirmed all assistance for trade missions is on hold while the department formulates a global policies strategy which will re-evaluate its approach to export promotion.

Financial assistance given by the department for trade missions included the payment of 50 percent of the cost of an economy class retrun ticket on a group concession rate and a daily allowance of R400 for a maximum of 19 days for approved members of the mission.

The chamber said it was concerned that the export drive which had gained momentum and which had seen new exporters emerge would "decelerate" as a result.

Since 1991 the chamber has organised eight trade missions to Europe, Central Africa, South America, the Middle and Far East and South East Asia.

The chamber's Albert Schuitmaker said: "The freeze is a serious blow to Cape Town-based exporters.

"Planned 1995 missions to Australia, the United States and Mexico, Canada, and the Middle East are now in the balance."

The eight missions so far had brought in "a couple of million" in direct orders, but they had indirectly been worth millions more to Western Cape companies, he said.

"We need a six-month lead time to organise a mission. Our planning for a mission in October starts in April. So all our missions for the first six months of the year are on hold," Mr Schuitmaker said.

The chamber normally takes between 10 and 15 businessmen and women on foreign trade selling visits.

"At the moment the spotlight of the world is on South Africa. The world wants to do business with South African firms — 1995 is so important to us."

Mr Schuitmaker said an announcement on the future of the scheme was expected from the DTI at the end of the first quarter and urgent discussions with the department were continuing. "We are urging them to speed up the implementation of their strategy."

The chamber said in its latest business bulletin it would make urgent representations urging the department to finalise and approve its global policy strategy as soon as possible.

The chamber did not want to lose "an entire year during which the spotlight will still be on South Africa and enormous goodwill can be derived from group visits to various countries around the world".

In the past three years the scheme had greatly assisted new exporters in the early steps of entering the world of international trade.

Coming in from the cold

(74) FM 20/1/95

Though SA's export performance was below expectations last year, there were strong pockets of growth in some areas. Latest available figures from Customs & Excise show recent political developments have had a favourable impact on trade relations with Commonwealth countries, a trend that started even before SA rejoined the organisation in July, after an absence of 33 years.

Greatest growth has been recorded in trade with India, though off a small base. It rose nearly 300%, to R588m, in the nine months to September. The comparison is with the same period in the previous year, as are other comparisons below.

Of the bigger players, growth was strongest in trade with Canada — up 66% to R1,2bn; the UK, 49% to R10,7bn; and Australia, 43% to R1,2bn.

In the case of India, SA accumulated a R48m trade surplus in the nine months, reversing a previous deficit of R72,6m. Exports were diversified but the biggest category was raw and beneficiated base metals (valued at R144m) and the main import was textiles and clothing (R1,2bn)

C&E figures show SA has a growing deficit with the other three:

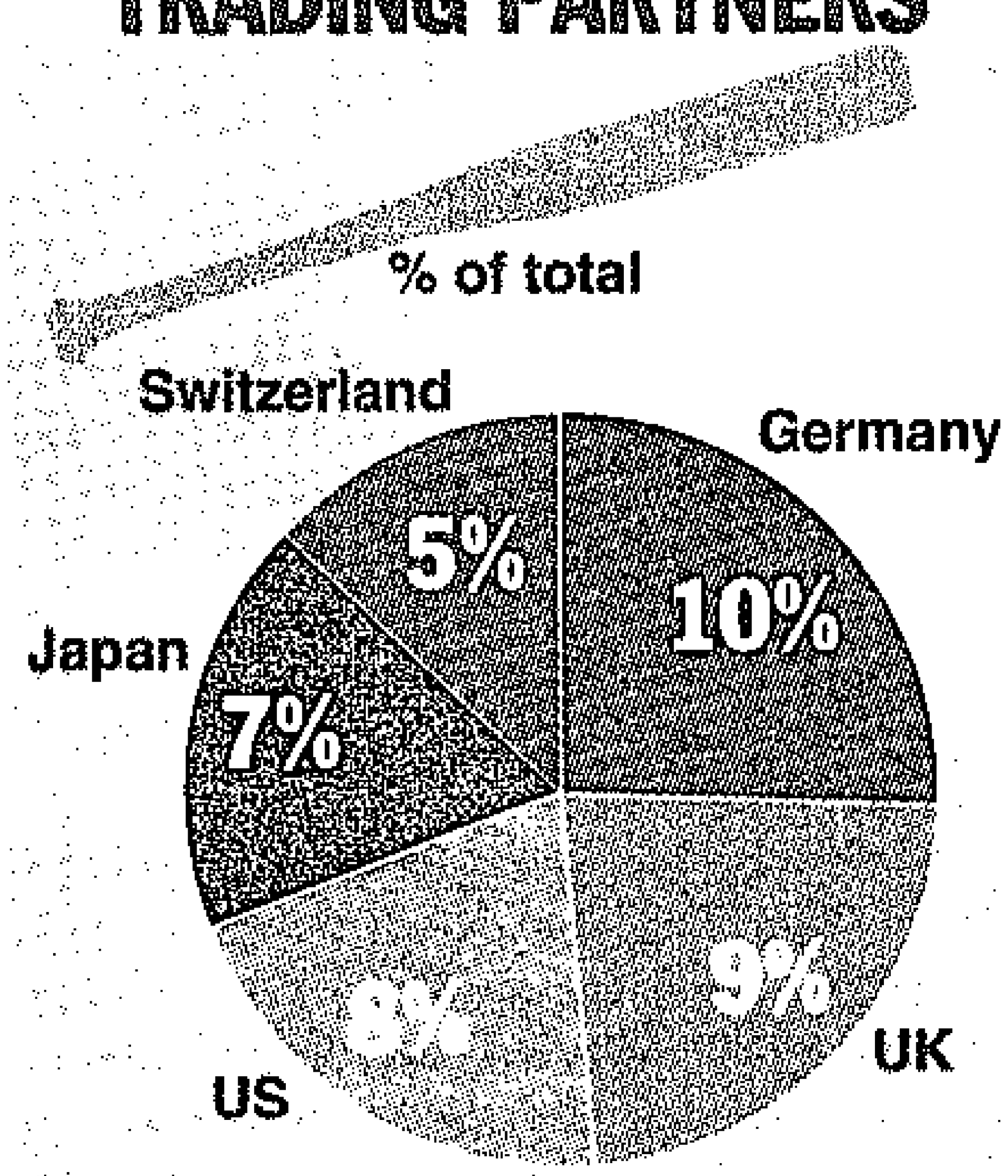
FOREIGN TRADE: GROWTH IN THE BIG LEAGUE

January-September 1994 over 1993

	% change	Rm
Canada	66	1 150,1
UK	49	10 741,2
Australia	43	1 208,8
Germany	39	12 411,1
Italy	31	3 410,0
Southern Africa	27	5 010,4
Spain	27	1 206,8
France	25	2 714,7
Singapore	22	1 020,6
Belgium	19	3 244,1
Netherlands	18	2 951,1
China	18	1 336,3
US	15	9 389,7
Japan	13	8 929,3
Taiwan		3 226,2
Switzerland	-20	6 244,4

SOURCE: C&E

SA's MAJOR TRADING PARTNERS



- ❑ Canada, from R53m to R500m. The major import (R470m) was in the category which includes vehicles, aircraft and vessels. The next biggest category includes machinery & electrical equipment and appliances. The major export was once again base metals;
- ❑ UK from R2,3bn to R2,5bn. The largest import was machinery & electrical equipment (R2,4bn) followed by chemical products (R1bn). The export with the highest value was in the category that includes diamonds (R1,5bn) and second was vegetable products, presumably mostly fruit; and
- ❑ Australia from R136m to R202m. The biggest import and export categories were identical. Base metal exports were worth R127m and imports R104m. Chemical exports were valued at R122m and imports were R159m.

WHERE GROWTH IS STRONGEST

India 298%

Sweden 263%

Finland 188%

Argentina 78%

Canada 66%

Austria 54%

UK 49%

A country breakdown shows the biggest single trading partner is Germany. With two-way trade valued at R12,4bn, it has a 10% share of the total. Growth in the nine months was 39%. Imports from Germany were worth R9,8bn. Of this, R3,6bn was in machinery & electrical equipment while R3bn was in vehicles, aircraft & vessels.

For the rest:

- ❑ UK has 9% market share;
- ❑ US R9,4bn, 8% share and 15% growth. The biggest item was R2,6bn in imports in the category vehicles, aircraft & vessels. Biggest export was R1bn in base metals;
- ❑ Japan R8,9bn, 7% share and 13% growth. Biggest import category was vessels, aircraft & vehicles, worth R3bn. This was followed by machinery & electrical equipment. Biggest exports were nearly R728m in base metals and R680m in vegetable products; and
- ❑ Switzerland, R6,2bn, 5%. Total trade fell by 20% — almost entirely due to a drop in diamond exports. The relevant category fell from R7,3bn to R4,6bn.

These figures provide only part of the story; they are distorted by devices employed during the sanctions era. This makes it difficult to identify the reason for SA's relatively poor export performance when world economies are thriving.

(74) FM 27/1/95

TRADE STATISTICS

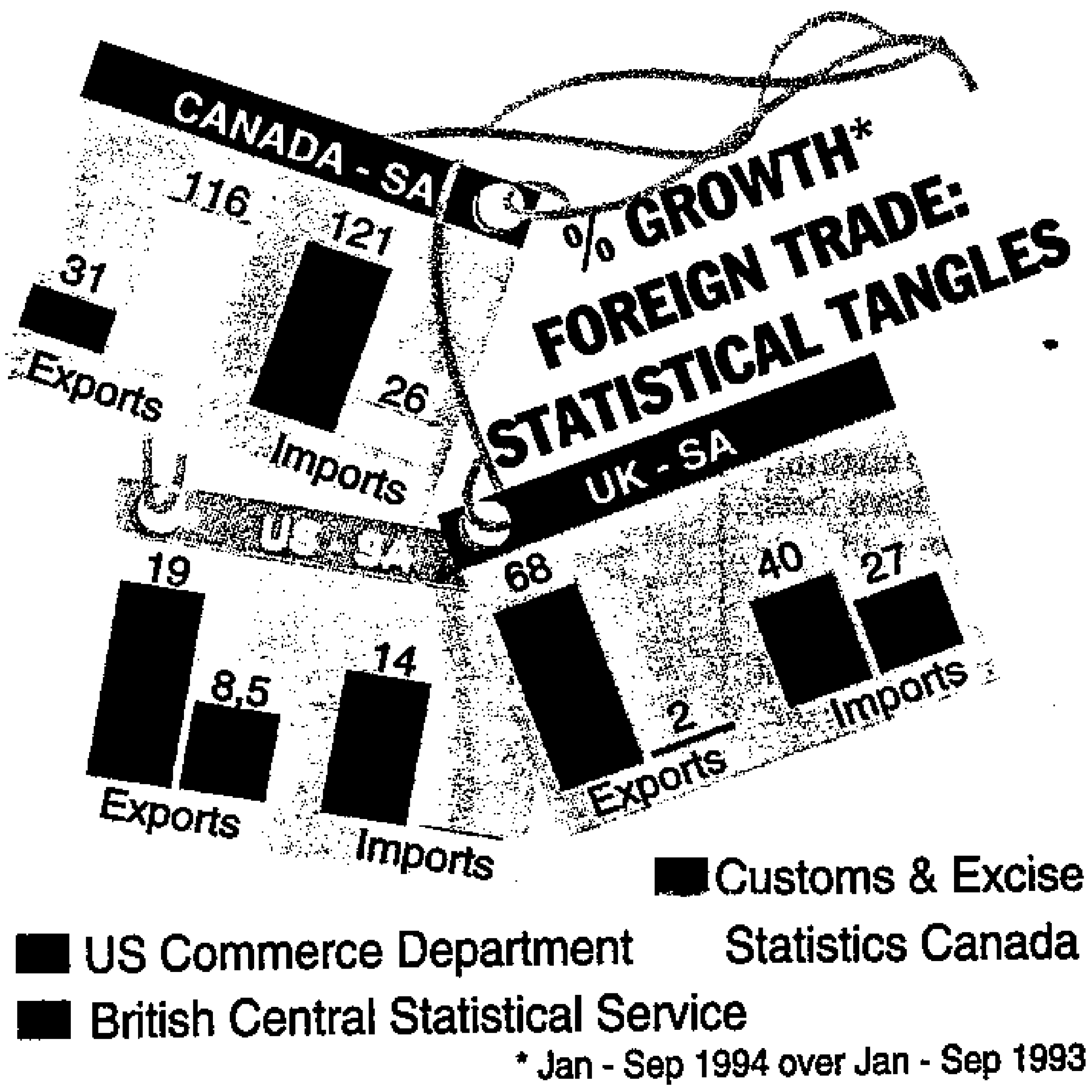
Figuring them out

For five years, no country breakdown of SA's foreign trade was published. Figures became available for the first time from Customs & Excise in 1992 and they often differ significantly from those supplied by trading partners.

For instance, Customs figures on relative growth in exports to and imports from Canada in the first nine months of 1994, compared with the same nine months of 1993, are very different from official Canadian statistics (see graph).

A calculation based on these figures sweeps away SA's R500m trade deficit — based on Customs figures — and replaces it with a surplus of C$49m (about R127m).

In US trade, Customs figures show a deficit of more than R3bn. Yet US Commerce Department data reflects a deficit of less than R300m. The US version has lower export growth but little change in imports, which is why the deficit is smaller.



The British Central Statistical Service, though, gives SA a higher deficit than Customs figures do — R4,2bn against R2,5bn. This is due to lower export growth figures (see graph) provided by the farmer.

Without a detailed analysis of each country's methods of collecting and recording trade transactions, it is not possible to explain the differences in the figures. One explanation is that SA figures reflect only the port of first destination or source — a sanctions era relic. But a Finance Department spokesman rejects this.

Other factors such as exchange rate fluctuations and time lags could cause differences. Devaluation of the rand would have made growth in exports and imports higher in rand terms than in sterling and Canadian or US dollar terms. So currency changes are not responsible. And normal time lags could not have created such sharp differences.

Some of the differences could be due to SA's practice of providing consolidated Customs Union figures while other countries generally break them down.

Growth in exports to Canada could be greater than Customs figures suggest (*Economy* January 20), while exports to the US and UK could be lower. The latest figures from Statistics Canada show the rate of growth is increasing — 121% to R603m in the 10 months to October (Customs figures for the period are not yet available).

An official from the consulate-general in Toronto says: "Part of the increase has come from products previously subjected to sanctions: agricultural products and steel. There is also a noticeable increase in the number of other products finding their way into the Canadian market. There are now about 430 different identifiable products, including fresh mandarins and oranges, fresh deciduous fruit, canned and dried fruit, fruit juice concentrates, wine, granite, vermiculite, vanadium oxide, ferro-alloys, steel, manganese, metal, mining equipment, safety glass and mirrors, woollen tops, woven fabrics and clothing."

SA's purchases of Canadian goods have also leapt — 26% to about R420m in the 10 months, according to Statistics Canada. Says the consulate-general spokesman: "In 1994, aircraft purchased by the new commuter airline SA Express featured prominently in SA's import bill. Products such as sulphur, potassium, wood pulp, telecommunication equipment and motor vehicle parts were also major items."

Though the differences in country trade reporting may be technical, Customs figures are inadequate in another respect: gold exports are counted in the total but do not appear in the country breakdown. "There was a time when government thought it necessary to keep this information secret,"

says the Finance Department spokesman. "It appears the reasons for this no longer exist and it would be something to review in the near future."

Also welcome would be figures now missing from published records: a country breakdown for the five missing years. When this information and the gold export figures are released, it will make analysis of trade trends more meaningful. ■

Biggest-ever British trade drive targets South Africa next month

ARGT 13/2/95 (74)

TOS WENTZEL
Diplomatic Correspondent

BRITAIN is targeting South Africa for its biggest-ever trade drive and this is to be tied in with the Queen's visit next month.

In Cape Town the royal yacht Britannia will play a key role as a floating trade exhibition and conference centre.

What is being deemed as a "friendly invasion" of British industrialists, financiers and consultants through the rest of the year will go under the slogan "Britain means business".

Major business and social events, including conferences and exhibitions, are being planned for Cape Town, Port Elizabeth, Durban and Pretoria.

According to British High Commissioner, Sir Anthony Reeve, British industry has radically revised its strategy towards the new South Africa.

Trade targets would be priorities of the South African reconstruction and development plan and would include essential social services.

British Consul in Cape Town Les Buchanan said the Britannia would be back in Cape Town from March 27 after the Queen's visit. It would dock at No 2 jetty in the Victoria and Alfred Basin.

British Minister of Trade Richard Needham is due to visit Cape Town on March 27, and there will be various conferences and social events on board the yacht.

On March 28 there will be a conference of British and South African finance organisations, including banking and insurance.

March 29 will be an education day with a primary education conference aboard Britannia, and a conference and exhibition on tertiary education ashore.

On March 30 there will be a health conference and exhibition of equipment.

Mr Buchanan said there were tentative plans for a round-table conference of top businessmen on March 31 involving the Confederation of British Industries (CBI) and the South African Chamber of Business (SACB).

Mr Buchanan emphasised that all the events would be tied to the RDP, as well as with trade.

FW, trade delegation arrive in Malaysia

(74)

CT 13/2/95

KUALA LUMPUR. — Deputy President F W de Klerk arrived here yesterday for a three-day official visit to Malaysia.

Mr De Klerk is making his first official trip to Malaysia since the establishment of a new government in South Africa.

Arriving from Australia, Mr De Klerk, his wife Marike and a 10-member delegation were met at the airport by Deputy Prime Minister Mr Anwar Ibrahim.

Today he is to pay a courtesy call on Prime Minister Mr Mahathir Mohamad, confer with Mr Anwar and have lunch with Works Minister Mr Leo Moggie.

The New Sunday Times, which normally reflects Malaysian government thinking, said Mr De Klerk's visit will further cement ties that have warmed between the two countries since the dismantling of apartheid.

Mr De Klerk is expected to seek more trade and investment, especially joint ventures, between the private sectors of the two countries.

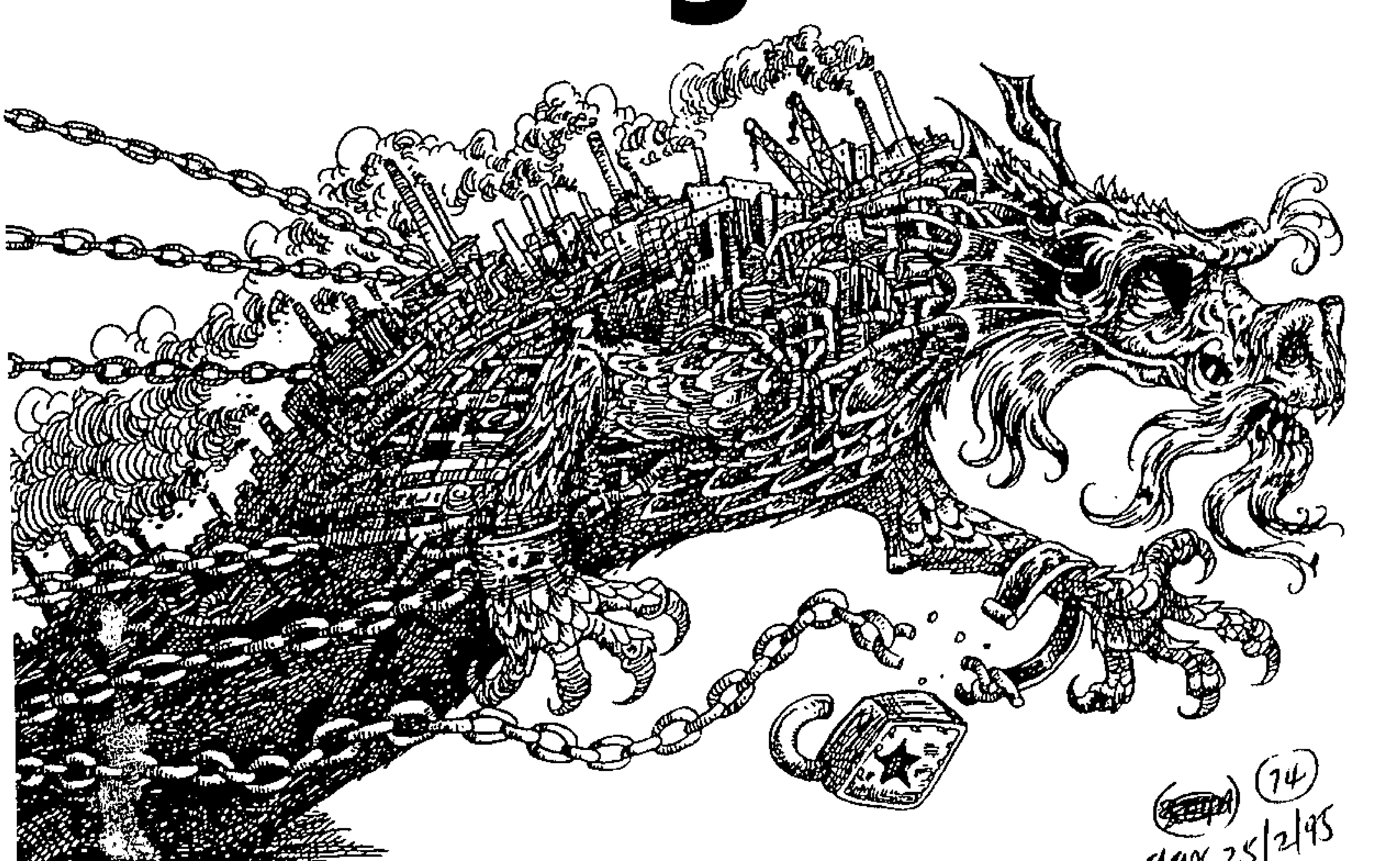
Mr Henri S Raubenheimer, South Africa's acting high commissioner in Malaysia, said total trade between Malaysia and South Africa rose by 84% in the first 10 months of last year.

South Africa's exports to Malaysia, starting from a low base, jumped 2005% from a year earlier to $1,26 billion (about R4,4bn), while its imports from Malaysia grew 53% to $3,28bn (about R11,5bn). — Sapa-AP

Taiwan is a major trading partner, China an old friend of the struggle. Pretoria must negotiate the tightrope

Enter the dragons . . .

THE two Chinas are engaged in a battle to outmanoeuvre each other in a battle to gain acceptance by Pretoria and, by implication, much of Africa, reports NORMAN CHANDLER.



(74)

Star 25/2/95

WHEN representatives of a beleaguered white South African government first went to Beijing in the 1980s at the behest of then president P W Botha to open up long-closed trade routes, there was little doubt in Pretoria that links with mainland China's leaders would be welcomed.

After all, China was, and still is, a valued partner in trade in certain items, such as nuclear materials (confirmed by both countries over the years) and minerals.

Also, as the world's most populous nation, the mainland government was beginning to realise that international economic co-operation was the key which would open up world markets. The result of that realisation has been the establishment of economic trade zones in many cities, particularly in the region around Hong Kong and Shanghai.

In their turn, Beijing reasoned, the arrival of the South African delegation seemed to signal an imminent turnabout in Pretoria's cosy relationship with the Republic of China (Taiwan).

Taiwan had long assisted South Africa to circumvent trade boycotts and other sanctions. Taiwan is now recognised as the one area in south-east Asia which could best be described as the hub of international imports to South Africa.

The diplomatic situation had for long been a thorn in the side of Beijing, which even now continues to regard Taiwan as a province of the People's Republic of China (PRC) — five decades after communism took over on the Asian mainland.

ALFRED NZO: Vooed by the East.

The Beijing visit gave the Taiwanese a real jolt, for it signalled a relook by Pretoria at relations with the Chinese as such.

There were, of course, no air or any other links with the mainland, and what business was conducted took place through middlemen in Hong Kong. There had for years been reports of clandestine visits by South African cabinet ministers to Beijing.

To divert Pretoria's attentions away from its rival, Taiwan immediately put in place a spectacularly successful and expensive programme to woo South Africa's then political leaders.

This resulted in increased trade and links in many fields, particularly air routes, business, military, scientific and agricultural. Even today, the volume of trade between the two countries makes South Africa the sixth largest partner for Taiwan.

The programme has never come to a halt . . .

By the end of January, 248 South African new parliamentarians — that's more than half of the National Assembly — have been wined and dined in Taipei and subjected to a barrage of information on why Taiwan is so important to South Africa.

The PRC, for its part, was during those early years actively wooed by the ANC and the PAC, then both waging a liberation war against the Pretoria regime — and desperate for international help in their bids to become the government of South Africa.

The PRC, the government of which had for years been sympathetic to other Africa causes, showed it was sympathetic to the South African liberation movements. It actively provided military training, weapons and other assistance for the struggle. It is this activity which has been central to the present diplomatic representation battle.

China's support for liberation meant, Beijing reasoned, that there would be an opportunity, if ever the ANC or PAC came to power, for China to be able to establish diplomatic relations with a friendly South Africa.

The Republic of China established itself on Formosa, now known as Taiwan, in the late 1940s after some titanic battles between opposing communist and nationalist forces.

Taiwan would, Beijing thought, have to accept the so-called American option — no diplomatic recognition but trade, cultural and educational links. Former United States presidents Richard Nixon and George Bush pushed for recognition of Taiwan, and in fact during Foreign Minister Alfred Nzo's visit to Taipei, Bush was another foreign visitor — his third to that country.

But until Nzo told journalists in Tokyo a few days ago that South Africa was poised to extend diplomatic recognition to the PRC, nothing much had happened in terms of relations — much to the thinly disguised astonishment of Beijing and the elation of the Taiwan government.

And there is no mistaking that the prize is huge.

On the one hand, there is a giant market waiting for South African entrepreneurs. On the other, there is the whole of Africa as well as influence in the Indian Ocean, for a go-ahead Chinese government in the post-Hong Kong years of the early 21st century.

Recognition by a new South Africa will definitely win friends for the PRC in the important Indian Ocean Rim trading bloc. This bloc — the African seaboard, India, Pakistan, western Australia, huge chunks of south-east Asia — is home to a quarter of the world's population. When one considers that the neighbouring Pacific Ocean Rim — comprising an area which includes the western United States and Canada, the west coast of South America, Australia, New Zealand, Japan and parts of south-east Asia — has another quarter, the resultant buying power of what amounts to half of humanity is enough to make a Chinese abacus overheat.

But, meanwhile, Beijing has had to watch cash-rich Taiwan (at $110 billion it has the largest foreign reserves of any country) provide, and promise, billions of rands in aid to the new ANC-dominated Government of National Unity.

Its rival, in its efforts to turn the SA Government away from Taipei, has sent junior government ministers, trade delegation after trade delegation to Johannesburg and Pretoria, mounted substantial commercial fairs in both cities; opened joint ventures with SA companies; and seen to it that cultural exchanges took place. Tourism from South Africa is actively encouraged.

The result up until now has come to naught, and the long-sought diplomatic relations amounted to "cultural centre" level (this was achieved during the De Klerk government period), and a redoubling of efforts to establish relations at ambassadorial level since the Mandela government took power.

It is known that mainland envoys based in Pretoria and Beijing have made strenuous efforts to convince the new cabinet ministers — particularly those who turned to the PRC in their hour of need when liberation looked a vague prospect — that Beijing is, in the long run, a better bet diplomatically than Taipei could ever be.

A few senior ANC officials also visited Beijing in the months leading up to last year's general election.

Taiwan's Department of Foreign Affairs' director of African affairs Du Ling says South Africa is still making up its mind about not only continued recognition of his country, but also regarding links with other countries.

Du admitted during an interview in his Taipei office that Nzo, recently on a low-key official visit to Taiwan, had been noncommittal about relations between the two countries, and Du even quoted him as saying that "at the moment the relationship is firm".

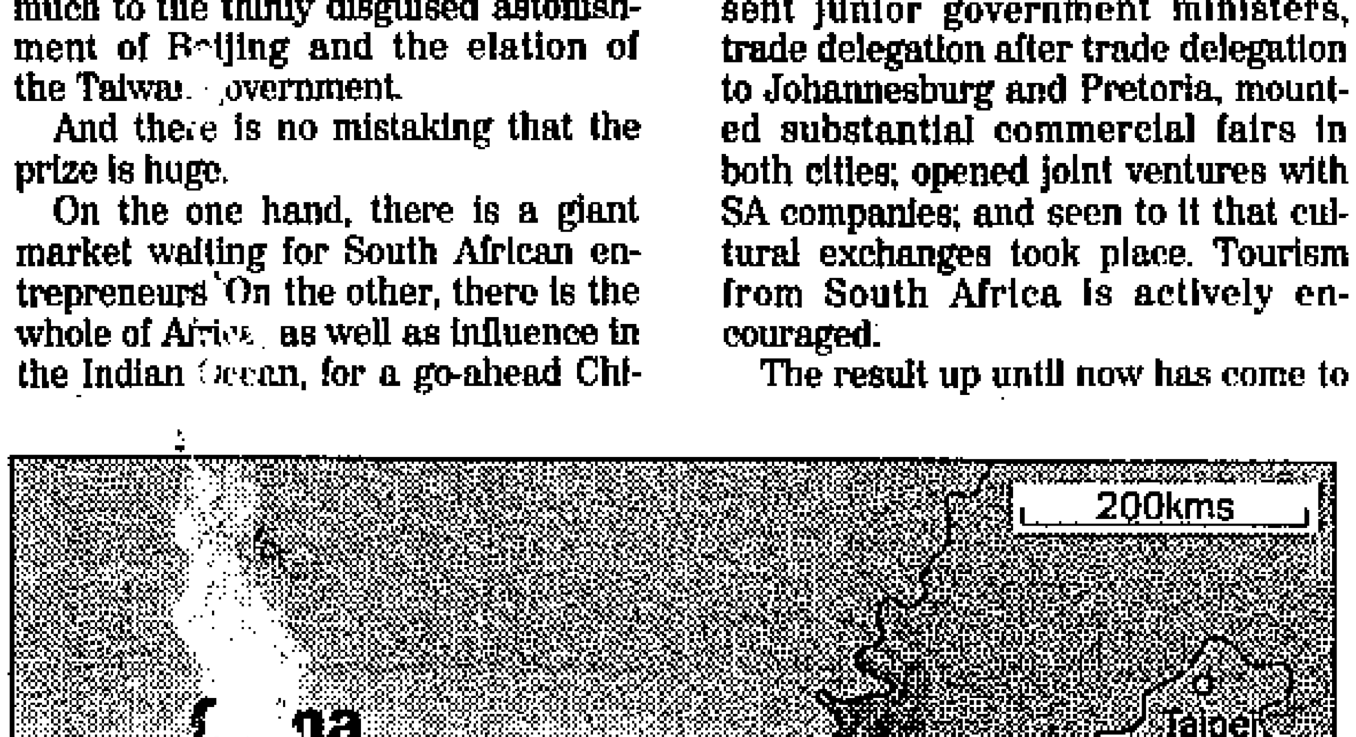
The recent announcement by Nzo is the first in Pretoria's efforts to rationalise relations with the two Chinas, and it is widely held in capitals such as Singapore, Hong Kong and Tokyo that South Africa is in the process of switching its gaze to across the China Sea, and at the same time performing a juggling act to see just how far it can accommodate both Taipei and Beijing.

Taiwan has diplomatic relations with eight African countries — South Africa, Nigeria, Niger, Burkina Faso, Central African Republic, Malawi, Guinea Bissau and Swaziland — and missions in countries such as Mauritius, Zaire, Libya and Madagascar. Kenya has agreed in principle to a trade mission.

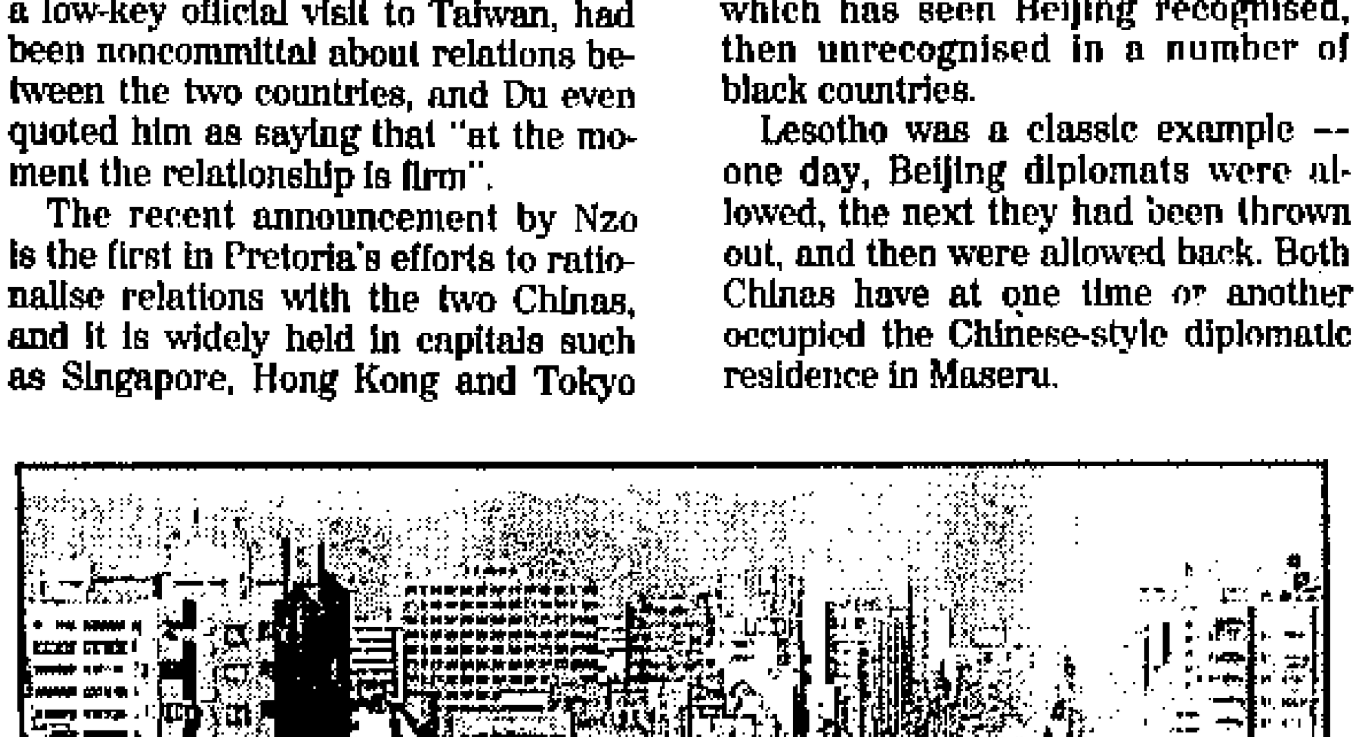
Beijing is looking at various ways to offset the first R1,1 billion aid package to South Africa from Taiwan with the emphasis on development aid in tune with the RDP.

This form of aid is something the PRC has also tried to master over the years, and it believes its expertise will eventually win the day. But it has had some spectacular failures, such as sending useless equipment to parched African lands; building a railway line through Tanzania, for which parts and other equipment are not available; and having a see-saw diplomatic effort which has seen Beijing recognised, then unrecognised in a number of black countries.

Lesotho was a classic example — one day, Beijing diplomats were allowed, the next they had been thrown out, and then were allowed back. Both Chinas have at one time or another occupied the Chinese-style diplomatic residence in Maseru.



HOW TO WIN FRIENDS: The two Chinas are economic giants in their own right.



ECONOMIC MIRACLE: Cash-rich Taiwan, at $110 billion, has the largest foreign reserves of any country.

NEWS IN BRIEF

Strike at AECI plant

BUILDING at AECI's new lysine plant in Umbogintwini near Durban ground to a halt yesterday when contract workers downed tools over an apparent wage dispute.

The factory's main entrance was opened by mid-morning.

'Whites will lose jobs'

NEARLY 1-million whites would lose their jobs because of affirmative action, Free State University labour economics lecturer Louis Bothma said at the white Mineworkers' Union's annual conference in Midrand yesterday.

Through normal means, this would take about 30 years if no new whites were appointed.

Officers in SANDF

ABOUT half the 10 000 "non-statutory soldiers" integrated into the SANDF had been ranked as non-commissioned officers, Deputy Defence Minister Ronnie Kasrils said yesterday. Another 1 500 had been appointed as officers, he told a delegation of the French Institute for Advanced National Defence Studies in Cape Town.

Mboweni's honour

LABOUR Minister Tito Mboweni was not the first South African to be awarded membership of the World Economic Forum's Global Leaders for Tomorrow network, as reported yesterday. Mboweni's office has pointed out Sapa misquoted its statement, which said Mboweni was the first SA Cabinet Minister to receive the honour.

REPORTS: Business Day Reporter, Sapa.

Maharaj wants fuel levy back

(264) BD 31/1/95

DURBAN — A road tax in the form of a fuel levy should be reintroduced to pay for upgrading and maintaining SA's roads, Transport Minister Mac Maharaj said yesterday.

Sapa-Reuter reports that he told a transport conference: "Since April 1 1988 the National Road Fund ceased to receive dedicated funds from a levy on fuel. This, together with the advent of a significant rate of inflation and the oil crisis in 1973, resulted in a significant decline in funds allocated to intercity roads to a level half that of 20 years ago."

Maharaj said roads vital to the country's economy could also be paid for by licence and toll fees.

He said these forms of payment "can be regarded as similar to harbour duties or aircraft duties charged to defray operation costs".

Social roads, which provided for accessibilty to schools, clinics and work places, should be a state responsibility and paid for through general taxation, Maharaj said.

He said national roads should be provided by the central government while other roads should be the responsibilty of provincial and local governments.

"Good roads have been described as the second most important catalyst in any country's development after education," Maharaj said.

He said the state subsidy for commuter transport should remain but a "critical reassessment" of the nearly R2bn subsidy should take place.

"I am still of the opinion that the lowest possible level of government should be responsible for the planning, co-ordination and financing of public passenger transport services, since those authorities are in the best position to know the requirements of their constituencies," Maharaj said.

Maharaj also said that problems in the taxi industry had to be resolved urgently.

A task team to deal with the taxi industry should be appointed in February, when a national taxi workshop would be held.

"While the process of consultation is taking place the trouble in the industry is continuing unabated. This cannot be tolerated much longer," Maharaj said.

THEO RAWANA reports that Public Enterprises Minister Stella Sigcau said resources released by the sale of assets or privatisation should not be used to finance the Budget deficit but should be applied to debt reduction.

She told delegates a task group under her auspices would deal specifically with developing a blueprint setting out government objectives in undertaking restructuring, such as a regulatory framework policy.

Outlining the basic principles involved in the privatisation of public assets, Sigcau said: "Assets or enterprises that will have full or partial private sector involvement must empower the disadvantaged rather than enrich the affluent, in order to redress past inequities."

She said restructuring of transport assets must reflect the principles of the reconstruction and development programme.

Zimbabwe top trading partner in Africa

(362) (74) BD 31/1/95

JOHN DLUDLU

ZIMBABWE emerged as SA's top trading partner in Africa between 1989 and 1993 with trade between the two valued at more than R2bn, a recent study by the Industrial Development Corporation (IDC) showed.

The report on SA's trade with Africa, compiled by the corporation's economics department, showed total trade between the two nations was worth R2,5bn, reflecting a 14% average growth between 1989 and 1993.

SA's exports of R1,8bn to Zimbabwe in 1993 represented an average growth rate of 16,5% between 1989 and 1993. Exports to Zimbabwe represented 24% of SA's total exports to African markets.

During the same period, SA consumed R669m worth of goods from Zimbabwe, a 9,2% average growth.

SA's next largest trading partner was Mozambique with whom trade had increased 38% to R1,4bn in the review period. Mozambique consumed R1,36bn worth of SA goods and SA sourced goods valued at about R61m in 1993 from Mozambique.

Also appearing in the top 10 African trading partners' list were Zambia, Malawi, Zaire, Mauritius, Kenya, Angola, Reunion and the Ivory Coast.

Top traded products included diamonds, used personal and household effects, unmanufactured tobacco and its refuse, cotton, soya beans, tea, television receivers, footwear and chemical products.

The list of top 10 SA export items included used personal and household effects, motor vehicles for goods and human transport, nickel mattes, wheat, mineral fertilisers, copper ores, insecticides and motor vehicles parts and accessories.

NEWS

Mbeki tests the waters for new EU deal

(74)

Star 27/2/96

SA 'too rich' for trade concessions

JOHN FRASER
ARGUS FOREIGN SERVICE

Brussels — South Africa has been told it is too rich to be eligible for trade concessions under the Lome Convention — the trade and aid agreement linking the European Union with 70 developing nations.

However, negotiations are now targeted on obtaining a tailor-made trade deal between the EU and Pretoria with Deputy President Thabo Mbeki laying the foundations for such an agreement during a series of meetings with EU commissioners in Brussels at the weekend.

In general, the mood was positive, with EU commissioners promising to do their best to help secure a good deal for South Africa.

The commissioner responsible for relations with South Africa, Joao de Deus Pinheiro, said he wanted a "very ambitious" agreement.

In the short term, this would involve a specific deal with South Africa, but in the longer term he wanted to see a region-to-region agreement between the EU and the Southern African Development Community states.

Mbeki admitted that South Africa was having problems proving its eligibility for smooth incorporation into the Lome Convention which states that new

SOUTH Africa has its sights set on a special trade deal with the European Union

members should have similar economies to existing members and that they should not disrupt the advantages enjoyed by the countries already part of the convention.

South Africa would instead seek benefits from the convention which did not relate to trade or aid — and would aim for the best possible trade and aid benefits in a new, separate accord with Brussels.

"The principle question for South Africa is market access," said Mbeki.

"If we can get a relationship between the EU and South Africa which is the same as the Lome convention countries have, it's fine.

"Lome gives access to the European market, and that's what we are looking for.

"We want free access for our apples, cars, coal, iron and steel, and then we need aggressive marketing to sell them," he said.

"We are optimistic that it will be possible to conclude the trade negotiations in a favourable manner," he said.

■ Addressing an Information Society conference in Brussels on the computing and communications revolution, Mbeki pointed out to delegates the disparities between the "haves and have-nots" — noting that half of humanity had never made a phone call.

He called on the EU to organise a further conference, at which the developing world could be fully represented, and said South Africa would be willing to host it.

Mbeki added that the debate on global regulation of communications was advancing steadily and South Africa could not be excluded.

"The developing world must be in these discussions to advance our own interests."

However, he pulled back from an idea for the whole of Africa to be linked up by a network of fibre-optic cables, saying that the plan had emanated from the UN and not from him.

British minister for high technology Ian Taylor suggested that state-of-the-art fibre-optic cables were not the answer for Africa.

Instead, satellite services would be cheaper and easier to offer.

Mbeki added: "The idea of a fibre-optic cable around the continent clearly can't be funded by individual African countries.

"You would need international investors to lay down this cable," he said.

EU 'not forcing SA into free trade deal'

BD 9/3/95 (74)

JOHN DLUDLU

SA was not being forced into accepting a free trade arrangement with the European Union (EU) instead of a closer association with the Lomé convention, EU ambassador to SA Erwan Fouéré said yesterday.

He said the free trade agreement was just one of many options considered by the EU in its response to SA's two-pronged request for a closer relationship with the Lomé convention as well as a bilateral agreement with the EU which would "cover issues not addressed by Lomé".

The EU council of ministers would meet at the beginning of next month to discuss the SA case.

He denied claims that SA negotiators were being pressed to ease their demands for a relationship with Lomé — a trade and aid arrangement between the EU and 70 African, Carribean and Pacific (ACP) countries — and instead go for a free trade accord with the EU.

Sources said the EU was finding it difficult to "sell the Lomé idea" to both its members and ACP members because of SA's relatively advanced economy.

Fouéré said the EU would prepare a two-track response to address SA's desire for greater market access for its exports, while also considering ACP concerns that their exports could be prejudiced in case SA was offered closer ties with the Lomé convention.

A free trade arrangement, trade observers argued, would be easier to sell to GATT signatories and EU members because of its reciprocal nature. However, for SA to gain better access to export markets it would have to open up its own markets.

As part of expanding markets for SA, the EU extended its generalised scheme of preferences (GSP) to SA in January, offering duty-free access to industrial products and a limited range of agricultural items.

The list of agricultural items qualifying for GSP treatment could be broadened in July when the union reviewed the scheme, Fouéré said.

BUSINESS DAY, Friday, January 6 1995

SA to make a late start in meeting GATT obligations

BD 6/1/95

(742)

JOHN DLUDLU

SA's compliance with its GATT obligations of phasing in new tariff levels might be delayed by at least a few more weeks.

SA, like all GATT signatories, was supposed to have started the phase-in process on January 1, the date on which the World Trade Organisation (WTO) — a successor to GATT — came into operation.

Trade and Industry deputy director-general Gerrit Breyl said yesterday although Trade and Industry Minister Trevor Manuel had ratified the recommendations of the Board on Tariffs and Trade, amendments were being processed by the Customs and Excise Department for publication in the Government Gazette.

Government officials were not prepared to disclose amendments to the NEF proposals. They would also not say which sectors would be affected by the new levels.

Customs director Stefanus Basson said department officials were preparing the amendments for publication, and hoped to publish the new levels on January 27.

Although SA had missed the January 1 deadline, government's January 27 deadline was not a gross violation of WTO provisions. "The Marrakesh agreement (which formally launched WTO) provided for an average 33% reduction of tariffs over the next five years, starting from January 1 1995 or as soon as possible thereafter. So we have not broken the agreement," Basson said. "As far as we are concerned we are still on schedule."

SA's submissions to GATT were negotiated by business, government and labour in the National Economic Forum (NEF), and submitted to government for ratification.

In terms of SA's GATT submissions, the country's tariffs will be lowered by an average 40% over the next five years.

While the general idea behind GATT is to lower tariff levels, the rationalisation process — grouping several product types under a single heading — could increase some tariffs.

According to the Industrial Development Corporation, which did a cost/benefits analysis for SA's compliance with GATT provisions, lower tariffs were expected to raise economic growth 0,6% a year, employment 0,8%, export volumes 2,8% and imports 4,2%. Consumer prices were expected to drop 2,3%.

Customs officials said current systems were equipped to handle the new tariff levels as soon as they were gazetted. "The worst difficulty we had was in 1988 when we phased in the new harmonised system."

Mandela visit may boost plans for economic bloc

JOHN DLUDLU

PLANS to establish a multilateral economic bloc — linking nations around the Indian Ocean into an economic co-operation zone — are expected to get a boost when President Nelson Mandela visits India later this month, according to diplomatic sources.

Mandela, who will be guest of honour at Indian Republic festivities on January 26, is expected to hold high-level discussions with the Indian government on ways of promoting co-operation between the two nations.

Also expected to be discussed were plans to set up an economic zone of countries around the Indian Ocean, a senior diplomatic source said. (74)

Possibilities of a further reduction in tariffs and ways of strengthening co-operation would be discussed to lay the basis for an economic zone, the source said.

The concept of the Indian Ocean Economic Zone, as it is known, has been discussed by senior officials of the two countries including Trade and Industry Minister Trevor Manuel and his Indian counterpart Pranab Mukherjee.

The organisation, which would operate along the lines of the Asian countries' body Asean, would include nations such as India, Mauritius and SA. BD 6/1/95

The diplomat said although the idea of an exclusive economic zone with millions of consumers appealed to many governments, the road ahead was rocky.

Key obstacles included the affiliation of potential members to different multilateral bodies. "For example SA is still finding its feet on international diplomacy as a member of the Southern Africa Development Community and part of the non-aligned nations. The concept will have to be sold to those organisations," the diplomat said.

The political strife in Somalia, a fundamentalist government in Pakistan and the fledgling democracy in Mozambique presented a challenge to the initiatives. "The first priority will have to be peace."

WTO wings beginning to spread

(74) Star 6/1/95

Geneva — Some 81 countries and territories representing over 90 percent of international trade have become founder members of the World Trade Organisation (WTO).

The WTO, which will absorb the 48-year-old Gatt (General Agreement on Tariffs and Trade) over the coming year, was launched on January 1 when a new trade treaty negotiated over seven years by 125 nations came into force.

Apart from the 81 countries who had completed all formalities to be members from the launch, nearly 50 more are well positioned to join in the near future.

The WTO's first director-general, Peter Sutherland of Ireland, expects some 155 states and territories to sign up eventually for the Geneva-based organisation.

Among the 81 are 53 developing or least-developed economies, 25 developed countries and three former communist transition states.

Absentees

The major absentees are China, which has failed to open its economy enough to qualify for membership, and Russia, which has applied to join but accepts it faces a long wait.

China took part in the Uruguay Round negotiations, launched in 1986 and completed in December 1993, on the new treaty.

It says that despite disappointment at not being included, it will observe the accords.

Pillar

The WTO, the long-delayed third pillar of the post-World War Two world economic system alongside the World Bank and the International Monetary Fund, will administer the treaty, which slashes tariffs by an average of over a third.

It also opens world markets for services like insurance, banking and tourism, for textiles and farm produce — providing for a gradual elimination of subsidies and non-tariff import barriers such as Japan's traditional ban on rice imports.

WTO/Gatt officials and diplomats say soundings are likely to resume next week on who will take on the long-term role of WTO chief — a position Sutherland has agreed to fill until mid-March.

But trade diplomats say there is no sign of any movement in the logjam which prevented a decision being taken on an appointment before the end of last year.

Diplomats say the EU's Renato Ruggiero, a former Italian trade minister, has majority support from European nations and the African and Caribbean states whose economies are closely linked to those of their former colonial rulers.

Carlos Salinas del Gortari, who stepped down as Mexican president as the end of his term in December is expected in Geneva to promote his case this month.

Credentials

The US argues that his credentials as the man who broke the governmental grip on Mexico's state-dominated economy make him ideal for the post.

But some trade envoys say the financial storm that has hit Mexico and its international standing over the past two weeks could seriously weaken his chances.— Sapa-Reuter.

Gauteng govt looks to establish trade centre

BD 10/11/95

JOHN DLUDLU

AN INVESTIGATION by Gauteng provincial government into establishing a trade centre for the province could lead to stiff competition with established trade centres.

Government spokesman Chris Vick said a newly appointed official, Mandla Tshabalala, would investigate the idea.

Tshabalala would head the strategic management team of Gauteng's economic affairs department, which was expected to hold its first meeting yesterday.

(14)

The development follows claims by sources close to the regional government that the legislature was unhappy about the mushrooming of trade centres in the province and at its exclusion from these centres.

One, African Trade Centre, had already been set up.

Another trade centre is being planned by Anglo American's property division Ampros. It will operate from the Carlton office tower building. It will provide exhibition areas and will be a one-stop trade shop, emphasising access to information.

An official of a leading trade association said the establishment of several centres could enhance competition and co-operation, but lack of co-ordination could lead to failure.

Another said it did not make sense to have several trade centres concentrated in one region.

Trade and Industry facing 7% budget cut

BD 12/1/95

(74)

JOHN DLUDLU and YURI THUMBRAN

THE Trade and Industry Department faced a 7% budget cut for the 1995/96 financial year, Trade and Industry director-general Zavareh Rustomjee said in Pretoria yesterday.

The budget cut could affect the department's support of the development of small, micro- and medium-sized enterprises, he said.

He said the decision to cut the budget had been taken last July to redirect resources towards the reconstruction and development programme (RDP) fund.

An integrated policy framework on the support of small business would be unveiled in March at the Presidential conference, Rustomjee said.

The department's budget had been drafted before small business became a government priority. The challenge now would be to raise funds from other sources, including the RDP fund.

Rustomjee, former adviser to Trade and Industry Minister Trevor Manuel, said a sizeable portion of this year's budget would go towards financing the general export incentive scheme, which would be wound down in 1997 in terms of GATT.

One of the department's priorities this year would be to wrap up talks on the restructuring of the Southern African Customs Union and foster regional co-operation within the Southern African Development Community.

Talks on changes to the union's structure began late last year and working groups had been asked to look into different aspects of the agreement.

Another priority would be to craft a long-term trade arrangement with the European Union on accession to the Lomé Convention or any other arrangement.

"Whatever relationship we evolve with the EU will have a strong (southern African) regional dimension," Rustomjee said.

SA last month applied for membership of the convention, which is a trade and aid arangement between the EU and African, Caribbean and Pacific nations.

As SA broke out of the shackles of isolation to reposition itself in global trade, it would be crucial for the country's policymakers to strike a balance between consolidating relations with developed countries and emerging economies.

"We need to take a strategic view on whether we continue with dependence on developed countries with limited economic growth rate or link up with emerging economies with strong growth potential.

"There is a strong link between economic growth and trade growth," he said.

Labour standards call rejected

NEW DELHI — A group of 82 developing countries yesterday unanimously rejected calls by rich nations to link strict labour standards to international trade.

The fifth conference of labour ministers of non-aligned and other developing countries adopted a declaration at the end of a five-day meeting calling the proposed linkage totally unacceptable.

A group of industrialised countries led by the US and France had proposed that the World Trade Organisation adopt a clause tying trade benefits to a country's willingness to enforce labour standards.

The campaign has focused largely on eradicating child labour, widespread in many developing countries but denounced by rich nations as immoral and amounting to an unfair trade advantage.

Indian Commerce Minister Pranab Mukherjee told the conference that the linkage between trade and labour standards would amount to a new form of protectionism aimed at low-cost exports from developing countries.

"We are deeply concerned about ... the efforts at seeking to establish linkage between international trade and enforcement of labour standards through the imposition of the social clause," the declaration said.

"We wish to reaffirm the position we took in our fourth conference at Tunis, that the social clause is totally unacceptable," it said.

The labour ministers said it was imperative to promote and safeguard human dignity by improving the working and living standards of all people and better protecting workers.

They said countries should tailor measures to their own "socioeconomic conditions without any form of coercion", and called for a strengthening of the ILO, whose labour standards are voluntary.

The ministers said their countries were committed to eliminating child labour, but poverty, distress and inadequate access to good education compelled parents to send children to work, and priority should be given to ending child labour in hazardous industries. — Sapa-Reuter.

(2274) BD 24/11/95

Better access sought for farm produce

(74)

BY BRUCE CAMERON

The government is pushing for better access for South Africa's agricultural products to the European Union (EU).

So far they have been given limited better access to Europe in terms of the latest agreement with most favoured trading nations.

Department of Trade and Industry director-general Zavareh Rustomjee says full details of SA's latest trade deal with the European Union, settled in December, are now available.

South Africa had already been granted a number of most favoured nation import tariff reductions in the dying days of the EU's Generalised Scheme of Preferences (GSP).

A new GSP agreement was announced by the EU which runs from January this year to the end of 1998.

SA is one a number of beneficiary countries in the agreement. Beneficiaries of the GSP are developed countries.

In terms of the old GSP agreement, all South African agricultural products were excluded.

The new agreement, however, grants tariff reductions on about 20 percent of the country's agricultural products.

It divides products into various categories with diffrent tariff reductions.

A spokesperson for the department has confirmed South Africa is still however pushing ahead with its application for membership of the Lome Accord, which gives even greater preferences to the exports of the poorer countries of the world than does the GSP. ([redacted])

A delegation has left for Dakar to hold further talks with the council of the African, Caribbean, Pacific (ACP) signatory countries, which must approve South Africa's Lome application.

Star 27/1/95

Simultaneously, the agricultural part of the latest GSP agreement will be revised early this year as part of the EU's teriff offer to the Uruguay Round of the General Agreement of Tariffs and Trade (Gatt).

Centre to cut investor red tape

CT 1/2/95

SOUTH Africa plans an investment centre to reduce red-tape for foreign investors as part of a new trade policy, Trade and Industry Minister Mr Trevor Manuel said yesterday. (74)

He told a Belgian trade delegation he hoped to establish an investor-friendly environment for foreigners and the new trade policy would be finalised shortly.

South Africa wanted to strengthen ties with the European Union, the Indian Ocean rim and South America, Mr Manuel told the Belgian team, led by Crown Prince Philippe.

President Nelson Mandela said while visiting India last week that South Africa would also liberalise its strict exchange controls, thereby removing an obstacle to foreign investment.

South Africa's present dual currency system and restrictive exchange controls have been criticised repeatedly both here and overseas as a deterrent to foreign investment.

Market speculation has increased that the financial rand, through which foreign investors trade, will be scrapped as its discount narrows against the commercial rand. — Sapa-AFP

SA 'keen to enjoy benefits of Lome'

DAKAR. — South Africa said yesterday it was keen to play a full part in the European Union's club of African, Caribbean and Pacific countries and enjoy some of the benefits of its Lome Convention preferential trade pact. (74)

Mr Samuel Motsuenyane, head of the South African delegation attending a meeting here of ACP-European Union parliamentarians, said his country had much to offer in return. CT 1/2/95

"We certainly foresee ourselves becoming members. I see no real problems why South Africa cannot be a member of Lome," he said.

South Africa has observer status at the meeting, but believes it has much to offer by participating.

Some delegates at the meeting, however, felt it would be premature to admit South Africa to the Lome Convention. "In several ways, this country does not have the characteristics of an under-developed country," one said. — Sapa-Reuter

Task team to explore Rim trade bloc 74

JOHN DLUDLU

THE idea of forming a multilateral trading bloc — the Indian Ocean Rim, linking countries around the Indian Ocean — was taken a step further last week with the appointment of a team of top academics from SA and Australia to begin work on the concept.

The team would do an extensive study of costs and benefits for all potential members of the Rim, a senior diplomatic source said at the weekend.

Potential members of the bloc would include SA and the southern Africa region, India, Pakistan, Malaysia, Mauritius, Reunion and Australia.

The mooted bloc would primarily serve as a trading association.

The researchers would publish their findings during the second quarter of the year.

Although the idea has been debated for some time, this study will be one of the first significant steps towards implementation.

The proposal has received the backing of the governments of SA, India and, most recently, Australia. BD 13/2/95

Giving a ministerial report during the recent ANC consultative conference in Bloemfontein, Trade and Industry Minister Trevor Manuel mentioned the proposed bloc as one of the priorities to be addressed in a bid to secure market access in a number of countries.

Safto GM David Graham said the countries around the Rim already had historical and ethnic links, and the concept offered immense trading and investment opportunities for SA companies. Advantages also included an expanded consumer market for export oriented countries.

Key obstacles were the affiliation of potential members to different multilateral bodies, a fundamentalist government in Pakistan and fledgling democracy in Mozambique. "Peace and stability are the key to the formation of the Rim," an Indian diplomat recently said.

Council heads tariff talks

74

THE National Economic Development and Labour Council (Nedlac) would oversee sectoral and national talks on the country's "painful" trade tariff adjustment, Trade and Industry Minister Trevor Manuel said yesterday.

At the International Corrugated Case Association conference, he said SA remained committed to the principles of the World Trade Organisation.

"This will result in substantial changes in the tariff regime, which requires a period of painful adjustment. This adjustment will never be achieved successfully unless we engage in open and honest discussion between government, business and labour."

BD 14/2/95

Nedlac is a statutory council to be launched officially this week, replacing the National Economic Forum and the National Manpower Commission.

Manuel said the country would build on its strengths to ensure industries absorbed labour and were globally competitive.

The country's paper and pulp industry had developed a dynamic comparative advantage, especially producers of kraft paper and corrugated containers.

Recent negotiations with the European Union had illustrated some European countries' fears of competition with SA. — Sapa.

US pension funds' attention back on SA

74B

BD 14/2/95

JOHN DLUDLU

US business and investor interest in SA is showing signs of improving with an increased number of pension funds investing in SA stock and a rise of US corporate direct involvement in the country, the Investor Responsibility Research Centre (IRRC) said yesterday.

An IRRC survey of 69 US pension funds and other institutional investors found more than half were already investing in SA or were planning to do so within the next 12 months.

The report noted that these relatively bullish attitudes were expressed in August and September, even before SA's debt received investment ratings or before SA was included in investment indices.

The IRRC said that US companies were also increasing their profile in SA. As of this month 183 US companies had direct investments or employees in SA, a 36% increase since President Nelson Mandela called for the lifting of sanctions against SA in September 1993.

According to the IRRC's directory, released last month, 598 non-US multinational companies had direct investments or employees in SA and 442 have sales or licensing agreements.

US companies with non-equity ties, such as licensing, franchise or sales agreements, had increased to 498.

The list of US companies which had returned to SA after disinvesting in the 1980s included Coca-Cola, CPC International, IBM, PepsiCo and Sara Lee.

US companies which had entered SA for the first time after sanctions include Morgan Stanley and Hyatt International.

"At the high water mark — just before the lifting of sanctions — 181 US localities (cities and states) had sanctions of one kind or another. Today, just 12 localities have such policies on their books," IRRC SA programme director Meg Voorhes said.

From 1984 to 1991, the number of US companies with direct investments in SA had dropped to a low of 104 from 284.

● See Page 14

Loan to aid small business

JOHN DLUDLU

PART of the Japanese Export/Import Bank's $100m loan to SA would be used to finance small- and medium-sized enterprises, the Development Bank of Southern Africa said.

The SA/Japanese negotiators were finalising details of the deal, and agreement could be reached shortly.

Outgoing Development Bank CEO André la Grange said at the weekend the bank had compiled a list of projects to be financed by the long-term concessionary loan finance. These included small business, small-scale farming, development and job-creation projects.

Business plans for all these projects were being prepared. "We also have the support of the reconstruction and devlopment programme committee," La Grange said.

80

All projects would enjoy equal priority and would be spread across the country's nine regions.

BD 14/2/95

The loan to the bank was part of the $1,3bn aid package pledged by the Japanese government to SA. The package consisted of $500m in Exim loans.

Of the $500m, only $300m had been tapped by SA institutions. The $300m loan agreement was signed with Eskom last month to carry out RDP-related electricity projects.

It is understood that discussions on the remaining $100m were under way with another parastatal. This portion would go towards export credits and grants to non-governmental organisations, sources said.

UK to help protect coast

LINDA ENSOR

LONDON — The British government had agreed to help SA prepare a national plan for coastal zone management, Overseas Development Minister Lynda Chalker told the House of Lords yesterday.

She stressed the importance of an integrated management approach to ensure the sustainable development of coastal zones and said she was "pleased that the new government of SA has adopted such a new approach".

SA had an "excellent" record of developing protected coastal areas. "But protection alone will not meet the needs of SA's growing population. The objectives of protection must be integrated with those of sustainable economic and social development."

British diplomat on RDP mission

Business Staff (74) ARG 18/2/95

BRITISH career diplomat Ralph Morton has been seconded to South Africa for eight months to co-ordinate the "Britain means Business" trade-and-aid package.

"His assignment is to help put into practice what Prime Minister John Major and (Trade Minister) Michael Heseltine have pledged Britain will do to help push forward the RDP," said Trade Consul Mike Powles.

One of Mr Morton's early assignments was to facilitate the visit to South Africa of the Manchester-based Northwest Export Club, which sought mainly to sell British products and services to South African government departments.

For information on trade with Britain, call Penny Foster ☎ (011) 465 1391.

GATT

(74)

FM 24/2/95

What the doctor ordered

It may be strong medicine but the actions of reinvesting companies to bring new discipline to the SA market, after years of isolation, is exactly what local industry needs.

Sanctions — and the government's reactions to them in the form of export incentives and import duties — created an environment of protectionism, piracy and grey markets. The extent to which SA is out of line with international trends is only now being highlighted as re-investing companies hone in on problem areas.

Most are making a cautious return — putting in stock, finding distributors and not much more. But they are a positive force. While government is focusing on areas which affect local industry, multinationals are speeding up reform in other areas.

Not four months after setting up office, Polaroid has lobbied to reduce duties on photographic equipment. "Cameras and film were never manufactured in SA so didn't need protection from overseas competition," says Steve McCall, Polaroid's business director. Polaroid has instructed its lawyers to act against the grey market which flourished in its absence and continues to do so. "As long as duties on photographic equipment are high, goods will be smuggled in."

Foreign chambers are adding a voice: "SA is viewed in a very positive light in Britain, but the degree of regulation makes it unattractive for some companies to commit themselves," says UK consul-general Peter Longworth.

Officialdom has not been solely to blame for stagnation. Says McCall: "A trader mentality developed here which ignored the need to build relationships or make long-term commitments to channels of distribution. A product was brought in from wherever the best prices were offered but there was no follow-up. There was no concept of building relationships or making long-term commitment to developing channels of distribution. There is going to have to be a fundamental change."

There are other problems.

SA has a technology lag. "Now it is probably undergoing the fastest technological revolution in the developed world," says McCall. "A lot of money is going into training."

Intellectual property rights are being re-examined. While laws are sound, there was little policing by foreign companies. Local "entrepreneurs" took the gap and pirated trade marks, stole designs, flooded the marketplace with counterfeit products and infringed copyrights. Investigations reveal that almost all so-called Levi jeans for sale in a test area were counterfeits.

Says Hennie Roeland, assistant director of corporate security for Levi Strauss, who has spent 50 years policing international fraud: "If I were to compare (piracy in) SA to a foreign country, it would have to be (the notorious) Turkey."

Says Lawrence Reyburn, patent attorney and partner at Webber Wentzel Bowens: "Some reinvesting companies initially allowed a phasing-in period to those who had infringed property rights. Now many are saying the moratorium has lapsed and they are taking action."

The Business Software Alliance (BSA), formed to detect American software piracy, is one of these. "Piracy of software runs at 68% which translates into a loss of revenue of R222m," says Rob Katz, chairman of BSA and MD of Microsoft.

Reyburn says, however: "While there is still a degree of piracy going on, there has, since 1993, been a marked increase in the use of the intellectual property laws. Foreign companies are both building assets in intellectual property and policing them."

Four years ago many South Africans thought Gatt was an insect, says international trade attorney Leora Blumberg. Protected by government, local industry remained comfortably in its laager. Now, however, with the gates open to foreign trade and protection lifting, the local market is exposed and vulnerable.

To find itself in the new world trade order SA is going to have to dance to the tune of the Uruguay Round. This is going to be a lot less painful if local industry joins government and re-investing companies in shaking off the sanctions mindset. ■

The winners and losers

(74) FM 3/3/95

With SA already firmly positioned in the high import category, economists are expecting the trend to be exacerbated with the introduction of Gatt.

Having shown a predilection for anything foreign, consumers will be faced with unprecedented choices as falling trade barriers open up local markets to the world.

But at what cost to SA's manufacturing industries? What does Gatt mean for the future of the country's domestic and foreign markets? According to Transnet senior economist Mike Schussler, the overall effect will be competition — welcome competition which will benefit free trade and force manufacturers to take a hard look at enshrined, protective-type dogmas.

The Gatt secretariat estimates that SA's average tariff reduction will be about 40%, taking into account items on which tariffs were increased as part of the restructuring.

All 127 Gatt signatories must lower tariffs over five years in five equal parts, starting as of January 1 this year, and fully operational by April 1. But SA has been given eight years for its motor manufacturing and textile industries.

Agriculture has six years but all quotas must be dropped within 90 days and changed to tariffs. From here these tariffs must be dropped by 36% on average and a minimum of 15%.

The double-whammy effect of the dropping of SA's tariff walls/surcharges will impact mostly on consumer goods where prices could fall 25%. But this is dependent on rand stability — if the unit does not decline faster than indicated in the economic models used in the equation. Schussler says this does not mean that prices will drop 25%, but that over the five year phase-in period prices will be 25% less than they would have been without Gatt.

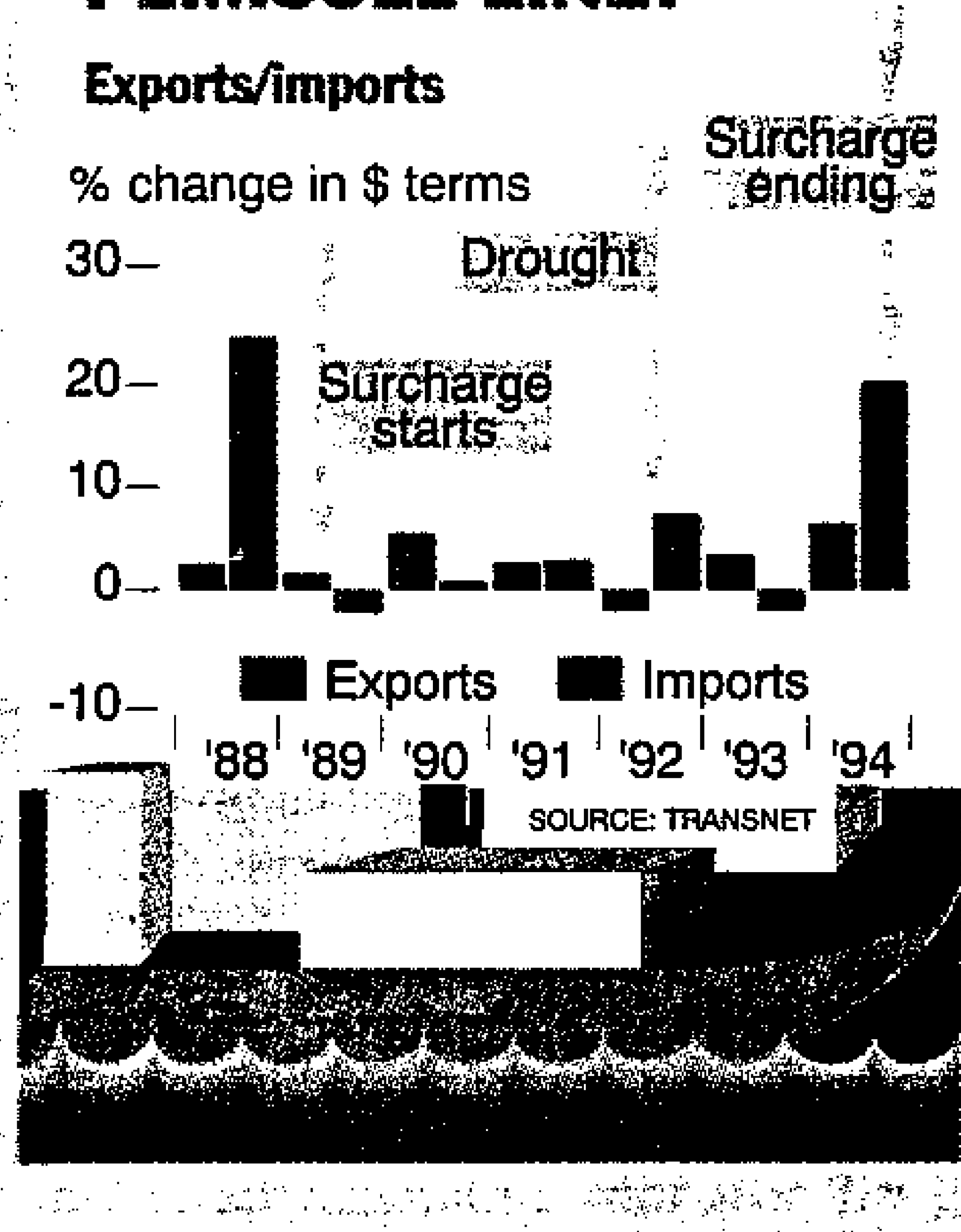
Admitting that the figure sounds dramatic, Schussler points out that if the rand drops by 5% a year, this figure will be cut by 50%. He predicts the price of imports will decline relative to local products which will lead to a shift in demand in the consumer market to imports. The price effect will not only come from tariff levels dropping, but also from the elimination of surcharges.

If surcharges are taken into account, a different picture emerges. Introduced in 1988, the full effect of the curbs was only felt in 1989. The charg[illegible] 5% to 10% on capital goods, 2[illegible] on intermediate goods and 30% to 40% on consumer goods, proved to be a major deterrent in pandering to exotic consumer tastes. The result was a dramatic decline in imports (see graph) to basically zero in 1990 and a small increase of 2,4% in 1991. Drought in 1992 saw a 5,8% surge due to maize imports but by 1993 the figure fell away to 1,4%. A recovering economy and the phasing out of the surcharge last year saw imports boom by 17,4%.

The clothing and textile sector was, and still is, one of the most protected sectors of the economy. Tariffs in the textile sector are high forcing clothing tariffs even higher. The Gatt effect will open up the rag trade and a 22% increase in imports by volume and 60% by value is expected over the next five years. Clothing is the one product category where the fastest decrease in prices will be seen. Most of the import growth will come from SA's neighbours — Zimbabwe and Mauritius — where labour is cheaper.

The food sector should be one of the major beneficiaries when input costs of primary products from the agricultural sector drop out as import controls disappear. This sector will also get more export opportunities as previously protected markets open up and increased world demand for food, resulting from higher GDP growth, boosts prices. SA consumers will also benefit from increased choices and lower, more stable prices.

PLIMSOLL LINE?



The bulk chemicals sector will be advantaged as increased access to the European arena will lead to a loss of market share for high-cost Continental producers. The local industry has seen a strong surge in exports already with a 40,4% growth in rand value last year over 1993. Imports into this sector should not exceed 7,5% in volume and 20% in value after Gatt.

But Schussler sees mining as one of the strongest growth sectors for SA — especially coal and iron ore. SA has a competitive advantage over most OECD countries. An example is Germany where coal mining is heavily protected through quotas and regulations which will have to go. Domestic coal in Germany costs DM309,5/t compared with DM98,96/t for imported coal.

The German utilities are bound by long-term contracts to buy domestic coal to meet 86% of their needs. The remaining demand may be bought in from importers. This type of protection in mining products (except precious metals) is common among most OECD countries with the exception of Canada, the US and Australia.

As this massive protection is lifted, strong volume growth is expected in the South African mining industry which is known to be highly competitive. Exports from SA are expected to increase about 10% in volume and 30% in rand value.

In contrast, the motor manufacturing industry will become fiercely competitive as Gatt comes into effect along with recommendations from the Board on Tariffs and Trade. Effective tariffs will fall from 140% (end 1993) to 40% in 2002. Motor vehicle components will be reduced to 30% (also from an effective 140%) and that industry looks set for a buffeting. Motor manufacturers will also be hit by the phasing out of Phase Six of the local content programme as this is not allowed under Gatt's Trade Related Investment Measures (Trims).

Schussler says motor industry imports will jump 100% in rand value and about 35% in volume. The 4% operating profit for vehicle manufacturers and the 15% for component manufacturers is expected to decrease over the next five years.

The tightly regulated steel industry will also be hit as it will no longer benefit under the General Export Incentive Scheme. Exports are expected to be maintained but at lower profit margins. Added to this, there will be more competition from imports as tariffs drop — metal-based industries will switch many of their steel components to imports which will see the local market shrinking.

And the end result? Intensified competition at a time when SA is emerging from the halcyon years of protection which saw manufacturers relying heavily on government intervention at the slightest hint of *uitlander* rivalry.

Coming out of its *cordon sanitaire* after nearly half a decade of inward industri[illegible]on; anti-dumping rules and easy [illegible] granted any industry which applied for it, local manufacturers will have to alter the mindset of the siege years.

Though entrenched interests will argue the case for continued protection, economic sense dictates that the time has finally come for local manufacturers to face the stark reality of being part of the global market — or perish. ■

SA invited to join anti-tariff group

BD 28/3/95

CAPE TOWN — SA had been invited to join an international group campaigning for government subsidies and import tariffs on agricultural products to be abolished, visiting Australian Trade Minister Bob McMullan said yesterday. (74)

Import tariffs on farm produce amounted to a tax on food and could not be justified by countries committed to social equity and development.

McMullan, accompanied on his visit by business, mining and education leaders, witnessed the signing of an agreement on a R50m joint venture between Australian and local companies to build 600 houses near Johannesburg. — Sapa.

Queen

(74) BD 20/3/95

□ From Page 1

to host the delegation, which will be led by British Trade Minister Richard Needham.

Needham and his delegation are also scheduled to visit Johannesburg, where they will meet political and business leaders.

On March 28 British Invisibles, an association of delegates from leading financial services groups in the UK, will host a seminar with 40 of SA's top businessmen on doing business with the EU, the Commonwealth of Independent States and central Europe, and the restucturing of state enterprises.

The British Invisibles delegation includes the Bank of England's deputy governor, Smith New Court's international equities MD, London Commodity Exchange's CE and Hill Samuel Bank's MD.

Seminars on on education and health care will be hosted aboard the yacht on March 29 and 30.

Talks on 'ocean rim' concept

(74) CT 21/3/95

CAPE TOWN: Representatives of South Africa, India, Kenya, Singapore, Mauritius and Australia meet next week to discuss the Indian Ocean Rim concept proposed by President Nelson Mandela.

The meeting, hosted by the Mauritian government in Port Louis, is a crucial first initiative to explore greater co-operation among Indian Ocean littoral states.

Mr Mandela's call for co-operation among Indian Ocean Rim countries, made during a state visit to India in January, has received strong support.

Mr Ismail Dossa, first secretary at the Mauritian High Commission in Pretoria, said India, Singapore and Australia had openly indicated their interest in the idea.

Government officials, academics and businessmen will attend the meeting, from March 29 to 31.

While not on the agenda for the first round of talks, the possibility of an Indian Ocean trading bloc linking industrialised states such as South Africa, India and Australia with the Indian Ocean islands is not precluded.

Mr Dossa said the absence of an Indian Ocean forum to discuss matters of regional interest was one of the key motivating factors.

South African Foreign Ministry sources said the countries involved had different expectations, but the need for greater co-operation was generally accepted. — Sapa

Third World anger delays trade accord

(74) CT(BR) 23/3/95

By Robert Evans

REUTERS

Geneva — Developing countries, angered by a backstage deal between the United States and South Korea, yesterday blocked the quick endorsement of Italy's Renato Ruggiero as director-general of the new World Trade Organisation (WTO).

As Ruggiero headed for Geneva to meet key trade envoys, diplomats said efforts to muster the quick support of all 128 eligible countries had failed and would resume today.

"There is little doubt that he will get the job, perhaps by Friday, but many of us are trying to make it clear that we will not be pushed around any longer," said one envoy from an emerging economy.

A further signal that the former Italian trade minister was not yet home and dry came when an informal meeting of an inner group of WTO ambassadors was set up last night.

WTO general council chairman Krishnasamy Kesavapany of Singapore, charged with achieving a consensus on naming a chief after months of squabbling, had hoped to call a formal meeting at which a final decision could be revealed. Diplomats said he would probably try for a formal session today.

Resistance from developing countries was not specifically focused on the 64-year-old Ruggiero, but on the way the United States cleared the way for him after initially opposing his candidature.

Early this week it was reported that the United States had engineered the withdrawal from the race of Ruggiero's only rival, South Korea's Kim Chul-su, by offering him the post of deputy to Ruggiero.

Developing countries who had backed Kim, also a former trade minister, were aghast and demanded to know why such a compromise had been made by two countries alone.

African members of the WTO and the General Agreement on Tariffs and Trade (Gatt) also asked why they had not had the chance to have a deputy director-general. They said the big trade powers often cut deals behind their backs in Gatt, but they had hoped that such practices would end under the WTO, which was launched on January 1.

☐ See Background & Analysis

GATT now requires only parliamentary approval

80 23/3/95
(74)

TIM COHEN

CAPE TOWN — The new General Agreement on Tariffs and Trade (GATT) cleared its first hurdle in Parliament yesterday — being approved by one of two parliamentary trade and industry committees.

Officials consider it a formality that the GATT agreement, officially known as the Marrakesh Agreement, will be approved by the Senate trade and industry committee and by Parliament.

The agreement is being submitted to Parliament because it was signed by former Finance Minister Derek Keys prior to the election and is subject to parliamentary approval.

In terms of the agreement, which established the World Trade Organisation, SA's 12 000 tariff lines will have to be adjusted to 6 000 lines by the end of the five-year adjustment period.

Instead of 55% of tariff lines being bound by the previous GATT agreement, about 98% of SA's goods will be bound in terms of the new agreement.

In addition, government will no longer be able to raise tariffs without the agreement of the World Trade Organisation.

Tariff lines that currently have 80 different levels, between 0% and over 100%, will be standardised into six levels, with a maximum tariff of 30%.

All remaining quantitative controls and duties will have to be replaced with ad valorem duties.

Some economists have argued that world trade will increase by between $200bn to $400bn as a result of the agreement, although most of the benefit will be reaped by the established industrialised and newly industrialised countries.

Who'll come a waltzing?

(74) FM 24/3/95

As South Africans dream of toppling world champion Australia in the opening match of the Rugby World Cup in Cape Town on May 26, another Australian team — no less important — is about to hit these shores.

Trade Minister Bob McMullen will next week lead the first wave of an Australian offensive to improve economic and diplomatic relations with SA, when he arrives in this country for a three-day working trip.

Next month, dozens of Australian companies are expected to take part in an Australian trade fair at the World Trade Centre, outside Johannesburg. Then in late May — conveniently coinciding with the World Cup opener — Foreign Minister Gareth Evans will visit Cape Town for talks with SA government officials.

Australian diplomats are confident history won't repeat itself. For many South Africans, the enduring image of Australian diplomacy in action remains that of Evans' previous trip, in 1991. Towards the end of a visit that was always tense, Evans' notorious temper finally got the better of him when he exploded in rage at security police for allowing journalists to follow him into the Western Cape township of Khayelitsha.

Even the Australian media labelled it a major gaffe. Evans himself remembers it as a "squalid episode" but one justified by the political circumstances of the time.

The event is unlikely to be repeated, given Australia's new courting of SA. McMullen, whose laid-back style masks what political opponents acknowledge is a shrewd bargaining brain, recognises that SA can be an invaluable regional ally.

SA is seen by the Australian government as a key player in a number of moves to develop regional co-operation — most notably in the southern hemisphere and among nations bordering the Indian Ocean.

SA has already been invited to become part of southern hemisphere environmental and agricultural groupings that Australia, among others, hopes will counter what it considers the disproportionate influence of northern hemisphere countries. Environmentally, SA has already held discussions with officials from Australia, New Zealand and South American nations. On agricultural issues, SA has been invited to join the regional Cairns Group lobby.

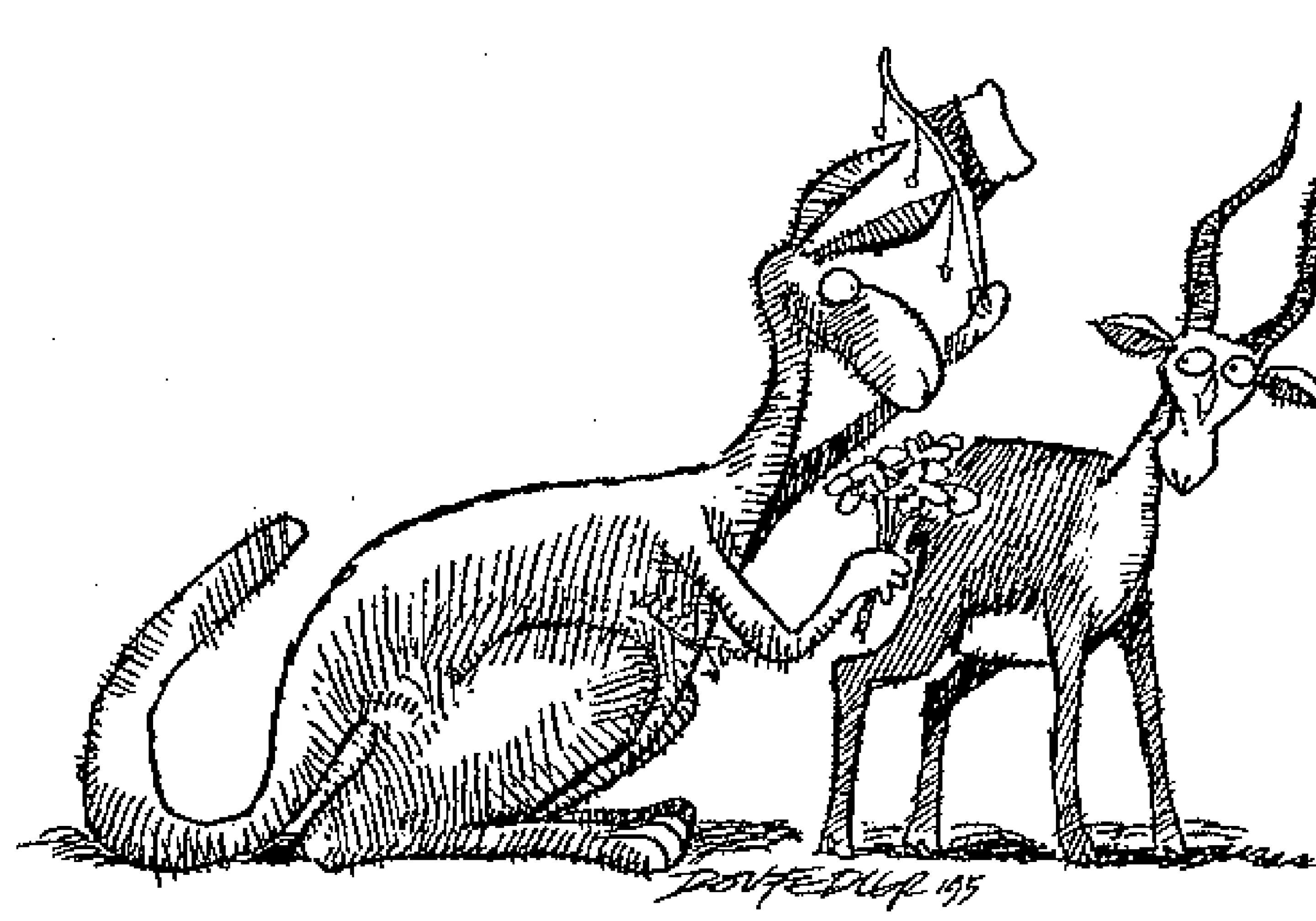
But it is the idea of co-operation among nations around the Indian Ocean, that is exercising most minds in Canberra now — an idea that won the vocal support of Deputy President F W de Klerk on his February visit to Australia.

In recent years, Australia has concentrated heavily on expanding its activities in south-east Asia. Though not neglecting traditional trading partners such as the UK, Europe and US, it has substantially increased both its business and influence in the Asian subregion. Co-operation has been across a broad band of issues, including regional security.

McMullen stresses that Australia does not see itself as part of Asia, but its very proximity makes it a logical partnership. It has not been an easy one. Human rights abuses in nations such as Burma and Indonesia, as well as diplomatic spats with Malaysia, among others, have complicated Australia's dealings with south-east Asia. McMullen and Evans agree that the benefits to Australia outweigh the disadvantages.

Now they are eyeing the Indian Ocean region as well, as part of what Foreign Affairs officials call a new "Looking West" policy. Two factors have brought the issue to the fore: SA's political reacceptance, and potentially huge economic growth in India.

Some analysts in Australia believe the opening of the Indian economy could offer even greater investment and trade prospects than China, and naturally Australian commerce and industry wants to earn as large a slice as it can. But beyond that, Australia would like to see a re-emergence of the historical Indian Ocean regional trading and co-operation patterns that existed before colonialism disrupted them.



Evans describes the Indian Ocean region as "a large, empty hole" now. With Australia, India and its neighbours, SA and other African nations, the Gulf States and various other countries involved, the scope is considerable.

A preliminary meeting to discuss possible regional co-operation has been held in Mauritius, and Australia will host a broader gathering in Perth in June, to which about 30 countries have accepted invitations. No-one is making firm commitments or predictions, but there is optimism that the principle has broad acceptance.

Initial agreements could concentrate on trade, suggests McMullen. Later issues might include regional security, drug trafficking and product piracy, among others.

Australia's increasingly export-orientated economy welcomes SA's re-emergence, though not without misgivings. McMullen and Evans bear the message that commerce and industry in the two countries are complementary. Many businessmen see it otherwise. SA and Australia are both major producers of minerals, agricultural products, wine and a host of other goods.

Australian coal producers, in particular, are eyeing SA nervously as it starts making inroads into markets previously barred to it. Also, SA and Australian mining groups are becoming neighbours all over the world as they explore internationally for minerals.

Some SA businessmen believe Australia's support for sanctions was part driven by the desire to knock a major competitor out of overseas markets — a notion denied by Australian officials.

Still, there's no denying that there is scope for increased trade and co-operation. The very similarities between the two industrial bases — particularly in mining — should, in theory, offer huge scope for technology transfer and sharing of ideas. An increasing number of Australian companies favour the idea of joint ventures.

One area in which SA can certainly learn from Australia is international competitiveness. While SA industry and government continue to pay lip service to the idea of ending protection and seek to retain the highest barriers possible under Gatt, the Australian government has thrown down the gauntlet firmly to its own industry.

Where the SA motor industry wants to reduce protection no lower than 40%, Australia's own target is 15% — and that is high by comparison with many other industries. Australia's Labour Government took the painful view in the early Eighties that if Australian industry was to flourish, it must be internationally competitive.

No-one denies it was painful, but now the worst of the transition is over and both employment and business are improving, there is growing acceptance that it was the right decision.

The danger, of course, has been that many of Australia's trading partners have kept far higher barriers and the country has often competed on unfair terms. Still, despite a surge in imports, exports have also risen, and now account for over 20% of Australia's national product.

As McMullen puts it, the beneficiaries of this enforced competitiveness have been Australian industry and consumers alike. He won't dictate to SA, but the message is clear: if you want to be world competitive, then do it. ■

UK is SA's 'ideal partner'

BD 24/3/95 (74)

MUNGO SOGGOT

BRITAIN was the ideal trade partner for the new SA, British Trade Minister Richard Needham said yesterday before leaving on a five-day trade mission to the country.

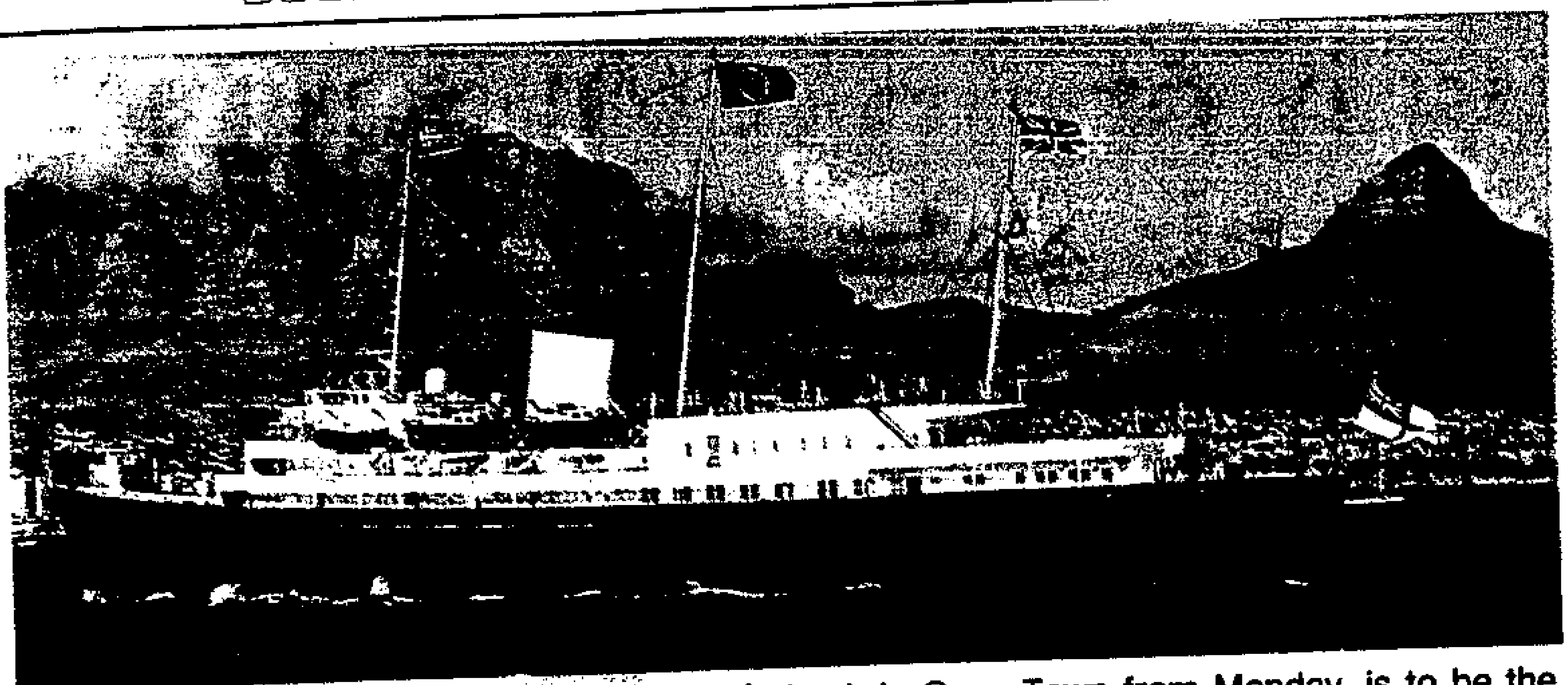
Needham said he would visit Cape Town and Johannesburg with a delegation of senior business people from building and construction, civil engineering, power generation and electricity distribution, water supply, banking and airports. Another 40 British companies would be involved in presentations and discussions during the royal yacht seminars on education and health.

These activities were part of a government/private industry trade promotion drive marketed in SA as Britain Means Business and in the UK as Opportunity South Africa.

Britain was the largest foreign investor in SA, with investments worth £8bn to £10bn at market value. "The past year has seen a 25% rise in exports compared with 1993."

SA's commitment to Gatt endorsed: The trade and industry parliamentary committee has endorsed South Africa's signing of the Marrakesh Agreement by the former finance minister, Derek Keys, which committed South Africa to the Uruguay round of the General Agreement on Tariffs and Trade and to the newly formed World Trade Organisation

(74) CT (BR) 24/3/95



☐ **ROYAL VENUE:** The royal yacht Britannia, back in Cape Town from Monday, is to be the venue next week for a series of top-level seminars, including a gathering of British and South African business leaders to be hosted by British Trade Minister Richard Needham. Mr Needham, who is due to arrive in Cape Town on Monday, will meet Deputy President Thabo Mbeki and Trade and Industry Minister Trevor Manuel.

Australian, British trade ministers coming to SA

ARG 25/3/95 (74)

COLIN DOUGLAS
Business Staff

AUSTRALIAN Trade Minister Bob McMullan is to arrive in Cape Town tomorrow at the start of a five-day visit to South Africa.

In the same week that his British counterpart, Richard Needham, seeks to cement South Africa's trade ties to its north, Senator McMullan will invite his South African hosts to look eastward to form business partnerships around the Indian Ocean's rim.

"This mission gives us the opportunity to develop strategic links in a number of target industries," he said.

In South Africa, and during a subsequent visit to Mauritius, he would hold talks on the development of an Indian Ocean regional identity as part of the Australian government's "Look West" trade strategy.

"This will include promoting an international seminar to be hosted by Australia in Perth in June."

He recently led a trade mission to India, and is soon to visit the Persian Gulf, to strengthen Australia's links around the ocean's shores.

Senator McMullan, who will be accompanied by a delegation of Australian business leaders, is to meet senior South African government figures including Finance Minister Chris Liebenberg and Trade and Industry Minister Trevor Manuel.

A central theme of these discussions would be Australia's value as a "springboard" for South African companies wishing to do business in South East Asia, he said.

He aimed to help update South African perceptions of Australia, emphasising its credentials as a source of sophisticated manufactured goods, technology and services.

"As Australians are becoming acquainted with the new, post-apartheid South Africa, it is time for South Africans to gain a contemporary understanding of Australians and Australian inventiveness.

"The perception of Australia has understandably been in a bit of a time warp. People think of us as the Australia of the 1970s — the mining Australia, the agricultural Australia, the tourist Australia.

"But manufactures and services are the most rapidly growing area of our economy and of our exports."

Although Australia did not see itself as a major player in development aid in Southern Africa, he would discuss his country's capacity to help the reconstruction and development programme in his meetings with his South African counterparts, Senator Mc Mullan said.

RDP-related assistance would be focused on education and training where Australia had particular expertise.

Big chances for SA in China, but . . .

(74)

ARG 25/3/95

From JOHN VILJOEN

HONG KONG. — There are lucrative opportunities for South African companies to trade with the People's Republic of China, but the volumes the country's one billion population requires are a headache.

"When they look for grapes and biscuits, they look for a lot," South African consul-general Michael Farr commented in Hong Kong.

Total trade between Hong Kong and South Africa topped HK $9 billion last year, while direct trade with the People's Republic in the first 10 months of 1994 was worth more than HK $3 billion.

Coal, iron and steel remain South Africa's largest exports to Hong Kong, accounting for 40 percent of the total.

Chemicals, paper and pulp, semi-precious stones and food are other major export items to Hong Kong, while about 50 tons of gold was shipped here for use by the jewellery industry.

The 1994 trade figures showed a slight downward trend caused by events in South Africa, but the figures for January showed a considerable improvement, said economic consul P Kriel.

There was a potentially large market for South African companies wishing to sell food to Hong Kong and mainland Chine, but volumes were a problem.

South African companies also struggled to produce manufactured goods to compete with those from China.

Although Chinese goods were often slightly inferior, they were well priced. And quality improved year by year, Mr Kriel said.

"The prices are a problem. Sometimes we think it's dumping, but they actually manufacture at these prices."

China's lack of infrastructure represented a major opportunity for South African companies involved in constructing roads and bridges.

"The problem is we don't have enough steel manufactured in South Africa. I'm not exaggerating when I tell you I have 20 inquiries a day for steel," Mr Kriel said.

Lomé still closed to SA

(74) By SVEN LUNSCHE

THE government has expressed its disappointment over the European Union's latest plan for granting South Africa preferential trade terms.

Instead of preferential access to the EU through the Lomé convention, Joao de Deus Pinheiro, the EU's Commissioner responsible for South Africa, this week offered a two-track plan for trade-relations.

In terms of the strategy South Africa will only be granted qualified Lomé membership — in areas dealing with political dialogue, regional co-operation and industrial incentives — and will have to negotiate a separate bilateral free-trade agreement with the EU.

Lomé links the EU with 70 African, Caribbean and Pacific nations. South Africa wants to join the agreement as it provides favourable trade access, particularly for agricultural goods.

Mr Pinheiro will present his proposal to the European Council of Ministers for approval on April 10. If supported it will become official EU policy.

"We would be extremely disappointed if this proposal was carried by the Council of Ministers," says Faizel Ismail, consultant to Department of Trade and Industry on multilateral trade negotiations.

He says the SA government has been and will be lobbying European governments for a change in the proposal.

Mr Ismail says that the EU has entered similar bilateral trade agreements with other Eastern European countries, providing favourable trade access to these countries. A few years down the track the countries have to reciprocate with similar access to their markets.

Sensitive areas, such as agriculture, textiles and steel, could be excluded from the free-trade pact, Mr Ismail says.

ST(BT) 26/3/95

SA's help sought in Oz trade dispute

.ARG 28/3/95

(74)

COLIN DOUGLAS, Business Staff

AUSTRALIAN Trade Minister Bob McMullan has asked for the South African government's support in his battle against American and European barriers to free trade in food.

Slamming US and European Union (EU) farm subsidies and import tariffs, Senator McMullan said he had invited South Africa to consider joining the 17-nation Cairns Group of free traders in agricultural produce, which he chairs.

He was speaking at a Cape Town Press conference yesterday after meeting Trade and Industry Minister Trevor Manuel, Finance Minister Chris Liebenberg and other members of the Cabinet.

"Tariff protection on agricultural produce is a tax on food," he charged, saying farmers' subsidies effectively amounted to a transfer of wealth from poorer to richer sectors of the population.

"The world is better served by open markets — and we've opened ours."

Australia has slashed its trade tariffs and has abolished import quotas.

Movement in the direction of free trade in South African tariff policy was to be applauded, Senator McMullan said.

He had raised the matter of South Africa's existing food tariffs in his meeting with Mr Manuel.

Last year the Board on Tariffs and Trade, faced with shortage-driven food inflation, dropped tariffs on some meat imports, largely sourced from Australia — but retailers have pressed Mr Manuel to deliver further reductions.

In his meeting with Mr Manuel, Senator McMullan had mooted the possibility of South Africa's joining the Cairns Group, which he credited with the inclusion of agricultural produce in the General Agreement on Tariffs and Trade (GATT) and with pressurising the US and EU on farm policy.

Senator McMullan also announced a joint housing venture between Australia's Homestead Homes and South Africa's New Housing Company to build 600 homes near Johannesburg.

The R50 million deal was a boost to one of the most important elements of the Reconstruction and Development Programme, he said.

It demonstrated the extent of the opportunities for bilateral trade, which were greater than he had anticipated.

Commenting on a by-election defeat at the weekend for Australia's Labour government, he said even in the event of a change of administration at the next election — due within a year — the country's free trade policy, which was bipartisan, would remain unchanged.

BD 28/3/95

Trade forum plan fails to inspire SA

LINDA ENSOR

(74)

LONDON — The trade-negotiating platform proposed by the European Commission — to be released later this week — fell far short of full SA membership of the Lomé Convention, sources said yesterday.

Government is said to be dissatisfied with the proposals. But in the short term it wants to get negotiations under way as soon as possible.

The EC is to propose part-membership of the Lomé Convention complemented by bilateral trade relations with European Union members.

The EC's proposed negotiating mandate will be presented to the full college of commissioners tomorrow.

An EC source said that SA membership of Lomé would be confined to the convention's rules of origin and that trade and market access would be governed by bilateral agreements.

He gave three reasons for the restricted approach: GATT provisions made it difficult to give one-sided concessions to SA; the interests of the other Lomé members (African-Caribbean-Pacific nations) would be eroded by full SA membership; and certain European sectors could suffer if SA got general preference.

He said the EC would propose that EU member states establish "free trade area" relations with SA.

However, an SA embassy spokesman in Brussels said SA would not be able to agree to a free trade area agreement as it belonged to a customs union and could not impose reciprocity on its partners.

SA lobbies for full Lomé benefits

LINDA ENSOR

LONDON — The SA government has issued an urgent and strongly worded plea for SA products to be granted full preferential access into the EU market under the Lomé Convention.

Yesterday, on the eve of the EC disclosing its proposed negotiating platform for its pending trade talks with SA, SA ambassador in Brussels Neil van Heerden handed an aide memoire outlining SA's position to the commission.

The EC's proposals for a twin-track approach which excludes SA from the convention's trade preferences and suggests that a free trade agreement be signed between SA and the EU, falls far short of what SA wants.

Van Heerden stressed that improved access to the European market under the Lomé Convention was vital for the socioeconomic development of SA and southern Africa, and argued strongly against the proposal for a free trade agreement.

His memoire also highlighted the way SA exporters were being heavily discriminated against by the EU.

Van Heerden noted that SA exporters to EU markets still faced serious discrimination compared with its non-European competitors. An analysis of 156 of the most important SA exports to the EU showed that it continued to impose substantial Most Favoured Nation (MFN) tariffs on about one-third (45) of the items.

"The great majority of these products are not covered by the GSP offer already made to SA. Yet the EU offers substantial preference on many of the items to SA's competitors. For example, on just under half of the 45 products the EU provides all of SA's competitors with more favourable access."

Van Heerden said that some of these countries were more developed than SA, whose export profile was similar to most developing countries in Africa, the Caribbean and the Pacific. SA's 15 principal exports were in the category of primary and processed primary products.

He said the discrimination suffered by SA exporters "bears heavily on those labour-intensive industries the government wishes to support".

The aide memoire emphasised that SA required Lomé Convention access to support its current programmes to restructure its industries, develop its competitiveness and assist with regional co-operation.

(74)

BD 29/3/95

SA put on Japan's duty-free list

JOHN DLUDLU

THE Japanese government decided yesterday to include SA in its list of beneficiary nations under the generalised scheme of preferences (GSP), a move which will give duty-free access to a limited range of agricultural products and a broad range of industrial goods. (74) BD 29/3/95

GSP is a nonreciprocal preferential trade arrangement which gives developing countries' exports greater access to industrialised countries' markets.

Japanese embassy second secretary K Yoshino said the scheme — which comes into effect on Saturday — would cover a broad range of industrial products and a limited range of agricultural items.

He denied claims that his government had been slow in responding to SA's request to be granted GSP treatment. The delays had been caused because his government had received trade statistics, customs control and regulation data from the SA government only three weeks ago, although talks began last October.

Trade sources canvassed yesterday said it was too early to quantify the benefits of the Japanese move, but said SA's steel, iron and ferro-alloys would benefit.

According to Japanese government trade statistics, SA exports to Japan grew 16% to $2,2bn last year, while SA bought Japanese imports worth $2bn. Yoshino attributed SA's edge in trade to a rise in SA maize exports last year, and a slump in imports of Japanese automotive components during the motor industry strike.

SA would be the 113th nation to be included in the Japanese GSP scheme.

(~~38~~) (74)

Rough road to Lomé

ARG 29/3/95

Business Staff

BRITAIN is prepared to promote South Africa's interests in the European Union, but South Africa is unlikely to qualify for full membership of the Lomé convention, says British Trade Minister Richard Needham.

South Africa would probably have to negotiate a bilateral treaty with the EU, in addition to limited benefits derived from Lomé, which grants European trade concessions to 70 developing countries.

Mr Needham was speaking in Cape Town last night in an interview on board the royal yacht Britannia, venue for a British trade promotion function.

Britain was "100 percent" behind South Africa's bid for easier access to European markets, but the South African bid to join Lomé was complicated by the size of its economy, which was massive compared to the other Lomé nations.

While qualified membership of Lomé remained open to South Africa, further favourable trade terms for South Africa would have to be negotiated seperately with the EU, British government officials said.

Britain, along with other key EU members such as Germany, would support South Africa within the EU during such negotiations, as "the UK is clearly South Africa's natural champion in issues of this sort", said Andrew Sanders, group director of Britain's Department of Trade and Industry.

"Other members of the EU see South Africa as a threat, and there will inevitably be a negotiated settlement — at the end of the day South Africa has to come to its best negotiating position.

"We are prepared to promote South Africa's interests in the EU *par excellence*," he said.

Mr Needham said he was very pleased to back in South Africa after a 35-year absence, and vowed to return on another top-level trade mission later this year.

His visit forms part of the Britain Means Business campaign, which is aimed at cementing trade and business ties between the two countries.

Earlier Mr Needham encouraged South Africa not to shrink from privatisation.

Addressing a seminar aboard the Royal Yacht Britannia, he said South Africa should boost private investment in public enterprises.

"The arguments for encouraging private enterprise in South Africa are so powerful they cannot be ignored," Mr Needham added.

Closer ties for SA, Europe

CT 30/3/95

74

BRUSSELS: The European Union yesterday unveiled plans for closer ties with South Africa culminating in a free trade accord within a decade.

"This is an ambitious plan which confirms our determination to strengthening our links with South Africa," EU development commissioner Mr Joao Deus Pinheiro said.

Under the proposals approved yesterday by the EU's 20-member executive commission, South African goods will be given easier access to EU markets.

In return, South Africa should agree to open its markets gradually to European exports. Mr Deus Pinheiro said the EU would give South Africa about five years to bring its industry up to a level where it could compete with the EU.

"South Africa is a special case which deserves a special commitment from the European side," he said. —Sapa-AP

Indian Ocean rim talks on

(74) CT 30/3/95

JOHANNESBURG: Australia's Trade Minister Mr Bob McMullan said yesterday that enhanced links with South Africa improved the prospects of an Indian Ocean trade model, but his country would sign no deals at the expense of its Asian partners.

Australia's Asian markets account for 60% of its exports.

"An Indian Ocean rim is potentially, in the medium term, the most important issue in our relationship," he told a news briefing here after talks with the South African Chamber of Business.

Trade bloc

"We're open to the views of all countries in the region, particularly South Africa and India," he said.

Mr McMullan, who is leading a business mission representing Australia's housing, telecommunications, minerals, manufacturing and automobile sectors, said the broader reason of his visit was the formation of an Indian Ocean trade bloc.

Meanwhile, six Indian Ocean rim countries opened talks in Mauritius yesterday on the possibility of setting up an economic bloc. The first international meeting on the Indian Ocean Rim Initiative brought together 40 delegates from Australia, India, South Africa, Singapore, Oman and Mauritius. — Reuter

Australian Trade Minister Bob McMullan, left, his adviser Soraya Kassin and Australian High Commissioner Ross Burns at a news briefing in Johannesburg yesterday at the conclusion of the Australian trade mission's visit to SA. Picture: ROBERT BOTHA

Too early for 'rim bloc'

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JOHN DLUDLU

THE concept of an Indian Ocean rim trading bloc was premature, but there was wide scope for potential economic co-operation in the region, visiting Australian Trade Minister Bob McMullan told a news briefing yesterday.

This applied particularly to SA and Australia.

McMullan said a number of possible areas for co-operation had emerged during his discussions with his SA government counterparts, especially Trade and Industry Minister Trevor Manuel, in Cape Town.

Avenues available included collaboration through the planned trading bloc, which would link countries around the Indian Ocean rim.

BD 30/3/95

Australia would encourage its private sector to invest in SA.

And Australia would welcome SA investments.

Commenting on the concept of the Indian Ocean rim, which is rapidly gaining popularity, he said it was still premature to talk about a "trading bloc" and instead talked about increased co-operation.

Yesterday, representatives from SA, Australia and India, the three leading countries in the planned bloc, met in Mauritius to begin discussions on the initiative. Further discussions would take place at a major conference planned for June in Perth.

Australia exports goods and services valued at R924m to SA and imports R660m worth.

February's trade figures shock

(74) Star 31/3/95

DIVE of 70 percent highlights Dr Chris Stals' concern over import propensity

BY CLAIRE GEBHARDT
ECONOMICS EDITOR

South Africa's monthly trade surplus dived 70 percent in February to R315,9 million from R1 043 billion in January on sharply higher imports.

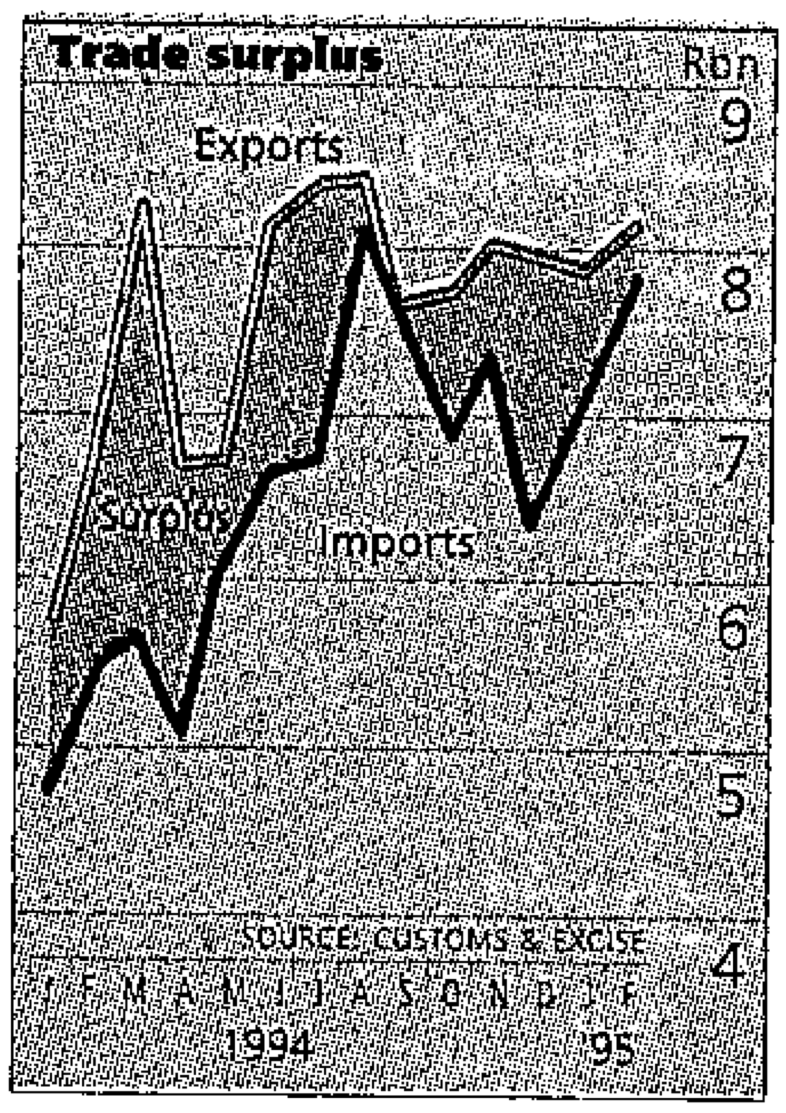
Customs and Excise figures released yesterday showed imports grew to R7,87 billion from R6,79 billion in January.

Economists said the miniscule surplus was "a shocker" and explained in part why the figures had been released a week later than expected.

The figure also highlighted Reserve Bank governor Dr Chris Stals' concerns about the import propensity of the economy once growth picked up.

Frankel Pollak Vinderine economist Mike Brown said only the firm rand, which indicated that money was coming in on the capital account, would stay pressure for another bank rate hike.

Econometrix director Dr Azar Jammine said that were it not for the growth in exports, the country would have seen its first monthly trade deficit in a decade.



Exports increased marginally to R8,18 billion in February from R7,84 billion in January.

SAFTO economist Linda Smith said February's R1 billion, or 16 percent increase in imports month-on-month could be attributed to a rise in oil and vehicle imports.

Oil imports were up R624,8 million or 127 percent and vehicle imports were up R319 million or 33 percent.

February's car sales figures were up 20 percent on a month-on-month basis.

The increased local demand for vehicles was also reflected in the fall-off in vehicle exports, down 37 percent on January's level which indicated that local order were receiving preference over foreign orders.

Economists said machinery imports remained high and would place the trade balance under continued pressure in 1995 given higher economic growth.

Exports had disappointed — without a significant diamond sale and improved base metal exports, the surplus would have been even smaller.

Unification

Smith said foreign exchange earners such as gold (unclassified) and mineral products fell significantly: "The Reserve Bank may have held back gold exports in order to protect the rand upon unification."

The agricultural sector was performing well with vegetable product exports nearly doubling and exports of prepared foods up 32 percent.

Jammine said some of the import demand might have been in anticipation of the scrapping of the finrand and a sharp weakening of the unified currency.

Manuel vows to fight limits on EU access

(74)

ARG 1/4/95

ALIDE DASNOIS
Deputy Business Editor

TRADE and Industry Minister Trevor Manuel intends to fight moves to limit South Africa's access to European markets — and he has the support of SA's neighbours.

In an interview with Weekend Argus, Mr Manuel said the position taken by the European Commission this week was "substantially flawed".

The commission recommended only partial membership for SA of the Lome Convention, which offers developing countries in the Africa-Caribbean-Pacific (ACP) group easy access to markets in the European Union.

"Abstracting South Africa out of the Lome framework will create difficulties for the region," Mr Manuel said.

Mr Manuel identified two positive aspects to the "window on Lome" proposed by the commission:

■ The application of cumulative rules of origin to South Africa, which means that goods produced in neighbouring countries with inputs from SA will qualify for free access to European markets;

■ Authorisation for South Africa to tender for development projects funded by the European Union.

But, he said, the commission's proposal of a bilateral agreement leading to a free trade area did not take account of other southern African countries.

"We need to live out our responsibilities to the region," Mr Manuel said. South Africa was coordinating the finance and inward investment portfolios of the Southern African Development Community (SADC) and was committed to regional integration. Differential access to European markets for countries in the region would not stimulate integration.

European countries argue that South Africa is not a developing country and that free access to European markets for South African products would edge out exports from the 70 ACP countries.

But ACP countries, including SA's neighbours, have given their support to South Africa's Lome bid.

In an interview, SADC senior economist Chungu Mwla in Gaborone said SADC was opposed to special treatment for South Africa.

"We consider it would weaken the ACP group to treat South Africa as a special case. Our position is that South Africa should be given access to all aspects of the Lome Convention because this will help develop the South African economy, to the benefit of the whole region."

Mr Mwla said with the exception of sugar, where ... land and Zambia had expressed concern about competition from SA on European markets, SADC countries were not worried about being overtaken by South African exports.

In some cases, SADC countries were not able to fill the quotas allocated by the European Union. Zimbabwean beef exporters, for instance, had recently taken up part of Botswana's beef quota because supplies from Botswana had not been sufficient.

European Union ambassador Erwan Fouere said the free trade proposal would be better for SA in the long term than full Lome membership.

"We are suggesting something unique, tailor-made for South Africa, which offers greater flexibility."

The proposal would be discussed by European Union foreign ministers on April 10 and could be adopted at their May monthly meeting. Formal negotiations could start by mid-year, he said.

■ Meanwhile, South Africa is considering applying to join the Cairns Group of 17 countries which export agricultural products, as an observer.

Questioned on an invitation by Australian Trade Minister Bob McMullan to join the Group, Mr Manuel said: "There's a lot to be said for interacting with groups like this who are grappling with strong lobbies like the United States ... the European Union."

South Africa would "put out feelers" to other members of the group. "If they agree, we could do it."

Labour, trade policies in turmoil

ST(BT) 2/4/95 (74)

By CIARAN RYAN and KEVIN DAVIE

GOVERNMENT, labour and business were embroiled in a series of disputes this week, leading to charges that the absence of a coherent economic policy threatens to derail recovery in key sectors of the economy.

Disputes erupted on several fronts this week:

☐ Business suspended its participation in fuel negotiations in the tripartite forum, Nedlac, after the government missed a self-imposed deadline to table its proposals on the future of the fuel industry.

☐ Sasol said the terms of reference for the inquiry into its tariff protection had been agreed with the oil industry, but an industry spokesman says: "That's news to me."

☐ A furious war of words over the pace of proposed textile tariff reductions between the textile and clothing industries culminated in a march by 3 000 workers to a small business conference in Durban.

☐ Botswana-based Hyundai says it will oppose government's new complete knock-down (CKD) definition announced this week as "it is contrary to Gatt, to which SA is a signatory".

Hyundai was responding to an announcement that lower duties on semi knock-down kits would be phased out over two years.

☐ Cosatu reportedly has rejected key parts of the draft Labour Relations Bill, placing it on a confrontation path with business and threatening to postpone "fast-track" labour reforms.

Other disputes which remain unresolved include:

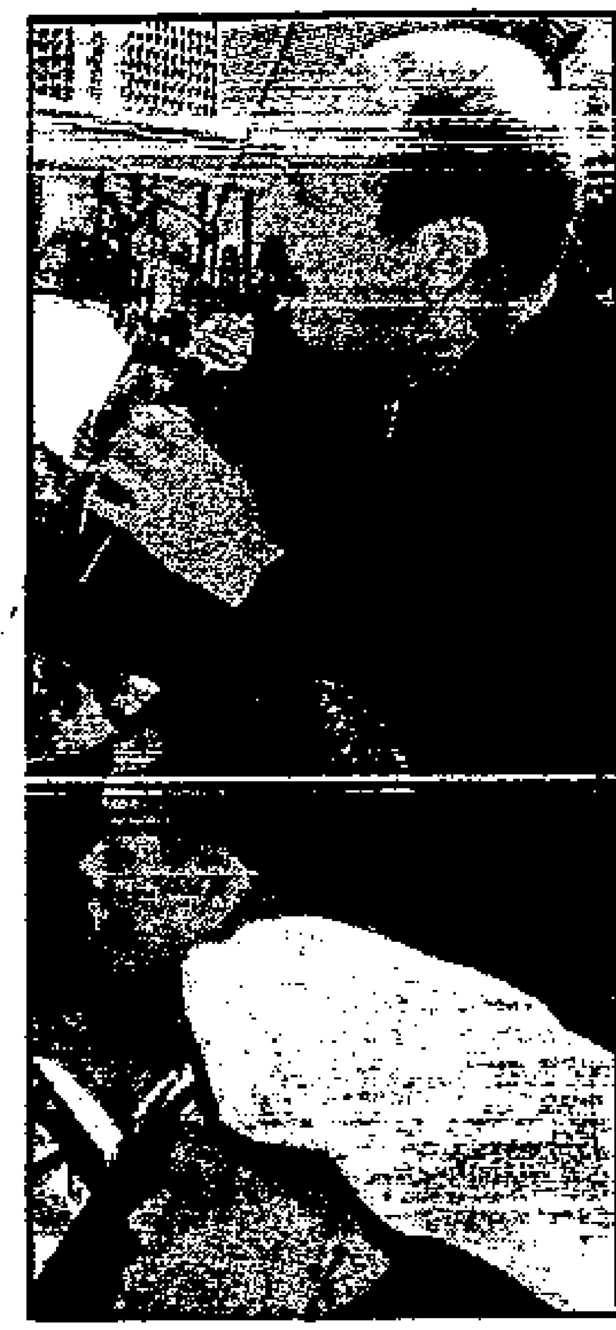
☐ The Organisation of Livestock Producers and the South African Futures Exchange say they will challenge the proposed Agricultural Marketing Act — which retains contentious provisions for single-channel marketing and compulsory producer levies — in the Constitutional Court.

☐ The car assembly and motor component manufacturers are at loggerheads over proposed tariff reductions.

Meanwhile consumer discontent is looming over the proposed 6c/l increase in fuel on Wednesday which could be followed by a further 4c/l rise in May.

Business believes government is baulking at the question of reducing its involvement in the fuel industry, making it difficult to plan for the future.

"The lack of clarity on economic and industrial policy is making it harder to make decisions on advancing money to certain sectors of the economy, such as clothing and textiles and the motor industry," says Nedcor economist Kevin Lings.



IN THE FIRING LINE . . . Trevor Manuel

Industrial Development Corporation economist Flip Kotze says progress is being made in shaping a national industrial policy.

But key areas still to be resolved are the future of the motor and clothing and textile industries, the finalisation of the tariff phase-down over the next five years, Gatt, and supply-side incentives to replace the General Export Incentive Scheme.

"The formulation of an industrial policy is taking longer than many people would like, largely because of the extensive negotiations which are taking place between all the role players," says Mr Kotze.

Mr Manuel indicated this week that the future of clothing and textile industries needs more negotiation. Industry sources say the government is likely to agree to the Swart report, which proposed a ten-year tariff phase-down, but say a shorter period of six to eight years is likely.

The Swart proposals are below the ceilings required in terms of South Africa's offer to Gatt. But the clothing industry wants faster lowering of tariffs over two to five years.

Ebrahim Patel, labour convenor at Nedlac, says a too-quick reduction in tariff barriers could see South Africa lose its its manufacturing base, reports **JEREMY WOODS**.

"More than half a million jobs could be lost in one industry and its ancillary operations, though other industries like the car industry would suffer a similar fate.

"We favour the reduction of tarriff barriers, but argue for a careful management over time and with other support mechanisms being put into place," he says.

JOB INSECURITY . . . textile workers protest against tariff reductions in Durban

Pictures: Richard Shorey

Lome complaints rejected

(74)

South Africa's exclusion from the Lome Convention's trade agreement is 'for the benefit of southern Africa' says the EU

BY JOHN FRASER
ARGUS FOREIGN SERVICE

Brussels — The European Union has rejected South African complaints about a new trade offer which will deprive the country of full membership to the Lome Convention.

European commissioner Joao de Deus Pinheiro insisted that South Africa would win a good trade deal, even if it could not be accommodated inside Lome, the treaty linking the 15-member union with 70 African, Caribbean and Pacific (ACP) countries and which offers the latter the most favourable trade access.

"I insist that the objectives of South Africa are absolutely possible — and much more easily obtained — through the kind of approach we are proposing," Pinheiro said.

"These include greater access to the European market, with the possibility of keeping some defences for their own market to protect some industries," he said. South Africa would not want a trade deal which was to the detriment of its neighbours, as many feared it would be, if South Africa achieved full membership of Lome.

South Africa's Brussels ambassador Neil van Heerden, earlier expressed "disappointment" at the strategy, which was approved by the 20-strong European Commission last week and still has to be put to the union's foreign ministers in Luxembourg today week.

Van Heerden's concern about the strategy is that the free trade agreement which the union envisages would mean the gradual dismantling of South Africa's own trade barriers. In contrast, EU trade concessions would not have to be matched. The separate trade negotiations were also envisaged as being protracted.

South Africa's proposed exclusion from the trade elements of Lome, Pinheiro said, would nonetheless result in "qualified" membership in other areas of the convention, like political dialogue.

"It would be impossible for the Lome Convention, with South Africa in it, to win a waiver from the Gatt free trade rules," he said.

"Secondly, the effects might have been detrimental to some ACP countries."

"Thirdly, I doubt that some European Union states would accept some of the concessions on trade under Lome."

Pinheiro said that South Africa will be able to negotiate a phased reduction of its own trade barriers against imports from Europe, to give continued protection to vulnerable industries.

"A prosperous and democratic South Africa brings a window of opportunity in southern Africa for the first time in many years."

"If southern Africa can join forces with South Africa, we will have a reliable partner with which we can build for the future."

EU foreign ministers are not expected to give speedy approval to the commission's strategy. Formal negotiations between Brussels and Pretoria may have to wait until May or June.

CT(BR) 3/4/95

Govt to have a say in EU aid targets

(74)

BY JOHN FRASER

ARGUS FOREIGN SERVICE,

Brussels — The EU is planning to sign an ambitious new aid protocol with South Africa next month.

The signing is to be held during a visit to South Africa by EU commissioner Joao de Deus Pinheiro, who is responsible for relations with South Africa.

The protocol will mean that for the first time the South African government will have a key role in helping target EU aid.

Europe currently offers this country a more generous aid package than any other African country, with a budget this year of around R555 million.

This figure is set to rise in the next few years, if the European parliament votes through suggested increases.

Officials in Brussels have tried to target their aid to complement the RDP, so most of it goes towards healthcare, education, training, help for the townships and for basic industry.

Non-government organisations, such as trades union and church bodies, were instrumental in distributing EU aid in the past.

Brussels officials say that they intend to continue working through these groups wherever possible, despite the EU's improved relationship with the government.

It was only this year that the EU first published full details of its aid to South Africa. Until then, it had operated behind the scenes.

CT(BR) 3/4/95

EU group deliberates on SA access

LOUISE COOK

A EUROPEAN Union technical working group would meet today in Brussels to consider SA's trade access to Europe, German Food, Agriculture and Forestry secretary Wolfgang Grobl said yesterday.

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Opening the first World Food and Farm exhibit at the Rand Easter Show yesterday, Grobl would not be drawn on the possible outcome of the EU deliberations, but said GATT made it necessary to work out a "new framework" between the EU and SA.

Grobl said Germany was looking for lower tariffs from SA to export agricultural machinery for small scale farming. Increased co-operation in wine making, brewing, meat processing, and cattle and dairy farming was also on the cards.

"Whereas Germany's overall balance of trade with SA is positive at DM1,7bn in 1993, Germany shows a negative balance in agricultural trade with SA. In 1993 Germany imported agricultural goods from SA worth DM370m, while exports totalled only around DM45m."

German agriculture ministry director Sonja Kreitmair said the EU deliberations were likely to be finalised within the next few months.

Also speaking at the trade show, Agriculture Minister Kraai van Niekerk called on the EU to lower import tariffs on goods from SA.

BD 4/4/95

Kenyans complain about SA trade barriers

(74)

CT(BR) 4/4/95

By Joe Khamisi

ARGUS FOREIGN SERVICE

Nairobi — Two leading Kenyan manufacturers have complained that they are being shut out of the lucrative South African beverage market by what they call "rigid protectionist policies".

This complaint was made yesterday in separate interviews with Paul Chemngorem, managing director of Kenya Wine Agencies and Nigel Parmley of International Distillers Kenya.

Chemngorem said his company's fruit wines were rejected by South African authorities last year.

"They told us our papaya wine did not meet the official classification of a wine, although we gave them all the data in support of the product."

He charged that this was protectionist even though South Africa subscribed to Gatt principles.

Noting that Kenya had given unlimited access to South African goods, Chemngorem said he could not understand why Kenyan goods were being restricted.

Parmley said an arrangement to export 1 000 cases of coffee liqueur to South Africa in 1993 collapsed because of government restrictions.

An official at the South African High Commission in Nairobi acknowledged the restrictions, but he said these would be removed in the course of the year and exporters could relaunch their products.

The premium liqueur, made from Kenya's prized peaberry coffee beans, was launched in Johannesburg in March 1993. In a ceremony in Nairobi at the time, Dries Venter, South Africa's representative in Kenya and now the high commissioner, described the liqueur as the first industrial product from Kenya to be exported to South Africa.

World trade growth at its fastest since 1976

CT (BR) 4/4/95

(74)

By Clare Nullis

SAPA-AP

Geneva — The volume of world trade in goods grew last year at the fastest pace since 1976 and is expected to show another healthy increase this year, a report says.

Economic recovery in Europe and an expansion in exports and imports in North and South America were responsible for the boost, the World Trade Organisation (WTO) said. Africa and the Middle East were the dark spots in an otherwise glowing report.

The volume of exported goods rose by 9 percent last year, more than twice the 1993 rate. The value of global merchandise sales shot up by 12 percent to top $4 trillion for the first time, WTO said.

Trade in services like banking and tourism grew 6 percent to an estimated $1 080 billion.

The WTO predicted the volume of global imports and exports would rise by 8 percent this year, though it cautioned that turmoil on the currency markets might jeopardise this.

It said international merchandise trade grew much more quickly than production, which increased 3,5 percent last year.

Acting WTO chief Peter Sutherland said the figures "mean growth in business, in jobs and in living standards."

The WTO started life on January 1 this year. It succeeded the General Agreement on Tariffs and Trade and is in charge of implementing a massive market-opening agreement that is expected to boost trade and the world economy over the next 10 years.

The United States was the biggest single trader — and deficit nation — last year. Its merchandise exports rose 10 percent to 512,7 billion and its imports were 14 percent up at $689,2 billion.

Germany followed with $421,9 billion of exports and $376,6 billion in imports.

In third place, Japanese exports of goods rose 10 percent to $397 billion and its imports increased 14 percent to $275,4 billion. Despite continuing US accusations about Japanese trade barriers, imports like computers, telecommunications equipment, automotive products and clothing was much higher than the domestic growth demand.

A key to the international trade expansion was the recovery in western Europe. The value of exports and imports rose by 11 percent after big drops in 1993.

North American merchandise imports rose 14 percent to $846 billion, while exports more than doubled to $679 billion. Strong demand in the US helped push up Latin American exports by 15 percent. Latin American imports rose 16,5 percent to $218 billion.

In Asia, imports soared in Malaysia, South Korea and Singapore as well as in Japan. Export increases of at least 30 percent were recorded for China and Singapore. China has risen from 20th to 11th among world exporters in the past decade. The fall in world oil prices was blamed for declines in trade in the Middle East.

R360m Japanese loan for SA bank

BD 5/4/95 (74)

JOHN DLUDLU

The Development Bank of Southern Africa and the Japanese Export/Import Bank would sign a R360m loan agreement in Tokyo today, which would be used to refinance the Development Bank's loan book, the SA bank said yesterday.

The largest chunk of the loan — about R110m — would go to the new Community Bank, which is aimed at banking "the vast unbanked part of the SA community".

Asked if the bank — which has traditionally lent to former homelands — was now shifting its focus by lending to external private sector organisations, a development bank's spokesman said the re-alignment had started in 1990.

Disbursements of the Japanese loan could be made up to three years from the signing date. The loan, at concessionary interest rates over 15 years with a five-year moratorium on capital repayments, came after two years of hard negotiations.

Other funds would go towards the financing of small business development, urban and rural infrastructural development as well as agricultural renewal projects.

Development Bank acting CEO Nick Christodoulou said: "We were able to arrive at a precisely defined loan which will underpin clearly identified RDP type projects in the provinces because it is focused at a specific target population and is going to be effective."

The loan would enable the bank to assist nongovernmental financial institutions targeting emerging farmers and businesses.

Community Bank CEO Cas Coovadia said in terms of the contract signed with the development bank they had drawn half of the R110m loan. "We don't need the rest," he said.

The funds would be used as part of the Community Bank's initial capitalisation.

The Japanese government last year pledged a $1,3bn aid package to SA, made up of a $500m portfolio in concessionary Exim loans. About $300m in loan finance has been given to the Development Bank for a wide range of projects, including small business development.

According to the bank's spokesman, today's R360m loan was over and above the aid package.

Steady growth in trade forecast

(74) BD 6/4/95

IMPORTS and exports should continue to expand in the medium term, a Standard Bank report says.

Merchandise export volumes, excluding gold, are likely to grow 7% year-on-year from 5% last year, and to 8,5% in 1996.

Merchandise import volumes are likely to slow to an increase of 10% year-on-year from 17,3% last year, and should continue to slow to a gain of 8,5% next year.

"The phase of steady cyclical economic growth in the medium term for SA's traditional trading partners bodes well for export growth."

Newly opening markets for SA goods and services pointed to favourable export growth in the medium term. The report said exporters should focus on north and Southeast Asia, the Pacific Rim and North and South America to maximise export growth. — Sapa.

New director for trade strategy (74)

JOHN DLUDLU

THE Trade and Industry Department has appointed leading Cape Town University academic Alan Hirsch in a key position as chief director for industry and technology strategy.

The position, which has been vacant for a year now, entails heading several key subdirectorates. These include policy analysis and strategy, investment centre, technology promotion and systems co-ordination.

Trade observers said it was understood a key aspect of Hirsch's job would be to guide the formulation of the country's new industrial strategy.

The policy analysis component involved processing policy material and engaging external organisations.

Another subdirectorate would be the Industrial Development and Investment Centre, responsible for attracting foreign investors.

The centre would liaise closely with the National Economic, Development and Labour Council (Nedlac) on work on the formulation of the country's investment policy.

Other responsibities included negotiating investor protection treaties. Hirsch said the scrapping of the finrand would speed up progress on outstanding treaties. BD 6/4/95

On technology promotion, he said the subdirectorate — until now responsible for monitoring SA's licensing arrangements between companies — could broaden its role to promote the introduction of new technologies in SA.

Hirsch has been involved with the government's task team responsible for negotiating SA's long-term relationship with the EU.

(74) CT(BR) 6/4/95

Indian Ocean working group set up: Seven Indian Ocean rim countries, including South Africa, have set up a working group to investigate closer regional economic cooperation following a conference in Mauritius late last month.

World economic summit in May: The Southern African Economic Summit of the World Economic Forum will take place on May 11 and 12 in Johannesburg. The summit is expected to attract senior business and political leaders from the region.

Mondi opens in Australia: Mondi Paper said yesterday it had opened an office in Australia to serve its export market to that country. A division of the R3 billion a year Amic subsidiary and integrated forest group Mondi Ltd, Mondi Paper achieved worldwide sales of more than R350 million during 1994.

CT (BR) 6/4/95

Japan in debt after disasters: European credit rating agency IBCA estimates the total bad debts held by the 21 large Japanese banks to be around $400 billion at current exchange rates, arising from the weak economy, strong yen and Kobe earthquake. Japanese banks are likely to have to make a Y4 trillion provision in 1994/95 although the banks' operating profits will be only about Y3 trillion.

Brain drain continues: The brain drain from South Africa continued in the first 10 months of last year, with 1 726 professional, semi-professional and technically qualified people leaving the country. Over the same period South Africa admitted 954 skilled immigrants, according to figures released by Minister of Home Affairs Mangosuthu Buthelezi in parliament.

CT (BR) 6/4/95

Parliament ratifies Marrakesh agreement

(74)

BD 7/4/95

ADRIAN HADLAND

CAPE TOWN — The Marrakesh agreement on trade liberalisation was ratified by Parliament yesterday.

The agreement, which marked the culmination of the Uruguay Round of GATT negotiations, was signed provisionally by former Finance Minister Derek Keys in December 1993.

Keys said at the time the agreement required formal ratification by the democratic government to be elected in SA.

ANC MP Rob Davies urged the National Assembly to accept the agreement as SA was "better off in than out" while SA's offer had been a relatively good deal under the circumstances.

SA's offer in the agreement, which was prepared by the former National Economic Forum, secured phase-in periods for tariff reductions on a range of products including clothing, textiles and motor vehicles.

Davies said the ratification should not signify, however, that SA accepted a satisfactory trade regime had been established.

The process of negotiation in the Uruguay Round was "highly uneven and unequal" and was dominated by the US, Canada, the European Union and Japan.

The agreement had included, as a price for limited concessions to imports from developing countries, elements that had not been featured in international trade agreements in the past.

These included trade-related intellectual property measures, trade-related investment measures and a chapter on trade in services.

"As well as having to introduce tariff cuts, we will be obliged by this agreement to introduce stronger patent laws limiting the extent to which we can adapt technology without paying royalties to patent owners in the advanced industrial countries," he said.

Investment promotion measures would also be constrained while SA would be obliged to open up its financial and service sectors to foreign competition.

Davies called for SA to pursue an active presence in the newly established World Trade Organisation to push wherever possible for modifications to the agreement that would improve the position of southern Africa and SA.

Mandela's eyes on Gulf export market

(74) CT(BR)7/4/95

FROM SAPA

President Nelson Mandela, who visits four Gulf states next week, will seek to promote investment, trade and technology transfers with the oil-rich Persian Gulf region.

Mandela will visit Kuwait, Qatar, Bahrain and the United Arab Emirates from April 8 to 13.

The President's visit is designed to strengthen ties and expand relations with the region, which could become a major export market for South African consumer goods, capital equipment and technology.

South Africa is also keen to promote itself as an attractive venue for investment, a key element in the government's strategy to ensure sustained economic growth and the success of the RDP.

South Africa's relations with the Gulf states have expanded rapidly since last year's elections.

Kuwait, which has established diplomatic ties with Pretoria, has offered its expertise in developing South Africa's oil industry. A deal for the supply of one million tons of crude oil has been signed.

In January this year, a South African embassy was established in the United Arab Emirates.

Joe Modise, the defence minister, represented South Africa at Idex '95, the largest defence show in the world held in Abu Dhabi, capital of the UAE.

South Africa set up a mission in Bahrain in 1993, and reciprocal visits have been arranged by the South African Foreign Trade Organisation and the Bahraini Chamber of Commerce.

South Africa and Qatar negotiated an air agreement in September 1994 but no direct flights have started operating yet.

Countries in the Gulf have expressed interest in the Northern Transvaal's Gateway Project, which entails converting Pietersburg's disused air force base into a modern airport to promote economic growth in the region.

The Gulf International Bank recently sent a fact-finding mission to explore investment opportunities, while officials of the Kuwaiti Investment Authority and the Kuwaiti Fund for Arab Economic Development are due to visit South Africa soon.

Private banking groups such as the Saudi American Bank and the National Bank of Bahrain have targeted South Africa as one of their new investment locations.

Kuwait has shown interest in South Africa's research on solar energy and fisheries

The similar climates of South Africa and the Gulf region provide a ready market for research-based technology.

The CSIR's division of water technology is pursuing opportunities in both Bahrain and the UAE. Kuwait has shown interest in South African research on solar energy, noise pollution and fisheries.

However, opportunities for development aid are limited. The countries of the Gulf Co-operation Council each donate 3 percent of their GNP to charity, but it is devoted almost exclusively to the needs of the Arab world.

SA trade bears fruits of political change

(74) CT (BR) 7/4/95

BY CLAIRE GEBHARDT
ECONOMICS EDITOR

The abolition of apartheid, combined with global developments, had dramatically altered South Africa's international trading environment, said Standard Bank.

A report issued by the bank yesterday said political change had opened up markets which for political reasons had previously been denied to South African exporters.

Trade statistics showed expansion in three areas — the former USSR and its satellites, the People's Republic of China and other countries in the old central planning economic grouping.

The bank said export penetration was likely to increase most visibly with rapidly growing economies such as those in Asia.

"Trade with industrial market economies which had imposed the tightest trade sanctions against South Africa is also showing significant growth, for example, North America, Australia, New Zealand and Scandinavia."

Countries with large economies like the United States would also assume a higher profile in trade.

A further positive development was the rapid growth of trade with African states as well as trade with the Middle East.

"Intra-African trade can be expected to grow as South Africa exploits its position as the dominant economy in its region and seeks to promote greater regional integration.

"Trade with the Middle East and the Indian Ocean basin, which includes the Indian sub-continent and at its furthest extreme even Australia, is also likely to expand significantly."

The RDP would encourage inflows of aid and soft funding from international agencies.

LOMÉ CONVENTION (74)

Lobbying continues

FM 7/4/95

The European Union last week committed itself to giving SA Ecus500m in aid over the next five years. But it stopped short of allowing SA full membership to the coveted Lomé Convention, suggesting this could have negative consequences for member countries given SA's relatively strong economic performance.

"SA exports to the EU are the equivalent of more than 50% of the exports of all 70 countries combined," claims the union's Professor Joeo de Deus.

SA will, instead, enjoy what amounts to partial membership — preferential trade terms amounting to unfettered access to European markets will be excluded — and a trade and co-operation agreement that could lead to the establishment of a Free Trade Area.

"The proposal would allow SA, during a specified grace period, to get early access to the EU's market without having to grant similar treatment to EU exports. This would give SA industry time to restructure and enhance its competitiveness. Now, it is the only way to address SA's request for improved access to the EU market," states an EU document.

The EU proposal is not surprising, given the refusal of Gatt to grant SA developing-country status. SA is instead termed a country-in-transition, enjoying only some of the privileges accorded to developing countries.

Disappointed Trade & Industry Minister Trevor Manuel has vowed to continue lobbying for full admission to Lomé.

Government is particularly concerned that SA's agricultural products are likely to be excluded from the Free Trade Accord. Full membership to Lomé would have greatly enhanced SA's share of the EU agricultural market — a consideration thought to have motivated objections from Italy and Spain, in particular. Government also believes a free trade area could jeopardise SA efforts to restructure uncompetitive industries and develop an integrated regional trade regime. Organised labour would probably oppose creation of a free-trade area as it often leads to loss of privileges accorded by labour law.

Says a prominent SA businessman: "SA would do better to forfeit the Ecus500m aid component of the EU deal in favour of full Lomé membership. Aid allocations invariably get lost to bureaucracy. Access to EU markets would mean more jobs and real economic growth."

International trade consultant and former Trade & Industry assistant director Chris Gerber, however, says a free trade agreement could yield most of the privileges SA products need to obtain a foothold in EU markets. "Membership of Lomé also has potential pitfalls. SA's domestic needs could well have to give way to the regional needs of other members. This could be particularly detrimental since SA is the most socially and economically advanced country in the region."

Gerber concedes that there are numerous privileges that come with Lomé membership. But he stresses that if SA is to prosper in the long run, it needs to open up its own markets to competition rather than concentrate its efforts on gaining concessionary [illegible] markets. ■

SA making up lost time in the East

STAR 8/4/95

(74)

RAVIN MAHARAJ

LONG left out of most Middle East and Far Eastern countries, South African government officials and businessmen are making up for lost time.

President Mandela's visit to Kuwait, Qatar, United Arab Emirates and Bahrain from today until April 12 to seek support for the Reconstruction and Development Programme and co-operation in technology exchange signifies South Africa's return to international business, greater job opportunities and improved diplomatic relations.

SA Foreign Trade Organisation (SAFTO) spokesman Cecilia de Almeida told WeekendStar the stimulation of South African exports to Japan and the extension of air links between the two countries would increase this country's influence in the "lucrative" Far East.

Of particular significance was Japan's extension of a generalised system of packages to South Africa. This meant Japan had increased the number of business packages it was offering to South Africa.

Department of Transport spokesman Maurina Nel said agreements allowing SA Airways landing rights twice weekly at Kansai International Airport in Osaka had already been signed.

SAA's Far East/Australian route marketing [illegible] manager Thuleni Nzima said the airline was negotiating a deal with Japanese aviation authorities to allow aircraft to land at Narita International Airport in Tokyo.

South Africa also enjoys trade links with Hong Kong, Malaysia, Singapore and China. The Hong Kong Trade Development Council announced recently that it would open an office in Johannesburg. Hong Kong's exports to South Africa have grown by an annual average of 10% over the past three years and amounted to R2,4-billion in 1994.

Two-way trade

China exports textiles, light industry goods and foods to South Africa, and hopes to increase electronics and machinery shipments.

Liu Quinha, a deputy division chief of the Chinese Trade Ministry, said recently that two-way trade between South Africa and China would exceed R3,5- billion this year.

Following the increase in trade relations between SA and the lucrative Gulf region, SAFTO will lead a trade visit to Saudi Arabia, at the invitation of the Saudi government through the Association of Saudi Chambers of Commerce and Industry, from May 15 to 25.

Large-scale South African participation in the Middle East World Trade Fair in Dubai early next year has also been planned.

Police strike resolved by talks

Ambitious EU-SA pact proposed

74

Sowetan 10/4/95

Sowetan Foreign News Service

EUROPEAN UNION FOREIGN ministers are today due to be presented with proposals for an ambitious new accord between Europe and South Africa.

However, tough negotiation lies ahead as some protectionist EU states will be reluctant to offer SA a full range of trade advantages.

The EU's commissioner responsible for South Africa, former Portuguese foreign minister Joao de Deus Pinheiro, will be presenting his blueprint for European relations with the new SA.

Partial membership

This involves partial membership for SA of the Lome Convention—the EU's aid, trade and cooperation treaty with 70 African, Caribbean and Pacific (ACP) states.

It will also involve the maintenance of Europe's Special Programme of aid for SA worth around R555 million this year.

Pinheiro, who will visit SA in May, is also proposing a trade accord with the eventual goal of free trade between Europe and SA.

This is likely to be the most divisive, with many Southern EU states fearful of competition from SA exports, especially in agriculture.

"This opens the door for our case to come to conclusion, although I don't expect a substantive discussion at this EU meeting," said South African Ambassador to the EU Mr Neil Pieter van Heerden.

Van Heerden added that Pretoria did not accept all elements of Pinheiro's proposal and would be seeking to win trade concessions inside the Lome Convention.

Trade rules

This route has been rejected by the commissioner, who argued that world trade rules would not allow South Africa to benefit from the trade aspects of Lome.

"Only 10 percent of our exports to Europe are of agricultural products, but SA is strong in the agricultural export market, and that is a matter of concern to the Southern Europeans," stressed Van Heerden.

EU Foreign Ministers are today expected to instruct Brussels diplomats to study the proposals for negotiations with a full debate planned for the next Foreign Ministers' meeting at the end of May.

Star 11/4/95 (74)

EU ministers agree on new SA trade link

■ BY JOHN FRASER
FOREIGN NEWS SERVICE

Luxembourg — European Union foreign ministers yesterday agreed on the broad guidelines for an ambitious new relationship with South Africa.

They were briefed at talks in Luxembourg by the Brussels commisisoner responsible for South Africa, Joao de Deus Pinheiro.

Pinheiro is proposing that South Africa should be given partial membership of the Lomé Convention — the trade, aid and political co-operation accord between the EU and 70 African, Carribean and Pacific (ACP) states.

However, the commissioner has suggested that aid should continue to be handled outside the Lomé framework.

Meanwhile, he is also proposing a separate trade accord, with the eventual aim of free trade.

This latter point is being contested by South Africa, which is seeking trade relations inside the framework of the convention.

"We gave broad backing to the general guidelines," said French Foreign Minister Alain Juppe.

"I would expect negotiations with South Africa to begin after our next meeting, at the end of May."

The negotiations will be tough — as many southern EU states will try to maintain barriers against South African exports, particularly of farm products.

Pinheiro visits South Africa next month, to help prepare for the difficult negotiations.

An EU spokesman said that the South African point was taken at speed during the busy meeting of EU ministers. "There was no debate — that will come next month," he stated.

Focus on Business

Uganda woos SA trade

(74) Sowetan 12/4/95

■ ONE-STOP

South Africa

urged to invest:

By Patrick Wadula

UGANDA MINISTER OF Finance and Economic Planning Josh Mayanja Nkangi is in the country on a five-day visit with the aim of attracting South African investors to Uganda.

The minister is accompanied by minister of trade and industry Mr Richard Kaijuka and minister of tourism Mr Moses Ali, together with about 60 businessmen.

Speaking to the *Sowetan* at the Johannesburg Stock Exchange this week Nkangi said his delegates were interested in agro-processing, tourism, basic manufacturing in fields such as textiles and pharmaceuticals.

He added that among the delegates there were those interested in banking and entering joint ventures with South African counterparts.

Nkangi encouraged South Africans to invest in Uganda through the Ugandan Investment Authority.

"This is a one-stop centre where a new investor can present a business proposal.

" The centre is authorised to provide trading licenses," he said.

Mr Josh Mayanja Nkangi with JSE president Mr Roy Anderson (left) and acting deputy chairman of the JSE Mr Peter Redman.

Among the places the Ugandan delegation will visit are the South African Foreign Trade Organisation and the Rand Easter Show.

With an economic growth rate of between five and six percent a year, Uganda's imports from South Africa over the past year totalled R22,7 million, while exports to South Africa amounted to R1,6 million.

The delegation leaves South Africa for Uganda on Good Friday.

Trade course

By Patrick Wadula

SURVIVALIST business people, who have chosen to cross the bridge between despair and hope through their own enterprises in the neglected micro-enterprise sector, can participate in a business training programme known as the "township MBA".

The programme, conducted by the Association for Micro-Enterprise Business Activity, is aimed at traders, producers and service providers.

Ameba managing director Maggie Skosana says the course is available in English, Northern Sotho and Zulu.

British Overseas Development Aid, the major sponsors of Ameba, is committed to monitoring the progress of the training and business initiatives.

The only black association that is solely focusing on international trade is the South African Import and Export Association.

Founded in 1991 as a non-profit organisation, it is primarily involved in the networking of small and medium-sized enterprises focusing on manufacturing, import and export.

"We have just completed building a training room and we have import and export training courses that are affordable," says marketing executive Steve Bhana.

The association is backed by Swedcorp of Sweden, the British Consulate General in Johannesburg and the international division of Standard Bank of South Africa.

Govt team to tackle Pacific Rim concept

BD 13/4/95 JOHN DLUDLU (74)

GOVERNMENT was expected to appoint a four-person task team to assist in the investigation of potential benefits of co-operating in the planned Indian Ocean Rim trading area, Foreign Affairs spokesman Jacques Malan said yesterday.

The team was expected to be made up of two government officials, representing Trade and Industry and Foreign Affairs Departments, as well as business and the academic community.

The SA group, to be appointed within the next few weeks, would work with a larger group representing seven countriesto study the feasibility of the Rim.

The move followed last week's meeting of academics, business and governments from SA, Australia, India, Kenya, Mauritius, Oman and Singapore, the main Rim trading countries. The Rim has been provisionally defined to include the seven countries as core members, but membership would be open to other countries along the Indian Ocean.

The SA Foreign Trade Organisation was studying economic and other areas of co-operation, and a seminars were being planned for Johannesburg and Durban.

Foreign diplomats canvassed yesterday said the seven nations faced a challenge of selling the idea of the Rim to their main trading partners outside the Rim and the regional bodies they belonged to.

A major conference was being planned for Perth by businesses from the seven nations in June.

ST(BT) 16/4/95

SA trade 'mostly not free'

(74)

HIGH levels of trade protection have earned South Africa a "mostly not free" grade on a 101-country Index of Economic Freedom, **SIMON BARBER** writes from Washington.

The index, designed to help Congress allocate aid resources, is the work of the Heritage Foundation, a right-of-centre think tank.

Bryan Johnson and Thomas Sheehy, its authors, contend that US aid dollars have subsidised bad economic policies in developing countries and would be better spent on nations committed to market-based reforms.

To measure that commitment, they use a one-to-five scale to award countries scores on each of the factors they believe are critical measures of economic freedom. The lower the score, the freer the economy.

Factors include trade, tax and monetary policies, government consumption levels, openness to foreign investment, regulatory environments, and attitudes to private property.

South Africa's score in each category averages out at three, which places it 44th on the chart of 101, in the company of Uganda, Turkey and Venezuela.

Singapore and Hong Kong tie for first. North Korea and Cuba with 1,25 share honours for least free, with a perfect run of fives in every department.

EU offers SA its best trade deal yet

ST(BT) 16/4/95

(74)

By KEVIN DAVIE

THE European Union is dangling a juicy carrot before South Africa — an agreement giving SA products free-trade access to its $7 000-billion market.

The proposal by the European Commission, the EU's Brussels-based executive, envisages that most SA goods — including agricultural products — would be included in the deal, an EU source says.

The deal would be asymmetrical, giving South Africa immediate access to the European market while South Africa's own tariff barriers to the EU would be phased down over up to 15 years in the case of sensitive products, the source says.

The EU offer is expected to be made formally after a meeting on May 29, when the Commission is due to be mandated to begin negotiations with South Africa.

The Commission's proposal was presented to the EU's Council of Ministers in Brussels on Monday.

Neil van Heerden, South Africa's ambassador to the EU, says rules under World Trade Organisation (the successor to Gatt) allow for asymmetrical tariff reductions of 10 years.

Some experts argue that the phase-down can be longer in the case of "sensitive" areas, he says.

The Commission is pushing the free-trade deal, which has been described as the most preferential the EU has offered any country, because of EU member countries' strong investment and trade links with South Africa.

The EU accounts for 50% of foreign direct investment in South Africa, 40% of exports and 33% of imports.

Joao de Deus Pinheiro, the EU's head of relations with South Africa, has said the "generous" free-trade deal can be made to accommodate "everything South Africa aspires to".

Professor Pinheiro will use a visit to South Africa on May 11 and 12 to brief the government on the free-trade area. He says the free-trade area will also cover services and the free movement of capital.

"For certain products longer transition periods may be necessary for both parties." Mr van Heerden says South Africa will rather aim to secure market access through the Lomé Convention than a free-trade agreement.

Market access through Lomé has the benefit in that it is an existing package while the free-trade deal could involve product-by-product negotiations. It does not require a reciprocal lowering of tariffs.

However, Lomé limits market access, in the case of apples allowing 1 000 tons annually to be imported duty free. South Africa exports 200 000 tons of apples a year to the EU.

The EU is resisting SA membership of Lomé, saying South Africa's economy is too large to be accommodated within the special dispensation allowed by Gatt for the convention.

EU officials say SA membership of Lomé, described as a "poor man's club" and in which South Africa would have a 50% weighting, would cause its collapse as Gatt members would then withdraw their support for the convention.

Mr van Heerden says there could be opposition from EU members to the Commission's free-trade deal, especially in areas such as fruit, where South Africa is already a market leader in Europe both in price and quality.

But it is understood the Commission's proposals follow discussion with member countries to ensure the offer could be as generous as possible without creating too many problems for members.

HOLDING OUT: Neil van Heerden, SA ambassador to the EU, who says South Africa prefers Lomé membership

Trademarks law 'unfair'

By TERRY BETTY

THE Trademarks Act, set to come into effect on May 1 could turn out to be hostile to small business.

Ron Wheeldon, a trademark attorney with Webber Wentzel Bowens, says certain provisons in the new Act will increase the cost of registering a trade-

to big bullies because there will be less certainty.

For example, if a small entrepreneur wants to register a certain name for cosmetics, a manufacturer

3 - 23 September 1995

KEY ROLE *EU Commissioner Joao de Deus Pinheiro is to visit South Africa next month for talks on relations with Europe*

EU skims over proposals on SA

(74) CT(BR) 18/4/95

BY JOHN FRASER

ARGUS FOREIGN SERVICE

Brussels — European Union foreign ministers gathered in Luxembourg last week to hear proposals for future relations between Brussels and Pretoria.

EU commissioner Joao de Deus Pinheiro gave the foreign ministers an outline of the proposals.

They nodded wisely, agreed that officials from the 15 EU nations should study the proposals, and sped on to the next item on the agenda.

South Africa's relations with Europe received very low billing in a meeting that was dominated by talks with Central European foreign ministers, and a brief squabble over fish quotas.

All this had been predicted by South African diplomats in Brussels, who are hoping there will be a fuller debate on EU-SA relations at next month's meeting of European foreign ministers.

Between now and next month, teams of officials will be going over the South African blueprint with a toothcomb.

They will be dissecting every detail and formulating a strategy for the forthcoming negotiations, which are expected to begin in June.

If there is a new row over fish quotas, fresh violence in Bosnia or Chechnya, the South Africa file will be glanced at, briefly discussed, and then handed back to the same officials.

South Africa has every reason to be worried about the way in which these matters are handled, if past experience is anything to go by.

Last year, in two separate negotiations, the EU admitted South Africa to a scheme known as the Generalised System of Preferences, which lowers tariffs on SA exports to Europe.

On the first occasion, involving industrial goods, a number of exceptions were made to the tariff cuts, under pressure from Europe's more protectionist nations.

Again, when agriculture was discussed, the protectionists won, and only a fifth of the products which could have won the benefits did win the tariff cuts.

EU foreign ministers are able to weigh up the political advantages of helping South Africa against what it will cost Europe's farmers and manufacturers.

Their officials, on the other hand, are more likely to study the fine print, to water down the benefits, and to tilt the balance away from South Africa's interests towards those of the EU.

That is why Pinheiro, who is visiting South Africa in the middle of next month, has such a key role.

It will be his task to give a political input at the discussions so that blinkered bureaucrats do not ignore the primary aim of EU relations with South Africa — which is to help South Africa.

And once the negotiations begin in earnest, he will again have an uphill struggle in persuading hard-headed officials from the EU governments to be generous to SA.

The good news is that Pinheiro, unlike the 15 foreign ministers, should be able to devote the time needed to ensuring that the negotiations result in a deal which is sufficiently generous to South Africa.

For the ministers, South Africa is just another item on an always crowded agenda.

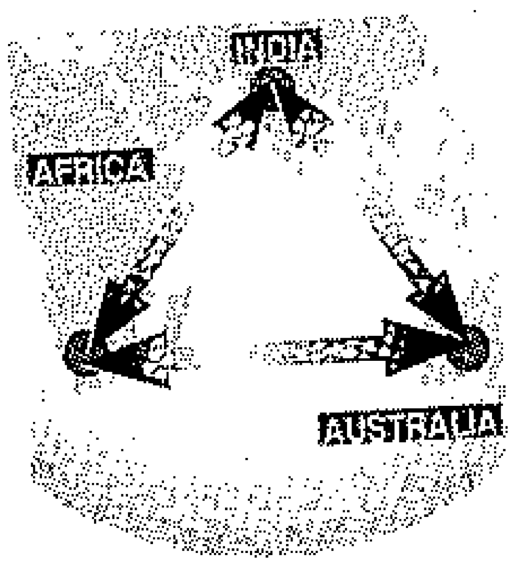
'Chaos' in SA ports: A lack of equipment combined with labour difficulties was causing a chaotic situation in South African ports, Ivan Clark, managing director of Unicorn Lines and newly elected president of the South African Shipowners' Association, said yesterday. (74) ~~(264)~~ CT (BR) 21/4/95

(74) FM 21/4/95

INDIAN OCEAN RIM REGIONAL CO-OPERATION

An idea whose time has come

It's the world's only major region without an existing economic grouping



Trade between the 30 countries bordering the Indian Ocean Rim (IOR) averages only 20% of their total trade. The balance, like their major markets, lies outside it.

Indeed, at a time of growing trade bloc formation the Indian Ocean stands out as the only major geographic region of the globe without a substantial economic grouping in place. The European Union (EU), North American Free Trade Area (Nafta) and Asia-Pacific Economic Co-operation (Apec) centre either on the Atlantic or Pacific oceans.

Now, nearly 500 years after Vasco da Gama rounded the Cape on his way to the east (destroying intra-Indian Ocean trade in the process, some believe), new moves are afoot aimed at filling this vacuum. It is an idea whose time has come and while most of the other eligible members with sound economies are watching developments and may well come on board, they tend, like Singapore or Oman, to be part of functioning regions already and are not critical to the IOR's success. Its prime movers are SA, India and Australia — the three countries which, Australia's Foreign Minister, Senator Gareth Evans, suggested in India last year, should "act as the triangle that could be the core" in turning the idea into reality.

At the end of March, delegates from seven "core group" states — SA, India, Australia, Singapore, Oman, Kenya and Mauritius — met in Port Louis, Mauritius, to discuss the possibility of enhancing co-operation among countries of the Indian Ocean Rim.

Importantly, representatives of the private sector and academia also took part — "tripartism" is built in to the initiative.

As the participants noted, the meeting took place against a backdrop of significant political and economic changes in the conduct of world affairs in recent years, the conclusion of the Uruguay Round of Gatt and the setting up of a World Trade Organisation which promises a more liberal international trading system; the growing trend towards regionalism; and the increasing adoption of market-friendly policies by a growing number of countries — notably India, which some see as a potential economic power with 400m middle-class consumers in the next century.

Other significant developments include SA's return to the international community, socialism's collapse, the rise of China as an economic giant and, of course, concern for the environment. Together, these changes towards an emerging new international order are, it seems, compelling nations to join economic alliances — despite the accelerated scrapping of tariff barriers in terms of Gatt.

The Port Louis meeting acknowledged the "vital interests shared by the Indian Ocean region in the expansion of free trade and investment regionally and globally" and expressed the conviction that closer co-operation is needed to use more effectively the human, natural and other resources of the region to reach and sustain accelerated growth of its economies.

RIM OF CO-OPERATION

In the spirit of "open regionalism" it was agreed "to seek to build and expand understanding and mutually beneficial co-operation through a consensus-based, evolutionary and non-intrusive approach."

The following principles will govern the entire IOR initiative:

❑ Co-operation should be based on respect for sovereign equality, territorial integrity, political independence, non-interfernce in internal affairs, peaceful coexistence and mutual benefit;

❑ Such co-operation should not be a substitute for bilateral and multilateral co-operation but should reinforce and complement such forms of co-operation;

❑ Such co-operation should be consistent with bi- and multilateral obligations;

❑ All sovereign States of the IOR will be eligible for membership;

❑ All decisions shall be taken on the basis of consensus; and

❑ Bilateral and other issues likely to generate controversy and be an impediment to regional co-operation efforts shall be excluded from the deliberations.

Its main objectives will be to:

❑ Promote the welfare of the peoples of the participating countries through carefully designed programmes to improve the standards of life;

❑ Promote sustained growth and balanced development in the region and member States;

❑ Formulate and implement programmes of economic co-operation, including inter alia, expansion of trade, tourism, direct investment, scientific and technological exchanges, and human resource development;

❑ Reduce impediments to lower barriers towards the freer and enhanced flow of goods, services, investment and technology within the region;

❑ Encourage close interaction of trade and industry, academic institutions and people of member countries;

❑ Strengthen co-operation and dialogue among members in international forums of global economic issues; and

❑ Promote closer linkages among human resource training institutions.

Trade and investment promotion are intended to be the main focus to begin with. A working group was set up with representatives of the seven participants (including business) and chaired by Mauritius to formulate ideas and proposals based on these objectives. Its report is to be presented at an intergovernmental meeting to be convened by Mauritius within a year.

The meeting took note of Australia's intention to host the nongovernmental Indian Ocean International Forum in Perth in June — the so-called "second track" conference — on which Australia is to brief the working group.

It is remarkable that the first meeting on the IOR concept, which was more of a brainstorming session, managed to reach agreement on basic principles. Two basic questions had threatened to derail the process.

The first concerned whether IOR membership should be inclusive or exclusive. India, in particular, forcefully argued for limited membership and nearly walked out over the issue on the last day of the conference.

In the end it acquiesced in the formulation arrived at, which makes all countries of the IOR "eligible" for membership. Inclusivity is certainly SA's position, not least because the new SA cannot be seen to be dropping its African partners in the Southern African Development Community (SADC).

According to the Department of Foreign Affairs in Pretoria, "our priorities are domestic and regional and we do not wish to jeopardise our relations within SADC. We do not see a conflict of interest (between IOR and SADC), but if we belonged to an exclusive group, it would have placed strains on our membership of SADC." The IOR is a "slow track initiative" says the spokesman, adding that Apec took 15 years to develop.

SA is "absolutely positive" about the IOR and wants to concentrate on areas of mutual benefit. Post-Cold War, furthermore, it is important to be part of the regional grouping, which would increase SA's international economic leverage and keep open the door to south-east Asia.

India's cautious or "evolutionary" approach to membership was, it said, due to the absence of any history of positive co-operation in the region. Quite the contrary, it says, pointing to its own strains with Pakistan over Kashmir in the South Asia Association for Regional Co-operation, Iran-Saudi Arabian tension, problems in Mozambique and so on.

Hence its preference for a small group of countries taking the lead by building up norms of co-operation over a period of about five years, as the only basis on which the IOR initiative can succeed. It felt the inclusive membership approach would in effect condemn the idea to being a talk shop.

However real India's anxieties over Pakistan may be, the argument makes sense. A spokesman for a major SA corporation observes that if every nation under the sun becomes a member of the IOR, it will end up being another cosy commonwealth where the lowest common denominator applies. "What's needed is a slim, highly practical organisation without endless rounds of conferences and five-year plans that never get translated into practice."

The second sensitive issue was whether security should be included under the IOR ambit (it was decided not). Here the SA delegation, it seems, played an important role in finding consensus.

Australia was keen to include security matters, which made some participants suspicious in view of the fact, they say, that Australia strongly opposed including security under Apec. Was Canberra's stance aimed at checking what it perceives to be Indian regional ambitions? Some thought so.

One potential member goes further and suspects Australia's keenness on security being included as a kind of "Trojan horse" for western hegemonic interests in the Indian Ocean.

At any rate SA, India and others pushed — successfully, as it turned out — for excluding security and concentrating on trade and economic related issues. One of the reasons that Apec got off the ground, it was argued, was that it avoided divisive issues, which made possible the inclusion of the three Chinas — Mainland, Taiwan and Hong Kong — for example.

It may be salutary, however, to remember that regional alliances involving developing countries have mostly failed. A prime example is the SADC, formed in 1980, which SA — its potential giant — joined last year.

The idea behind the SADC was, arguably, flawed from the start since it was aimed at reducing its nine members' dependence on apartheid SA, which was nonetheless the region's powerhouse. It also became mired in civil wars in Mozambique and Angola and paid scant regard to the principles of free trade.

But lessons have clearly been learnt. Mauritian Finance Minister Rama Sithanen observes that regionalism is now being pursued on a much larger scale and with "more realistic objectives centred principally on economic co-operation."

This approach, and indeed the guidelines for the IOR initiative are spelled out in an exploratory paper, *Towards an Association for Indian Ocean Economic Co-operation,* by Prof Mukul Asher and others of the National University of Singapore.

Commissioned last year by the SA Department of Foreign Affairs, the study notes that unlike past developing country alliances, which dealt with wide-ranging issues encompassing politics, security and economics, "there seems to be an awareness and acceptance that in the present post-Cold War era, the formation of economic alliances is crucial for sustained economic growth which, in turn, is essential for the retention of policy autonomy and the maintenance of overall national security. Regional alliances now focus primarily on economic related issues."

At this stage, also, the study says emphasis must be on economic co-operation as opposed to integration, which runs through at least four stages: free-trade area, customs union, common market and economic union. (The EU, of course, goes much further and seems to be on track for federal political union.)

Unlike economic integration, co-operation includes "concerted actions aimed at lessening discrimination in certain areas of common interest."

The study concludes that the formation of an association of IOR co-operation is not only economically feasible, but could play a major role in the management, facilitation and hastening of the process of economic interaction and interdependence among the countries of the Indian Ocean region. It is akin to what has been achieved in the Pacific region borders and the Atlantic.

While the ultimate aim would be an Indian Ocean Community including all countries bordering the Indian Ocean, pragmatism suggests only a handful of countries should take the lead.

There is a strong case, it adds, for Australia, India, SA and Mauritius to play this role. ■

BUILDING BLOCKS

Key economic indicators of potential members of the IORA

Country	Population (m)	Average GDP growth (1970-91) %	Per capita GNP (US$)	Trade/GDP ratio
South Asia				
Bangladesh	110,6	3,3	220	0,22
*India	866,5	4,4	330	0,17
Maldives	0,2	12,9	460	1,49
Pakistan	115,8	5,5	400	0,37
Sri Lanka	17,2	4	500	0,79
East Asia				
Indonesia	181,3	6,4	610	0,47
Malaysia	18,2	6,8	2,520	1,48
*Singapore	2,8	7,4	14,210	3,12
Thailand	57,2	7,5	1,570	0,70
Africa				
*Kenya	25	5,3	340	0,54
*Mauritius	1,1	6,7	2,410	1,23
Seychelles	0,1	4,2	5,110	0,65
*South Africa	38,9	2,1	2,560	0,46
Middle East				
Bahrain	0,5	4	7,121	13,54
*Oman	1,6	N/A	6,120	0,80
UAE	1,6	5,5	20,140	0,92
***Australia**	17,3	3,1	17,050	0,26

* Core group

Sunday Times SECTION 2

Trade and Industry Minister Trevor Manuel is fighting a battle of intangibles. He spoke to **RAY HARTLEY** about the skirmishes which lay ahead

MINISTER who means BUSINESS

ST 23/4/95 (74)

ALMOST unnoticed by his fellow South Africans, Trade and Industry Minister Trevor Manuel has quietly been fighting one the greatest battles of the new South Africa: to turn its uncompetitive economy around.

While South Africa was negotiating its way towards last year's election, the world was undergoing a far-reaching change of its own.

Just 11 days before the April 27 elections, the General Agreement on Trade and Tariffs was signed in Marrakesh, heralding the next phase of construction in the global economic village.

The gist of the 400-page agreement was that there was now a single set of rules to govern world trade.

The days when South African business could lobby government for protection against foreign competition came to an abrupt end.

The consequences of the new order could be extensive for businesses.

"If they do nothing but lobby for protection, then they're going to get out wiped out fast," Mr Manuel says.

The agreement came as South Africa's economic isolation crumbled.

"Foreign companies see South Africa as a marketplace but, more importantly, they see SA as a market — a place where you go to sell," he says.

Foreign sellers responded quickly, with exhibitions of foreign goods from countries as diverse as the US, India and Malaysia.

While imports have been threatening to flood in, South Africa has been fighting a battle to open up foreign markets to its exports. The key to this is the trade status granted the country.

In terms of Gatt, SA has been given "developed" country status, an incorrect assessment, says Mr Manuel.

"In truth, South Africa is a developing country. All the statistics for black South Africa mirror those of developing countries."

The difference between the two categories is enormous, with developing countries enjoying far fewer tariff restrictions on world markets.

"We're arguing about the relative poverty of South Africans, but it's a hard battle. People come here, stay in top hotels and have lunches with business people in good restuarants," he says.

But the goods that South Africa exports provides a clue to the country's true status. Two thirds of our exports are primary commodities. In plain English — that which "we dig from the earth, shake off the trees, put in boxes and send overseas", he says.

Like its neighbours, South Africa's colonial legacy meant it was always seen as a provider of raw materials, with value being added at their destinations.

Despite the problem of trade status, Mr Manuel has shored up preferential status agreements with the US, Canada, the European Union, Norway and Japan for a defined "basket of goods".

But while three quarters of South Africa's European exports go in at zero duties, these are mostly raw metals whose value is determined on Europe's specialist metal bourses.

The rest — agricultural products, paper pulp, clothing, auto parts and electrical goods — face tariff charges of between 15 and 20 percent.

First prize, and the chief subject of Mr Manuel's fight with the EU's Brussels-based Eurocrats, has been to put South Africa on a par with other African, Caribbean and Pacific countries under the Lome convention.

South Africa's geographical position, far from being isolated, is "the stuff that advantage is made of", says Mr Manuel.

"What did Singapore have. They didn't have oil of their own, but they have the largest concentration of refineries because of their geographical position.

"We're extremely well positioned in relation to emerging markets. There's a kind of a halfway house thing."

An initiative to start an economic alliance of "Indian Ocean Rim" countries has begun, but it is still "early days", says Mr Manuel.

Representatives of South Africa, Australia, India, Malaysia, Mauritius, Singapore and Kenya will meet again at the end of June in Australia to take the initiative further.

But while government can lobby for international trade status, the real problem lies closer to home, with the competitiveness of South African business, says Mr Manuel.

"It's less about the market access that government can secure. The key issue is what business in SA does — perhaps more importantly, what business and labour do together.

"There is a fundamental problem that we're up against, that is that we don't manufacture for export. When we were a little, isolated economy with walls all around, it didn't matter," says Mr Manuel.

Now it means economic life or death. In simple terms, if South Africa imports more than it exports, it is going to end up with a deficit on its current account, leading to a lowering of its reserves.

The end result is more borrowing and the prospect of spiralling debt.

The only way to ward this scenario off in the new global trade environment is to manufacture for export and increase the competitiveness of local companies.

This will require massive effort to turn around South African businesses which have been shown to be uncompetitive.

Examples of the problem abound. South African companies a stone's throw from Iscor pay the same price for steel as those buying on the London metal exchange. Samcor produces 92 variants of its B100 bakkie, leading to gross price inefficiencies.

"Certain choices have to be made," says Mr Manuel. South African companies need to look for niche markets and concentrate on single products rather than producing "50 little bits of everything".

So far, South Africa's success stories in big markets like the US are few and largely anecdotal.

Mr Manuel talks enthusiastically of the South African manufacturer of fridges and stoves that has secured some big US orders and of a clothing firm selling dresses to Americans.

SA clothing appears on the shelves of Marks and Spencer and Frasers in London, he says.

"If they didn't have the 'chutzpah' to go there, they would never have known they could sell to that market," he says.

How will he know whether or not his plan is working?

"It's not like a Kader Asmal job, where you can go around and count the number of taps that have been put in, it's far less tangible," says Mr Manuel.

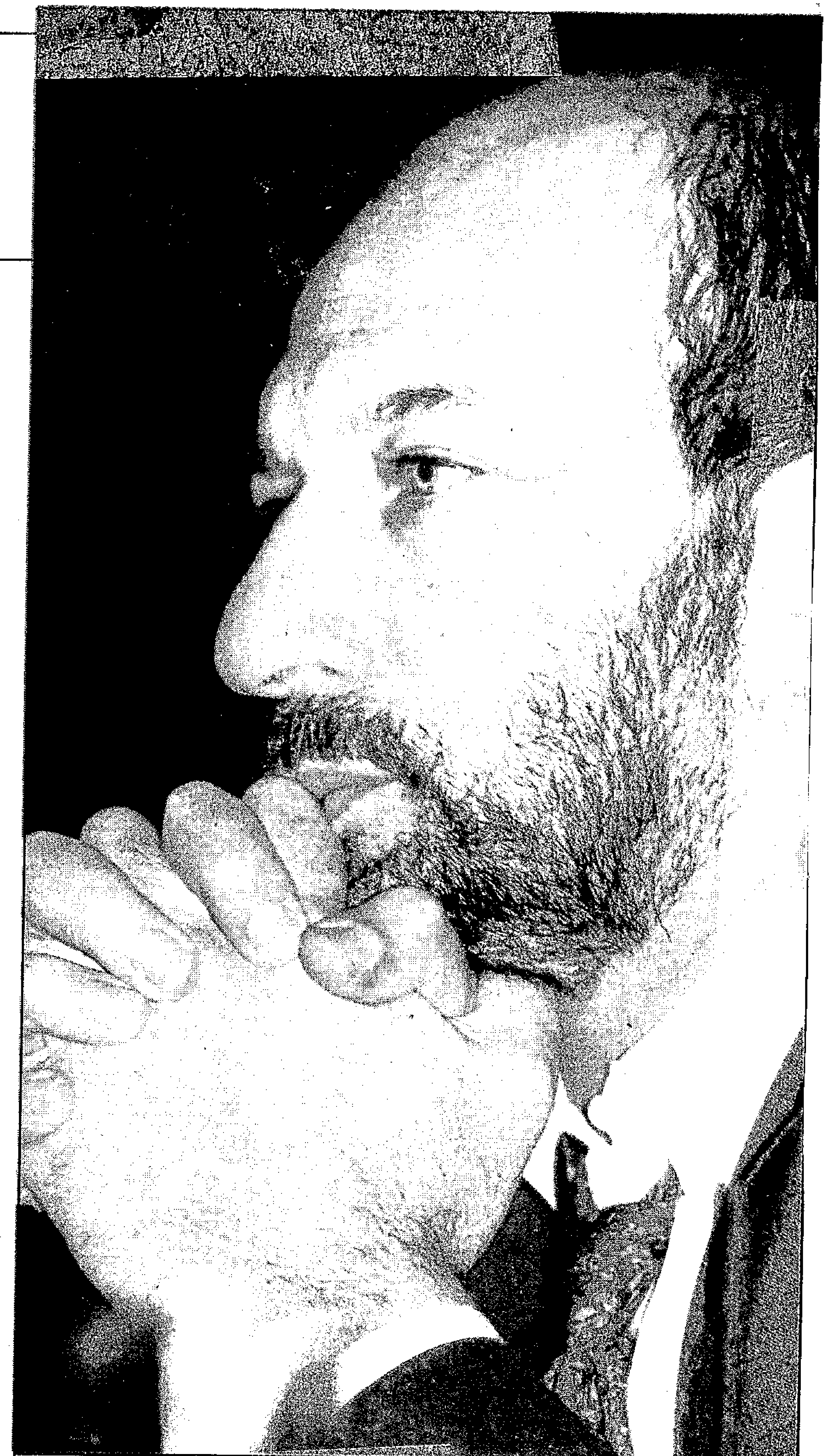
So far he has delivered access to international markets and a comprehensive understanding of the problem.

But his intangible task of turning around South African business has only just begun.

THE THOUGHTS OF MINISTER MANUEL

If businesses do nothing but lobby government for protection, then they're going to get wiped out fast

Foreign companies see us as a marketplace but, more importantly, they see us as a market — a place where you go to sell



'CHUTZPAH' IS NEEDED ... and Trevor Manuel leads from the front Picture: JON HRUSA

Latest offer to SA 'puts Lomé at risk'

CT (BR) 24/4/95 (74)

By Bruce Cameron

Political Editor

The entire Lomé agreement, under which developing countries have preferential trade access to the European Union, could be put at risk if Brussels sticks to its current offer to South Africa.

The warning was given by Trevor Manuel, minister of trade and industry, in an interview, on the war of words between South Africa and Brussels on membership of the Lomé club.

Manuel said part of the latest offer would result in Europe being given tariff-free access to South Africa after six years. This would have a dramatic affect on other countries in the region because of their links with South Africa.

"It could mean the end of Lomé."

He said it would be impossible for other countries in the region that needed protection to keep their markets closed when South Africa was open.

Problems would also be caused because of the structure of the Customs Union and the Southern African Development Community.

On top of this, Manuel said, he did not know if he could decide now whether to take the risk that South African business would be sufficiently competitive in six years' time to meet the challenges of trade without barriers. "A side of me says ~~do it, but~~ I can't take the risk that South African business will have been de-schooled from its bad habits of the past."

South Africa had received a bit of a setback with the latest proposals by Joao de deus Pinheiro, European Union commissioner, for a twin-track strategy, but the offer was "substantially better" than the existing trade arrangement.

Manuel said South Africa was still going full out for the first prize — membership of Lomé.

He was optimistic that it could be achieved but accepted it would be a tough fight. South African missions in Europe have been given instructions to go out and lobby hard for Lomé membership.

EU must 'rethink SA trade proposals'

(74) BD 25/4/95

LINDA ENSOR

LONDON — The European Parliament's external and economic relations committee has been strongly urged to support better SA trade access into the European market than that proposed recently by the European Commission.

The call was made last week in a report by Alex Smith, the member of the European parliament responsible for compiling a report on EU trade relations with SA for adoption, hopefully in the European parliament June plenary session.

Smith had just returned from a trip to SA and had registered government's disappointment over the commission's proposals, especially because the political signals coming from Europe had been "extremely encouraging".

The proposals, Smith warned, threatened to disturb a delicate political balance inside SA and to hinder the policies of the new government.

SA had requested the closest possible relationship with the Lome Convention and found the commission's proposal of a non-symmetrical free trade agreement sorely wanting.

In terms of the proposals SA would not need to reciprocate access for European products immediately, allowing its industry sufficient time to become competitive.

The commission's draft negotiating mandate for future relations with SA is scheduled to be voted on at a council meeting on May 29.

But Smith told the parliamentary commitee: "Having spent my time in SA talking to representatives of the different industrial sectors, it is my view that against a background of decades of protectionism, lack of investment and unskilled labour, it is likely that SA's manufacturing industry will only be able to gear itself to compete with highly competitive European products in the long term.

"If SA industry finds itself in competition on its own market with highly competitive EU products, then this will undoubtedly lead to closures and loss of jobs.

"In a country where present levels of unemployment are already near 50%, this is likely to lead to serious social unrest and will threaten the processes of democratic consolidation," Smith said.

"At a time when SA is looking to move towards a more democratic and balanced relationship with the region, it cannot afford to negotiate a bilateral free trade agreement with Europe."

Such an agreement would decimate the Southern African Customs Union (SACU) countries' share of the SA market. Members of the union would be obliged to eliminate tariffs for EU exports. "This would mean that members Swaziland, Lesotho, Botswana and Namibia would lose the benefit of non-reciprocal Lome trade preferences."

Smith called on the commission to consult with SACU countries on its proposals as soon as possible and stressed the importance of finding a way forward out of the present polarisation which would support economic growth in SA.

"This will not only be crucial to the consolidation of democracy in SA but to stability in the Southern African region as a whole."

'Go West' is World Bank's new plan

CT(BR) 25/4/95 (74)

BY BRUCE CAMERON
POLITICAL EDITOR

The World Bank is attempting to interest South African business in trade and investment in west African countries.

Business consultant Denis Worrall said the trade and investment division of the World Bank was working with governments and private sectors in west African countries to create attractive conditions for private sector involvement and increase trade and general economic activity.

Worrall, a former politician, is involved in the project.

Countries already involved are: Cote d'Ivoire, Benin, Burkina Faso, Ghana, Niger, Nigeria and Togo.

Worrall said the new government had been quick to establish links with African countries and there was a perception in these countries that South Africa had much to offer in the way of technical expertise, market access and funding.

He said the newly created World Bank division would be interested in working with South African parties in the financial, transport, utilities and technology sectors to involve them in specific projects in the west African countries.

The World Bank would work with the authorities in the different countries to establish and maintain a stable business environment conducive to project and investment involvement; to ensure equitable conditions for South African companies in terms of local bureaucracy and regulations; and to provide mediation where necessary.

Worrall said the World Bank's initial objective was to identify a pool of leading South African companies and establish terms of participation. He said South African exchange control may make it necessary to include offshore financial institutions, allowing for the use of guarantees and promissory notes rather than direct investment.

Province draws up trade policy

CT(BE) 25/4/95 (74)

JOHN SHERROCKS

KWAZULU NATAL BUSINESS EDITOR

With competition between the provinces to win investment expected to intensify, KwaZulu Natal is taking steps to draw up a policy on trade and industry.

The province's minister of economic affairs and tourism, Jacob Zuma, is to convene an initial meeting on May 2. Delegates will include organised business, labour, provincial government and parastatals. Representation from the trade and industry department is expected.

Gareth Coleman, director of the KwaZulu Natal regional economic forum, said a policy-drafting secretariat was to be set up. He said that KwaZulu Natal had no policy on trade and industry.

While the provinces would, in most cases, be bound by national policies, a provincial perspective was needed. Also, it was anticipated that policy on incentives to attract investment would devolve to the provinces. A KwaZulu Natal policy on trade and industry had to be drawn up within the overall regional economic development strategy, he said.

SA holds losing hand as EU debates trade links

(74) CT 26/4/95

EU governments are reluctant to see trade with South Africa included in the Lomé Convention

By John Fraser
ARGUS FOREIGN SERVICE

Brussels — South Africa is fighting a losing battle to win full access for its exports to the EU market.

The 15 European Union governments have held their first full debate, in secret in Brussels, on a new blueprint for future trade links with South Africa.

Some key players have indicated that EU commissioners have been too generous in suggesting a framework for the future.

The EU commissioner for South Africa, Joao de Deus Pinheiro, had proposed offering South Africa a free trade accord with Europe, in which the EU would bring down its protectionist barriers faster than South Africa.

He has proposed maintaining the current aid relations, while offering South Africa partial membership of the Lomé Convention — the trade and aid framework between Brussels and 70 African, Caribbean and Pacific states.

South Africa's ambassador in Brussels, Neil Pieter van Heerden, has also said he would like trade to be within the Lomé framework.

This stance won some support in a debate last week by the European parliament's development committee. However, European diplomats have revealed that not one EU government is keen to see South African trade covered by the Lomé Convention.

This would give automatic low or nil tariff access for a large number of South Africa exports to the EU market, and would not require the reciprocal opening up of South Africa's market to imports from Europe.

"To make matters worse for South Africa, the Spanish and Italians have indicated they are very worried about a free trade agreement between Brussels and Pretoria," said a EU diplomat, who spoke on condition of anonymity.

"They are fearful, particularly of farmers being undercut by highly competitive farm products — such as fruit and fruit juice — from South Africa. Based on this first exchange of views by EU governments, the South Africans have a very difficult ride ahead."

He suggested that Spain is reluctant to allow too many South Africa farm exports into the EU, as these would compete with Latin American and North African produce. Spain is pressing hard for the EU to negotiate free trade agreements with Latin American and Southern Mediterranean states.

"The Spanish have their priority list in terms of which countries should benefit from trade liberalisation — and South Africa is not on it," said the diplomat. "South Africa will have to lobby more effectively . . . the signs are not good" he added.

He noted, however, that not all EU nations are hostile to the idea of offering South Africa a good trade deal: "The Scandinavian states are favourable, as are the Germans, the British and the Dutch."

"It is Europe's southern states, whose patterns of agriculture are very similar to those of South Africa, who feel most vulnerable, and who will fight hardest."

This is bad news for South Africa as negotiations kick off in the next few months. And from July, Spain takes over the influential presidency of the EU — followed by Italy. Meanwhile, normally protectionist France, which is the current holder of the presidency, may revert to form from the end of June, when Paris hands over the Euro-baton to Madrid.

SA rejects Europe's free-trade offer

(74) CT(BR) 26/4/95

By Claire Gebhardt

Economics Editor

South Africa has rejected the offer of a free trade agreement with the European Union and will press ahead for membership of the Lome convention, trade and industry department officials said yesterday.

The proposed free trade offer, an agreement in two phases, implies that in the first 10 years South African goods would be allowed preferential access into the EU, and in the second phase EU imports to South Africa would enjoy the same privileges.

Faizel Ismail, a consultant for the department, said the agreement would exacerbate the painful adjustment costs South African industries were experiencing in textiles and clothing.

South Africa had embarked on a path of trade diversification and such an agreement would lock South Africa into the EU market.

Ismail told a media briefing in Pretoria that the agreement would be of greater benefit to the EU than to South Africa.

"Approximately 77 percent of South Africa's exports in value terms entered the EU market at zero-duty in 1992 — thus only 23 percent of our exports will potentially benefit."

There was also a considerable overlap between the type of goods imported from the EU and from other states. Favouring the EU would discriminate against others.

He said the EU was being asked to level the playing fields. "We are asking them to remove discrimination and not make the government pay for the sins of the past."

As much as 80 percent of EU trade was with countries that enjoyed treatment better than most favoured nation status.

Many of South Africa's competitors in Europe, such as Israel and Turkey, paid lower tariffs.

About half of South Africa's trade is conducted with the EU while imports of South African goods into the EU constitute about 1 percent of the EU's total imports.

Ismail said the EU needed to support South Africa's transition and the reconstruction and development programme

"What we want is a package of trade-related measures contained in the Lome Convention. We believe the EU can still provide South Africa with limited access into the Lome Convention over a finite duration."

LEORA BLUMBERG *WTO has rung in a new era in international trade*

CT(BR)26/4/95 (74)

WTO benefits 'will outweigh loss of protectionism'

By Brendan Templeton

Staff Writer

The benefits flowing from the establishment of the World Trade Organisation (WTO) will outweigh the attendant loss of protectionism, Leora Blumberg of the Johannesburg law firm Webber Wentzel Bowens believes.

The close of the seven-year Uruguay round of negotiations, held under the auspices of the General Agreement on Tariffs and Trade (Gatt), in December 1993 marked the beginning of a new international trading system, she writes in an article submitted to Business Report.

One of the most important developments arising from the Uruguay Round (UR) was the establishment of the WTO. It will have a higher profile and a broader task in pursuing international economic co-operation than the Gatt ever had.

This global body will not only influence international trade, but also intellectual property, investment and production patterns. As a signatory to the UR, South Africa will also become a member of the WTO.

After years of isolation and protectionism, South Africa came under severe pressure by its major trading partners in the UR to liberalise substantially and to toe the Gatt line.

South Africa's membership of the WTO is symbolic of its reacceptance into the international trade arena, and its commitment to freer international trade.

The WTO will provide a forum for all negotiations, and will act as a dispute settlement body in the international commerce field. It will become the principal institution responsible for international trade, and with this status, it will be regarded as being on the same footing as the International Monetary Fund and the World Bank.

Along with other international bodies, the WTO will have an active role to play in reconstruction and development, with a view to achieving greater co-operation in global economic policy-making.

South Africa, as a founding member of the WTO, will have the opportunity to participate fully in its activities.

The dispute settlement mechanism has been restructured in such a way that it will be effective, and provide uniformity and predictability in the international trading system.

An innovative feature is the formation of an appellate body, to consider appeals against panel decisions.

Like all other members, South Africa will be able to use these mechanisms when faced with a contravention of the WTO rules by another member. But South Africa will also be vulnerable to complaints by other members.

US will not oppose SA's Lomé membership

(SGA) BD 26/4/95

JOHN DLUDLU

THE US government had indicated it would not oppose SA's inclusion in the Lomé Convention — a move expected to boost SA's case in negotiations with the European Union for a long-term relationship, senior SA government officials said yesterday.

Possible opposition by the EU's main trading partners to SA's inclusion in the Lomé accord — a trade, aid and political co-operation agreement between the EU and 70 African, Caribbean and Pacific (ACP) countries — has been among the main objections cited by the union.

Trade and Industry Department consultant Faizel Ismail said the US government had indicated in high-level bilateral talks that it would not oppose SA's inclusion.

"We've also invited individual member states of the EU to discuss their concerns with us. We'll be willing to address every concern they raise. We are not dogmatic in our position," Ismail said.

He said SA's request for Lomé membership was gaining support within EU structures. He noted the support of EU parliamentarian Alex Smith, who is responsible for compiling a report on the union's relations with SA. In recent meetings, ACP nations, also known to have reservations about SA's accession to Lomé, had given support to SA's request for closer association with the convention, he said.

A recent mandate drafted by the EC — which is expected to form the basis for negotiations — even recommended SA's partial accession to Lomé, which grants deeper non-reciprocal trade preferences.

The mandate suggested an asymmetrical free trade arrangement with the country which would give SA time to improve its competitiveness before opening up its markets.

In its application for Lomé, SA offered to exclude itself from certain protocols including development aid.

North Atlantic trade bloc challenged

CT(BR) 26/4/96 (74)

BY ROBERT EVANS

REUTERS

Geneva — Peter Sutherland, outgoing head of the World Trade Organisation (WTO), warned yesterday that creation of a North Atlantic trading bloc could undermine the global system which the new trade body was set up to administer.

But a commonly agreed reduction of trade barriers between North America and the European Union that would allow the rest of the world greater access to their markets would be extremely welcome, he said.

"I am absolutely opposed to the creation of a global structure that provides discriminatory advantage to those in it in terms of trade," Sutherland told journalists.

He was responding to questions on increasing talk in the EU, the United States and Canada of the possibility of working towards a free trade area linking three of the world's top four trading powers.

In an interview with the Financial Times newspaper published on Monday, Sutherland's successor, Renato Ruggiero of Italy, also expressed concern that any moves to create such a trade area could hold back the advance of global economic integration.

"The idea of a North Atlantic free trade area creates considerable concern on my part," said Sutherland, a former attorney-general of Ireland and EU commissioner who steered seven years of world trade talks to conclusion in 1993.

He believed that the basis on which the general idea was raised would mean that countries within the area in North America or Europe "have an advantage in regard to getting into each other's markets over those outside".

Trade diplomats from developing countries have already expressed concern over the idea, arguing that a big-power accord could undermine agreements on boosting world trade achieved in the seven-year Uruguay Round of negotiations which set up the WTO.

The idea of a North Atlantic trade accord has been discussed this month by American President Bill Clinton with the British prime minister, John Major. Germany's foreign minister, Klaus Kinkel, has also spoken out in favour of the idea.

US will not oppose SA's Lomé membership

(74)

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BD 26/4/95

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Cape seeks a Calypso Connection

(74)

ARG 29/4/95

DAVID BREIER
Weekend Argus Political Staff

■ The West Indies means more than rum and cricket to Western Cape provincial ministers, who fly to Jamaica tonight to explore new relations with the islands.

WESTERN Cape brandy and West Indian rum could become the latest diplomatic cocktail as provincial ministers jet out of Cape Town to Jamaica this weekend to explore trade links with the Caribbean.

In a joint mission of African National Congress and National Party politicians, ANC provincial leader and economic affairs minister Chris Nissen heads for Kingston, Jamaica, tonight with provincial housing minister Gerald Morkel of the NP.

The Western Cape politicians were invited to open contacts with Jamaica by the island's former prime minister Michael Manley, who was chairman of the Commonwealth group that observed last year's elections in South Africa.

Mr Nissen and Mr Morkel are due back in Cape Town after eight days in the Caribbean.

Amid some scepticism on the economic importance impoverished Jamaica has for the Western Cape, provincial spokesmen pointed out Jamaica's importance as a member of the African, Caribbean and Pacific group of countries that comprise the Lomé Convention on preferential tariffs with Europe.

South Africa is at present battling for Lomé recognition to gain a greater foothold in European markets — while some European countries resist one-sided preferential tariffs for South African products.

Norman Michaels, spokesman for Mr Nissen, said this was the first such joint exercise between the ANC and NP.

He said Mr Nissen would examine the possibilities of economic co-operation between the Western Cape and the West Indies, including trade and investment.

Mr Morkel would examine third world-style housing systems in Jamaica that could be of relevance to the Western Cape's housing problems.

Mr Michaels said the visit to Jamaica could open trade possibilities with the entire West Indies, which had played an important role in the struggle against apartheid.

South Africa already has an economic connection with the islands off America following the recent opening of Sun International's huge casino resort in the Bahamas, which is promoting South African tourism to the area.

With the opening of greater contacts between the Western Cape and the West Indies, locals could soon be flying off to explore the rum route for a change.

Jamaica is also known for its keen interest in South African affairs. It was one of the first two countries to ban trade with South Africa in the early days of apartheid.

Australia, SA can do more than just trade

THE prospect of a partnership extending to the world stage has been mooted, reports Star Foreign Editor Dale Lautenbach in Sydney (74)

Star 1/5/95

The potential strength on the world stage of a partnership between two "middle-level" powers like Australia and South Africa has emerged as one of the themes of Deputy President Thabo Mbeki's visit to Australia.

Travelling with Mbeki, Deputy Minister of Foreign Affairs Aziz Pahad was inspired by the similarity in the world views of the two countries and the potential this could offer for middle-level power partnership.

He was speaking in the context of Australia's conference on Global Cutural Diversity being held in Sydney in celebration of the 50th anniversary of the United Nations.

"We can look at ways of consolidating our relationship not only economically but politically,' said Pahad.

Based on several areas of common policy, bilateral discussions about the "new world order" could lead to joint initiatives by the two countries in world forums like the United Nations, he said.

Much as South Africa has to translate its present special status into a meaningful role long after the post-apartheid excitement has worn off, so too is Australia seeking its place in the world.

"Sydney is an appropriate place for this Global Cultural Diversity Conference," said Prime Minister Paul Keating at the opening. "Not because we presume to think that Australia can be a model for the rest of the world — the world is itself too diverse for that. But we have learned some useful things about living together, we have a deep interest in these questions and we think we can make a contribution in a world which desperately needs answers to them."

Although South Africa has not characterised its transition as the bringing together of "ethnic diversities" which is the acceptable catchword in Australia, Pahad said Keating had expressed deep appreciation in a meeting with Mbeki for South Africa's management of its very different peoples.

Conflict prevention

On the regional level, which Keating stressed in his conference opening as possibly the most ready level at which to address conflicts, Pahad said South Africa was already exploring a meaningful role in the area of conflict prevention and diplomacy. He named Burundi as one recent example.

But, under some pressure to participate in peacekeeping, Pahad said South Africa could learn from Australia's wealth of experience in this area which has taken it from Namibia to Cambodia and, presently, Rwanda.

"Our role (in peacekeeping) doesn't have to be seen in military terms," said Pahad.

Citing the many instances of countries near institutional collapse in Africa, South Africa could offer its skills in institution-building and the renovation of judiciaries, police services and banking systems.

Australia had expressed its support for regional peace initiatives, said Pahad, and if the world moved in this direction which was increasingly the view from the UK, France and the United States, bodies like the Organisation of African Unity could be assisted in building capacities to deal with conflict.

To be a player, South Africa has both ideas of its own but also a recongition that it did not have to reinvent the wheel. Australia had much to offer in this regard, said Pahad.

Tariff cuts 'key to US-SA trade'

CT(BR) 2/5/95 (74)

By Ross Herbert

Staff Writer

Reducing tariff and non-tariff trade barriers is the top United States trade priority with South Africa and the greatest limitation on expanding trade, US Commerce Secretary Ron Brown said in a satellite interview.

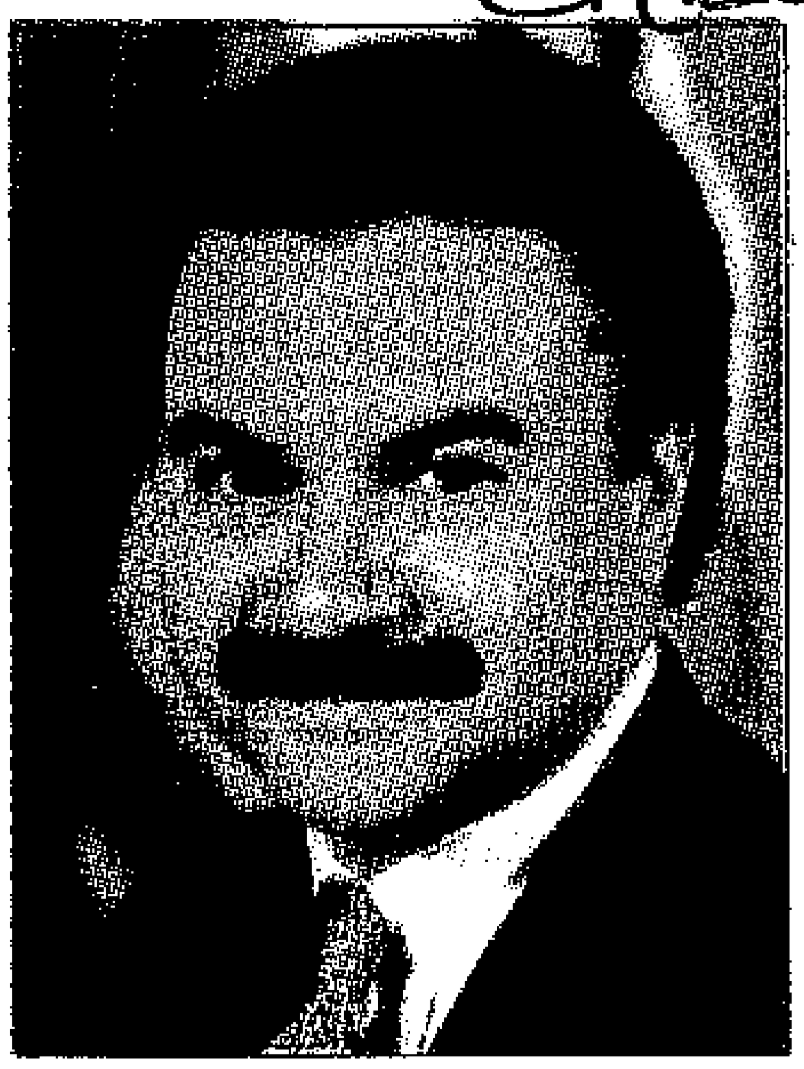
"We are not pleased with restrictive tariffs. They do not do anything in the interests of an open relationship," he said.

Brown said South Africa had to realise there was "tremendous competition for foreign investment".

"The countries which take that seriously are the ones which get the investment. South Africa has a golden opportunity now." Brown said South Africa was one of the top 10 developing markets and central to US policy towards Africa.

Brown said he would visit South Africa in September with US Vice-President Al Gore and other officials to build US-SA trade.

Brown and Trade and Industry Minister Trevor Manuel head a joint business development committee that is drafting recommendations on trade and investment between the two countries.



TRADE TERMS *US Commerce Secretary Ron Brown*

Brown said legal issues also played an important role in trade. As a result, the US government and the South African departments of justice, and trade and industry, would sponsor conferences on legal aspects of US-SA trade in Cape Town, Durban and Johannesburg from May 22 to 27.

Brown said the US investment community was pleased with the political and economic performance of the government, but "would be shaken" by a withdrawal by Inkatha. "We certainly are disappointed by the harsh (Inkatha) rhetoric. If they pull out, that would be a very disappointing turn of events," he said.

"We need to put into perspective what has happened. The world hasn't been pleased by reports of violence, but it has been much less significant than opponents of change had predicted," he said.

Brown said US investment in South Africa had "increased dramatically", but there was intense political pressure to limit US expenditure on foreign aid and fierce competition for US aid dollars.

He said the US commerce department had only one special councillor for world trade — and that diplomat, Millard Arnold, had been posted to South Africa.

Arnold said he thought anxieties over South African competitiveness were temporary: "This is a competitive nation. It likes to win. And those are the qualities that make an economy grow," he said. "I guarantee that over time, South Africa will become a major player."

Govt's pensions plan challenged

CT(BR) 2/5/95

By Claire Gebhardt

ECONOMICS EDITOR

The proposed redirection of state pension contributions to fund improvements in public servants' salary and service structures should be challenged as either illegal or imprudent, Edward Osborn, independent economist, said on Friday.

Osborn said the statement by the ministry for public service that an additional R840 million could be found by reducing the state's contributions to pension funds, illustrated the impossibly tight provisions for public service salaries in the recent Budget.

In an interview with Reuters, he said the R2,5 billion provision was a net increase of only 3,25 percent for the improvement of salaries, "even normal notch increases are supposed to account for about 3,1 percent". This had probably been done to achieve a deficit before borrowing of 5,8 percent of GDP, and to gain international applause for financial prudence.

Further, it was probably intended to indicate to public service staff associations the absolute limits of what the state could afford.

Osborn said government was in a cleft stick as far as the pension funds were concerned because of appallingly profligate decision-making in the past about improving pension benefits.

What needed to be cleared up was whether such monies had been provided for as part of the programme to enhance the actuarial funding of the pension funds, or whether they were simply part of the state's current contributions to the funds as employer.

Osborn said the diversion of the employer contributions would worsen the actuarial deficit and could be contrary to the State Pensions Act or the contractual terms of employment.

The actuarial deficit of the funds was about R39 billion and government had committed itself to a programme of improving on this over an extended period.

"But there is no indication in this year's Budget year that the programme of making special transfers has commenced — apart from the issue of R6,9 billion government paper to the funds by Derek Keys in March 1994."

Chris Liebenberg, the finance minister, had stated in his Budget speech that government aimed to enhance the level of actuarial funding by 2,5 percentage points every three years.

"To the extent that the annual employer and employee contributions do not meet this requirement, government will be required to top up any arrears when progress is assessed every three years."

Liebenberg was clearly not giving way for the moment as his credibility was at stake, Osborn said.

"But sooner or later an increased provision for the improvement of conditions of service will have to be allowed for and the deficit widened to the 6 percent plus level.

"On the other hand, if there is an explicit provision for the reduction of the actuarial deficit this year then a diversion of this for augmentation of the salary provision is feasible."

Osborn said that with a Budget deficit of the order of R28 billion there was no question of diversion of funds, it was simply a diversion of a bit of deficit.

Tariff cuts 'key to US-SA trade'

CT(BR) 2/5/95 (74)

By Ross Herbert

STAFF WRITER

Reducing tariff and non-tariff trade barriers is the top United States trade priority with South Africa and the greatest limitation on expanding trade, US Commerce Secretary Ron Brown said in a satellite interview.

"We are not pleased with restrictive tariffs. They do not do anything in the interests of an open relationship," he said.

Brown said South Africa had to realise there was "tremendous competition for foreign investment".

"The countries which take that seriously are the ones which get the investment. South Africa has a golden opportunity now." Brown said South Africa was one of the top 10 developing markets and central to US policy towards Africa.

Brown said he would visit South Africa in September with US Vice-President Al Gore and other officials to build US-SA trade.

Brown and Trade and Industry Minister Trevor Manuel head a joint business development committee that is drafting recommendations on trade and investment between the two countries.

TRADE TERMS *US Commerce Secretary Ron Brown*

Brown said legal issues also played an important role in trade. As a result, the US government and the South African departments of justice, and trade and industry, would sponsor conferences on legal aspects of US-SA trade in Cape Town, Durban and Johannesburg from May 22 to 27.

Brown said the US investment community was pleased with the political and economic performance of the government, but "would be shaken" by a withdrawal by Inkatha. "We certainly are disappointed by the harsh (Inkatha) rhetoric. If they pull out, that would be a very disappointing turn of events," he said.

"We need to put into perspective what has happened. The world hasn't been pleased by reports of violence, but it has been much less significant than opponents of change had predicted," he said.

Brown said US investment in South Africa had "increased dramatically", but there was intense political pressure to limit US expenditure on foreign aid and fierce competition for US aid dollars.

He said the US commerce department had only one special councillor for world trade — and that diplomat, Millard Arnold, had been posted to South Africa.

Arnold said he thought anxieties over South African competitiveness were temporary: "This is a competitive nation. It likes to win. And those are the qualities that make an economy grow," he said. "I guarantee that over time, South Africa will become a major player."

Germans head for SA shores

By Audrey D'Angelo

CAPE BUSINESS EDITOR

CT(BR) 2/5/95

Tourism from Germany to South Africa was expected to rise by about 15 percent in the coming year, an official from the Association of Southern African Travel Agents said at the weekend.

Michael von Kotze, the vice-chairman of the association's tour operators' section, warned that Germans were concerned about their personal safety in South Africa.

Other limiting factors included rising costs, insufficient hotel rooms and trained guides.

"There is a serious lack of trained manpower with language skills," said Von Kotze. "This is due to the reluctance of the government to issue work permits. We must also offer training for students and temporary staff to provide an effective support structure."

Von Kotze also called for more incentives to invest in infrastructure for tourism.

"Although tourism is a recognised invisible export, incentives to invest in it have been removed."

US wants to discuss 'unjustified' SA tariffs

BD 2/5/95 (74)

JOHN DLUDLU

THE US government wanted to talk to the SA government about increases in SA's import tariff duties on certain US products which had occurred "without justification", US Commerce Secretary Ron Brown said at the weekend.

Speaking via a satellite linkup with SA journalists, he said: "We are not pleased with restrictive tariffs.

"We believe in free trade, which we think is in the interest of consumers. We are doing everything to reduce (trade) barriers in bilateral discussions."

Discussions would be held with SA officials to redress the situation which, he said, was not consistent with bilateral relations.

Brown, who flew to Dakar to attend the third African-US summit at the weekend, declined to name the products which were the subject of the complaints by US companies.

Commenting on US investments in SA — which were estimated at 206 companies last week — he said these were increasing dramatically and rapidly. "We're also reaching out to black entrepreneurs."

He said that if SA companies started making domestic investments, a good tone would be set for foreigners.

SA had a "golden opportunity" to succeed given the attention it had received over the past years under President Nelson Mandela's leadership. But the country still faced a challenge of expanding its good infrastructure to all its people, providing housing and telecommunications. These challenges could be met only if there was economic growth and development.

Regarding SA's application to join the Lomé Convention, he said the Clinton administration would not oppose the move if it was compatible with the General Agreement on Tariffs and Trade. "Obviously, we don't want discrimination against US interests," he said.

The current Lomé accord, which is subject to review at the turn of the century, was given a waiver by GATT.

Brown, who with SA Trade and Industry Minister Trevor Manuel co-chairs the US/SA Business Development Council, is expected to accompany US Vice-President Al Gore on a state visit to SA later this year. The council is a permanent mechanism for bilateral private sector commercial consultation.

Foreign exchange exemption likely

SA firms may get African trade break

(74) BD 4/5/95

CAPE TOWN — Government was likely to relax foreign exchange controls on SA investment into the rest of Africa, Trade and Industry Minister Trevor Manuel said yesterday.

He told the Financial Times/Business Day investment conference that a "special window" for SA companies wanting to invest in Africa, particularly southern Africa, was being considered. This encouragement of SA investment into southern Africa was in recognition of the country's special responsibility to the region.

This special window would be the first step in moving towards the full abolition of foreign exchange controls on SA residents, institutions, and corporations following the scrapping of such restrictions on foreigners in mid-March.

Deputy Finance Minister Alec Erwin told the conference this would be a "process of unwinding" foreign exchange restrictions in the best and most manageable way.

Government was consulting widely with business on the eventual scrapping of restrictions on SA companies investing abroad. The issue was also being discussed with the National Economic, Development and Labour Council's public finance sector.

EDWARD WEST reports Manuel also said negotiations to restructure the Southern African Customs Union had run past the March deadline and would probably continue for another two years.

New issues had arisen during talks which affected sovereignty — such as whether SA should continue setting the common external tariff, and the relative position of the customs union and the Southern African Development Community (SADC).

The union consists of SA, Botswana, Lesotho, Namibia and Swaziland, while the SADC is a larger regional grouping.

JOHN DLUDLU reports senior government officials yesterday admitted that the country had yet to finalise its position on key issues regarding the review of the customs union agreement.

The European Union's efforts to arrive at a free trade agreement were also posing a problem, as this would force SA's customs union partners to open their markets to the EU before they were ready. A source said if SA accepted the free trade accord, it would mean that a country like Lesotho — treated as a least developed country by many international organisations — would have to compete on an equal footing with Germany, the UK and other EU members.

Manuel called for full membership of the Lomé Convention rather than a free trade agreement with the EU. Anything other than full Lomé membership would weaken SA's ability to deliver on its responsibil-

□ To Page 2

Foreign exchange

(74) BD 4/5/95

□ From Page 1

ities towards southern Africa.

He described dealings with the EU as "frustrating" and said SA was "not enamoured" with the EU's idea of a free trade area. SA should become a gateway to the region, not a "terminus".

"If we agree to a free trade area with the EU, what about the other Organisation for Economic Co-operation and Development countries. Clearly they will blow our trade out of the water. The EU has not looked at the impact on our neighbouring countries."

He said the proposal to establish a free trade area virtually immediately within the SADC — currently on the table in SADC discussions to develop a trade integration programme — would be too swift. "We are extremely cautious not to do something that looks good on paper, but will reinforce the industrial polarisation of the past."

The special treatment of SA's exports in terms of the general system of preferences granted by the EU from January 1 was the lowest in the hierarchy of EU preferential trade offers. "We argue that SA is, indeed, a developing country."

Annual per capita GDP for blacks was around $640, government had inherited an inefficient economy which had to be turned around and SADC membership had placed SA in a position of both partnership and responsibility within the region.

He said that with every change in the EU's presidency, so the imperatives changed. "The Berlin Conference tried to give more impetus to EU and SADC relations. Then came the French presidency and the issue has gone on the back-burner."

Sapa reports from Cape Town that European Parliament delegation chairman Gerald Collins said yesterday he recommended a "twin track" approach giving SA qualified access to the Lomé Convention, yet allowing it asymmetrical free trade.

Welcoming the delegation to Parliament, Speaker Frene Ginwala said SA had indicated that it would prefer full access to Lomé with one or two adjustments that could accommodate some free trade.

Collins said the delegation would present its views — based on what it had seen on this trip — to the Council of Ministers, which would make a decision by May 29.

● See Page 4

Labour debate brewing on 'social clauses'

BD 5/5/95

JOHN DLUDLU

THE inclusion of social clauses in SA's future international trade agreements would bring the country in line with global trends, trade experts said yesterday. (74)

National Economic, Development and Labour Council (Nedlac) executive director Jayendra Naidoo said the council's labour constituency would table a discussion paper on the social aspects of trade agreements this month before the council's trade and industry chamber.

Social clauses dealt with the maintenance of acceptable labour standards by countries, he noted.

Cape Town University academic and the director of the university's trade policy monitoring project, Rashaad Cassim, said the discussion of social clauses was important as far as bringing the country in line with international trends. "Certainly, the issue will dominate international trade agenda in the next few years."

He said agreements had been unable to enforce adherence to social clauses. Developing nations generally opposed social clauses.

Cape Town-based trade lawyer Gary Eisenberg said that while debate on the issue was to be welcomed, it was doubtful if SA could abide by standards set internationally.

Common understanding on the issue was vital. For instance, "do we include environmental standards in the definition?"

SA Foreign Trade Organisation Africa desk manager Martin Smith said the export community represented by his organisation would support the inclusion of the clauses.

Lomé talks will be vital for SA exports

74

ALIDE DASNOIS
Deputy Business Editor

EUROPEAN Commissioner Joao de Pinheiro arrives in South Africa this week for what are likely to be tough discussions with government officials on South Africa's relations with the European Union.

South Africa is bidding for access to the Lomé Convention, which regulates relations between Europe and the 70-nation Africa-Pacific-Caribbean (ACP) group of developing countries.

So far South Africa's bid has been supported both by the ACP countries and by members of the European parliament at their joint meetings in Gabon and in Senegal.

But the European Commission is hostile to Lomé status for South Africa, which would give exporters easier access to European markets without forcing South Africa to lower its own tariff barriers in return.

The Commission, which considers that South Africa is not a developing but a developed country, is offering an agreement which would lead to a free trade area between Europe and South Africa.

At the Financial Times conference in Cape Town this week Mr Manuel criticised the European proposal, which he said was insufficiently detailed.

The proposal did not make clear when the agreement would become reciprocal.

"They are offering us asymmetry for a period, but for how long? For five or for 10 years?"

The EU had not done any research on the effects, sector by sector, of free trade on South African industry, Mr Manuel said.

Even taking into account South Africa's commitments to the General Agreement on Tariffs and Trade (GATT) to phase out protective tariffs, in eight years' time, there could still be an import tariff of 30 percent on motor car parts, which the free trade agreement would outlaw.

Department of Trade and Industry specialist Faizel Ismail told Weekend Argus South African negotiators had promised to take into account fears by European countries of competition from South African exports.

Such fears were unfounded, he said.

"All our research shows that EU imports from South Africa are less than two percent of all EU imports. Even on a product by product basis, most of our exports have an insignificant share of European imports."

The net effect of freeing up access to European markets would be "marginal" for European interests.

"We are dealing here with a gap between perceptions and reality."

Mr Ismail said the European Commission still saw South Africa as a large developed country with an export capacity which could threaten European interests.

"But in fact we have the same export profile as other developing countries which export primary products."

Current status given to South African exports put the country in the same group as the United States, Canada and Japan.

In the 1970s and the 1980s Europe had signed bilateral agreements with trading partners which brought tariffs down for 80 percent of trade. South Africa, like the United States, Canada and Japan, was in the small category of countries to which these preferential agreements did not apply.

ARG 6/5/95

"During the apartheid regime we were left out of these negotiations. We are saying the new government should not be prejudiced by this."

Many of South Africa's competitors, such as Israel and Turkey, paid lower tariffs on entry to Europe.

"We are asking for the EU to remove discrimination against South Africa", Mr Ismail said.

Surprise backing for SA on trade link

By RAY HARTLEY

AS THE battle with Europe over trade terms hotted up this week, South Africa found itself with some unexpected backing — from a group of visiting European parliamentarians. (74)

Addressing Parliament's trade and industry committee, the visitors publicly contradicted their European Commission counterparts and backed South Africa's bid to be included in the Lomé trade agreement. ST 7/5/95

The agreement offers African, Caribbean and Pacific Rim countries easier access to European markets than the bilateral agreement proposed by the European Commission.

UK representative Caroline Jackson said: "There is a strong case for South Africa becoming a member of Lomé, but that is not the position the commission is negotiating from."

Irish representative Patrick Cox said the commission's trade negotiator, Professor Joao Pinheiro, would be asked to clarify his trade position to a plenary session of the European parliament later this month.

While Professor Pinheiro has the authority to initiate proposals, he has to win the approval of the European parliament, which has final vetting powers over conventions.

The statements came ahead of next week's visit to South Africa by Professor Pinheiro, who is scheduled to hold talks with Trade and Industry Minister Trevor Manuel to discuss trade arrangements.

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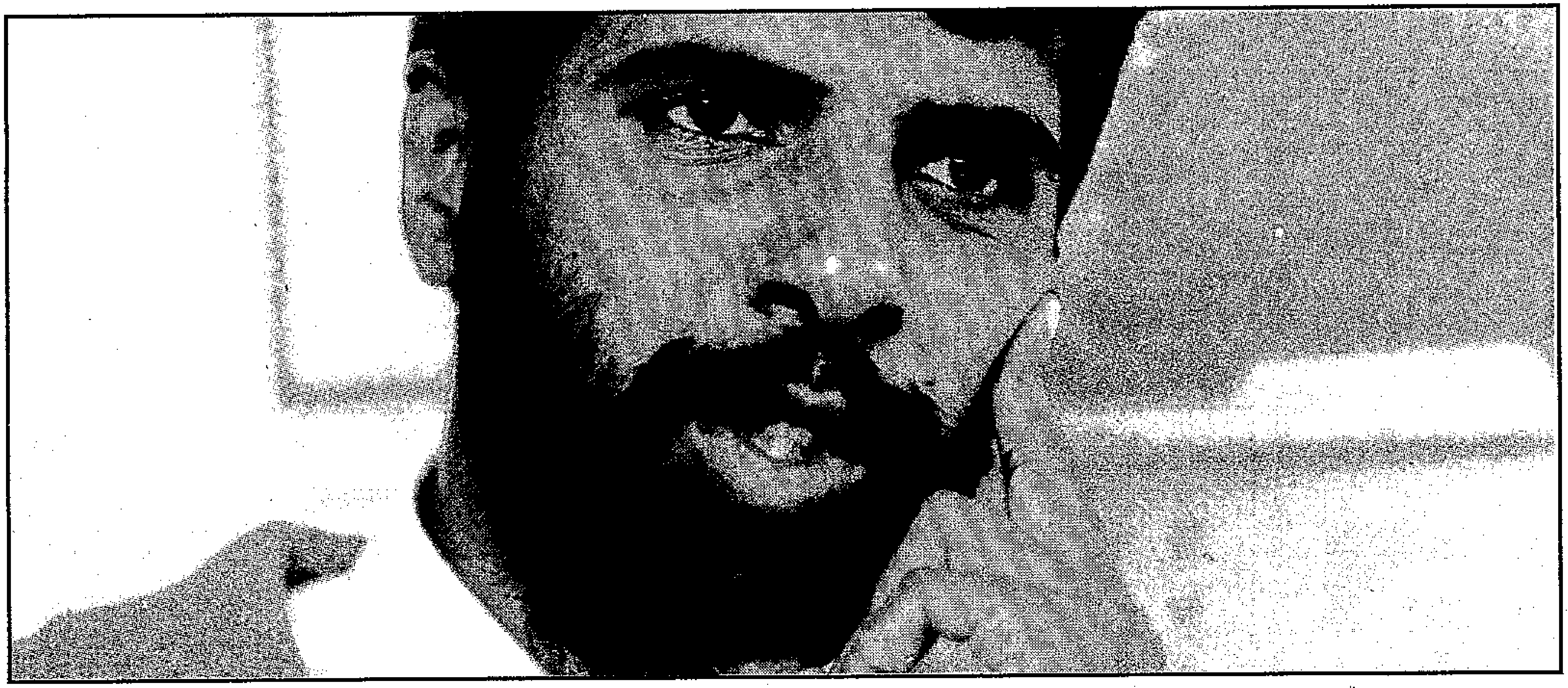

REALIGNING . . . Faizel Ismail, who says SA's strong trade links with the EU are an inheritance 'from the previous regime' Picture: JON HRUSA

Trading places in the world order

ST (BT) 7/5/95

ONE of the government's top priorities has been to establish closer trade links with its neighbours in southern Africa. (74)

However, a new crop of trade officials — recruited mainly from the trade unions and the ANC's economics department, people with close ties to neighbouring governments — have found this hard going.

Faizel Ismail, the Department of Trade and Industry's consultant charged with multilateral trade negotiations, says "an atmosphere of mutual co-operation" exists between South Africa and its neighbours on trade policies.

However, the political commitment to deeper links cannot hide the fact that concrete progress will be more difficult to achieve.

Talks to renegotiate the Southern African Customs Union agreement, which links South Africa with Lesotho, Swaziland, Botswana and Namibia since 1969, have stalled and finalisation has been delayed, possibly, until next year.

Mr Ismail says there is a political commitment in SACU to move to "greater integration on a more democratic basis", but admits that it will take time to clarify complex issues, such as the revenue-sharing formula and South Africa's perceived dominance of the agreement.

Within the wider Southern African Development Community, South Africa, which has been handed the finance and investment portfolio, has found minimal regional trade flows to be a major obstacle in charting a way forward.

However, Mr Ismail is in the spotlight mainly for his tough stance in negotiating South Africa's access to the European Union.

Over the past few weeks he has eloquently put forward South Africa's case for membership of the Lomé Convention, which provides the most favourable access to the EU. The EU is instead proposing an agreement which would force South Africa, over time, to open its market to European companies in return for almost immediate tariff-free access for SA exporters.

"The EU's political commitment to support our transition to democracy has not been met with a similar economic commitment," he says.

"The Lomé Convention is the only trade regime that could give duty-free access to all our industrial products and allow us to develop our own industries accordingly," he says.

He also calls on the EU to put South Africa on a level playing field with competing nations by applying the same tariff levels to all products.

Mr Ismail makes it clear, however, that relations with the southern Africa region remain the government's top priority, pointing out that the EU's proposal could conflict with South Africa's commitment to SACU.

"Our strong trade relationship with the EU is one that we inherited from the previous regime. We want to consolidate those ties in such a way that it assists in the economic and industrial development of the entire region," he says.

Mr Ismail is encouraged by the recent wave of SA investment into Africa and confident that it will be followed by strong trade flows.

"Our trade policy is a natural extension of industrial and investment strategies and should be structured in such a way that it creates competitive industries without destroying jobs.

"We have a vision of building competitive industries in the region that can compete successfully on the global market," he says.

As part of South Africa's new role in the SADC he is finalising a trade and industry protocol "that charts a way forward towards greater trade integration". This could involve the phased removal of regional trade barriers and setting up regional trade preferences.

Mr Ismail, 35, was the ANC's representative at a number of SADC summits between 1993 and 1994. He joined the ANC's Department of Economic Planning after completing a two-year Master's degree in development studies at Sussex University in 1992, adding to his LLB from the University of Natal.

During his studies at the University of Natal, from 1978 to 1985, Mr Ismail was president of the Black Students' Society and a founding member of the United Democratic Front in Maritzburg.

After graduating he joined Cosatu as a legal officer and co-ordinated the union's labour and economic research project until 1990.

Sven Lünsche

European delegation's attitude adds to confusion over Lomé

(74) CT(BR) 9/5/95

CANDIDLY CAMERON

A trade deal outside Lomé may well be better for South Africa in the long run

By Bruce Cameron

The arrival of a European Parliament delegation under the leadership of former Irish foreign minister Gerry Collins last week has added to the confusion over the Lomé membership debate.

Collins and his delegation were effectively saying that whatever the ANC says is best, is good for us as well.

At a media conference, his attitude was quite obvious as he spent as much time spelling out his historical relationship in fighting apartheid as he did dealing with South Africa's application to become a signatory to the Lomé protocols.

He ducked a question on spelling out the essential differences in approach between the European Parliament and the European Union Commission (which comprises the senior and very influential Eurocrats) by saying he could not speak for the commission.

Free trade

Collins supports the minister of trade and industry, Trevor Manuel, who wants membership of Lomé — with qualifications to placate the other 70 signatory members of the Lomé protocols.

The package being presented for negotiation by the commission is essentially one that will lead to a free trade zone between South Africa and the European market.

Manuel wants best access to European markets, but is worried about pulling down the barriers completely in the medium term. He feels this is a risk he cannot afford to take as he cannot predict whether South African industry will have overcome its competitive deficiencies by that stage.

Manuel and his advisors believe Lomé membership will give South Africa its best deal in trading with the world's largest market, while retaining barriers against competitive European manufacturers.

But questions are starting to be asked by local business and academics whether the offer being made by the EU commissioner responsible for relations with the African, Caribbean and Pacific countries (the signatories of Lomé) and South Africa, Joao de Deus Pinheiro, is not in fact the better starting point for negotiations.

Pinheiro wants a trade deal essentially outside Lomé, which will give South Africa privileged access to European markets with protection against European exports to South Africa being phased out.

The Pinheiro package, which has already been approved by the full panel of commissioners, is to go before the council of European Union foreign ministers for approval later this month.

The important thing is that this is not a final offer. It is the EU's negotiating base.

Manuel, however, wants little to do with the package, obviously worried about the principle of South Africa outside Lomé being accepted. He considers the problems that will be caused in the region, if not in sub-Saharan Africa, by South Africa being outside Lomé, to be his most compelling argument.

He feels Lomé could well collapse because of the contradictions that would be created in the flow of trade between the region, South Africa and Europe.

Those arguing against Lomé say that the stresses caused by the dominating size of the South African economy could bring Lomé — which is already on shaky ground — to a halt when it is renegotiated at the end of the century.

This is apart from a number of EU members, disappointed with the returns on aid, wanting to scale down aid programmes.

Lack of debate

The problem so far with South Africa's formal application for Lomé membership — made in November last year — has been a lack of public debate. Very few people have been prepared to go on record, with business opting more for an "off-the-record" campaign to get the debate going.

Pinheiro arrives in South Africa on Thursday on a high-profile visit that should provide the base for a more effective debate. Among other things, he will be speaking at a southern African economic summit organised by the Swiss-based World Economic Forum as well as at a breakfast organised by the South African Institute of International Affairs.

Some of the recent arguments in favour of Lomé presented by Manuel's chief advisor on the issue, Faizel Ismail, are a bit disingenuous.

To argue that South Africa has the same export profile as other developing countries which export primary products, or that Turkey and Israel have a better dispensation, are hardly issues that will be taken seriously by the European Union.

South Africa is in a different category from the world's poorest nations, who are members of the Lomé club. Volumes, rather than profiles, will grab the attention of EU commissioners.

Robin Birchall, visiting research fellow at the South African Institute of International Affairs, points out that the EU will be wary about admitting to the Lomé club a country that has a GDP larger than four of its own members, namely Finland, Greece, Portugal and Ireland.

The hearts of Manuel and Ismail are obviously in the right place in trying to get the best deal for South African business, but more debate is needed.

For example, should a closer study not be made of the future of Lomé? If, as appears to be the case, Lomé is wobbly, then isn't the view taken initially by South Africa's ambassador to the EU, Neil van Heerden — to negotiate a deal outside Lomé — the better bet?

South Africa, with considerable international sympathy on its side for the moment, may be able to negotiate a better deal within its current status of the General Special Preferences arrangement than it will five years hence, when a Lomé arrangement disappears into history.

The whole issue of trade barriers and the effect on competitiveness should also be in play. Manuel favours getting rid of the protection barriers which have allowed companies to wallow in a lack of initiative.

If business is given a comfort zone by Lomé membership this problem may only be accentuated. Against this, a time scale for a free market will be a cracking whip.

It may be an idea for Manuel to refer the issue to either the National Economic Development and Labour Council or the parliamentary committee on trade and industry, to open up the debate.

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Brazil moots union with SA

(74)

PRETORIA: Brazil's foreign minister Mr Luiz Felipe Lampreia yesterday mooted the formation with South Africa of an entrepreneurial development council to expand joint trade, officials here said.

Mr Lampreia, on the first day of his four-day official visit, met South African foreign minister Mr Alfred Nzo for wide-ranging discussions on trade.

Exports from South Africa jumped by 84% last year over 1993, the foreign ministry said in a statement. — Reuter

Pinheiro stands firm on SA's exclusion from Lomé

CT(BR) 9/5/95 (74)

By John Fraser

ARGUS FOREIGN SERVICE

The European Union commissioner, Joao de Deus Pinheiro, who is due in South Africa on Thursday, will warn President Mandela that the EU is not prepared to alter its proposals for future ties with South Africa.

The government has condemned EU proposals for future trade links, which would include the negotiation of a Free Trade Agreement.

Pretoria would prefer trade relations to be conducted inside the Lomé convention — the EU's trade and aid accord with 70 developing countries, including all the other SADC states.

However, the EU's development director, Steffen Smidt, said yesterday that the South African government had been presented with the only possible alternative.

And he suggested that Pretoria take it or leave it.

"I am sure we have come up with the right formula," argued Smidt, who will be accompanying Pinheiro to South Africa.

"We will be asking EU governments to mandate us to see if South Africa wants a Free Trade Agreement with us.

"We can't impose it on them, but if they don't want it the alternative is not full Lomé treatment.

"I don't believe we should offer this to South Africa."

He added that if South Africa rejects a Free Trade Agreement with the EU, the only alternative route for boosting exports will be via an improvement in a scheme known as the Generalised System of Preferences.

However, this is regarded by Brussels as a second-rate alternative, as it would give only limited improvements in South Africa's trade access to the EU market. "If South Africa wants increased access to our markets, the only real route is through a Free Trade Agreement," Smidt argued.

"The commission does not believe that South Africa, with its strong economy, should have similar treatment to the other Lomé convention countries.

"If we proposed that, the commission would enable South Africa, under a non-reciprocal regime, to erode the benefits offered to other African, Caribbean and Pacific countries."

He said that if South Africa were to enter a Free Trade Agreement with the EU, this would "send a strong signal to the world" that the country's economy is in good shape. This, in turn, would boost investor confidence.

During his visit, Pinheiro will also sign accords on future EU aid to South Africa.

EU commissioner ready to discuss trade accord

(74)

JOHN DLUDLU

chy of preferences. In exchange, SA was willing to exclude itself from arrangements which could harm ACP and EU members.

SA also wanted the removal of discrimination of its trade interests in EU markets. According to an analysis, which was conducted by the SA team: "About 80% of EU trade is with countries that enjoy better-than-most favoured nation treatment." Because of its apartheid past, SA was excluded from this group of beneficiary countries.

Ismail argued that SA's competitors such as Israel and Turkey were paying lower tariffs in Europe, and that continuing this discrimination would punish Nelson Mandela's government for the sins of its predecessors.

A free trade accord for SA, he said, would jeopardise the preferences enjoyed by SA's partners in the five-nation customs union (Botswana, Lesotho, Swaziland and Namibia) under Lomé. Since they had common external tariffs with SA, they stood to lose their unilateral Lomé benefits if SA accepted a free trade accord. BD 9/5/95

The main attractions of Lomé membership included unrestricted access to EU markets (except for steel and coal), quite good access for agricultural items and faster negotiations.

Anyway, Ismail said, the ACP countries had on two separate occasions expressed unanimous support for SA's request for a closer relationship with them.

As the lobbying intensified in the run-up to the real talks, SA had been canvassing the support of individual EU members. "We want each one of them to identify areas of concern. We're reasonable. We would negotiate our position down if we were told any harm would be caused to a country," Ismail said.

Regarding US concern, Commerce Secretary Ronald Brown said in a recent interview that his government would have no objection to SA being granted Lomé concessions provided US interests were not harmed.

SA wanted to accede to the current Lomé accord, and would consider reciprocal arrangements — including a free trade accord — when the present convention came under review at the turn of the century. "SA is not opposed to reciprocity in principle," he said.

As Lomé benefits were universally available to all countries — a contravention of the General Agreement on Trade and Tariffs — it had been given a waiver by the World Trade Organisation, which succeeded GATT.

In the meantime, the lobbying campaign continued with individual members of the EU to "bridge the gap between the EU's perceived interest and its real interests", Ismail said.

The SA team wants to see subtantial changes to the Pinheiro proposals by the time they come from the Ministers' Council.

It is understood that when talks begin the EU, which has a wealth of experience in cutting deals, will dangle the carrot of "a generous period" on its free trade accord offer — that is more than the normal 10-year duration for many free trade accords.

Chirac 'threat' to SA trade

(74) CT(BR) 10/5/95

By John Fraser

ARGUS FOREIGN SERVICE

Brussels — South Africa's attempts to win new trade concessions from the European Union may be threatened by the election of Jacques Chirac to the French presidency.

France holds the presidency of the EU for the first half of this year, and will be in the driving seat when trade negotiations are formally launched with South Africa — probably at the end of this month.

However, the French are traditionally the most protectionist nation in Europe, and are particularly worried about agricultural imports.

"Jacques Chirac is an unknown quantity, in that he tends to change his policies in accordance with the pressure that is applied to him," said a senior EU observer. "What this means is that if he comes under pressure from the European farmers' lobby, he may find it easier to give in to them than to be generous to South Africa.

"Once France has surrendered the presidency of the EU, at the end of June, it will be able to revert to a naked display of national interest."

There is also some concern in Brussels that Chirac may not feel bound by the promises which have been made to President Nelson Mandela by the outgoing French leader Francois Mitterand.

"If I were a South African negotiator, I would watch the French like a hawk, but treat them with as much mistrust as you would a scorpion," warned the EU observer.

South African observers in Europe believe that Chirac may be reluctant to see South Africa develop too close a relationship with the Lomé convention.

This is the treaty linking the European Union with 70 developing nations mainly in Africa.

"South Africa could upset the balance in the Lomé convention, which has a strong francophone element," warned a senior observer of South Africa.

"However, this may be balanced by France's desire to develop a stronger presence in Africa and the Indian ocean region.

"Chirac may well want to step up political and economic co-operation with SA.

"He may be eager to see French countries benefit from the revival of South Africa.

"So it is difficult to see the overall effect of Chirac's rise to power on EU relations with South Africa.

"At the very least, the change of presidency in France must be a cause for concern to Pretoria. This is a key time for EU relations with South Africa, and any new element of uncertainty is a worry."

JAQUES CHIRAC

SADC supports SA's bid for Lomé status

CT(BR) 11/5/95

74

BRUCE CAMERON
POLITICAL EDITOR

The South African Development Community has underwritten South Africa's application for full membership of the Lomé trade accord with the European Union.

The issue is high on the agenda of the southern African summit organised by the Swiss-based World Economic Forum, which gets under way at the World Trade Centre in Kempton Park today.

The meeting will be opened by President Nelson Mandela this morning. Also present will be President Joaquim Chissano of Mozambique, President Ketumile Masire of Botswana, President Frederick Chiluba of Zambia, President Ntsu Mokhehle of Lesotho, Prime Minister Cleopa Msuya of Tanzania and President Robert Mugabe of Zimbabwe.

The controversy over South Africa's application for Lomé status comes under the spotlight with the arrival in Johannesburg today of the EU's senior official charged with southern African relations, Joao de Deus Pinheiro.

Pinheiro, who will be attending the summit, is pushing for South Africa to be given a special trade deal with the EU outside the Lomé agreement, initially giving South Africa preferential access to European markets, but leading to free trade between the two areas within six years.

Pinheiro will be signing a memorandum of understanding at Gallagher Estate in Midrand today on aid packages worth R550 million, with Jay Naidoo, minister responsible for the reconstruction and development programme.

Trevor Manuel, the minister of trade and industry, is adamant that Lomé membership will best serve South Africa and has received the endorsement of influential European Parliament committees.

Endorsement by the Southern African Development Community, of South Africa's application, made in November last year, will strengthen Manuel's case.

Kaire Mbuende, the organisation's executive secretary, said yesterday it was essential for the establishment of a southern African trading bloc that South Africa was accorded the same status in trade relations with Europe as other countries in the region.

He said South Africa's status outside the Lomé agreement was already affecting the ability of SADC countries, all Lomé signatories, to tender successfully for European Union contracts.

Mbuende said that because South Africa was not a Lomé member, it could not be sourced for equipment or supplies, pushing up costs for tender applicants who had to import from further afield.

Exclusion of South Africa from the Lomé agreement also affected the EU's rules of origin for imports, which would limit the cross-border manufacture of goods.

He said South Africa should be a full member of Lomé, but could be excluded from a number of the protocols dealing with specific goods, like bananas.

Mbuende's statements follow a recent warning by Manuel that South Africa's exclusion from Lomé may lead to the break-up of the 70-nation grouping because of the stresses placed on trade and investment in the region.

However there is disagreement on the issue in South Africa.

A number of academics and businessmen support the Pinheiro option, because they see trade barriers as anti-competitive. There is also concern that the Lomé arrangement may collapse because of lack of support in Europe.

There are 450 business delegates at the summit representing top companies from South Africa and 54 other countries.

Mbuende told a news conference yesterday that South Africa was now an important part of SADC. Tremendous advances had been made in electrification of the region as a result of South Africa's membership, while important contributions were being made in mining technology.

Mbuende said it was inevitable that South African goods would initially dominate and that the country would attract the largest share of investment, but that this would spill over to the region.

"South Africa is aware that it has to assist with regional development or South Africa itself will be destroyed." He said indications of South African concerns were reflected in plans to relax exchange control regulations.

Klaus Schwab, president of the World Economic Forum, told the news conference that investment conditions had to be better in southern Africa than in other regions of the world because of the tight competition for investment. These would be improved by greater competitiveness, he said.

(~~274~~) (74)

Lomé discussions today: The South African Development Community has underwritten South Africa's disputed application for full membership of the Lomé trade accord with the European Union. The issue will be high on the agenda of the Southern African summit organised by the Swiss-based World Economic Forum, which gets underway at the World Trade Centre today. The summit was due to be opened by President Nelson Mandela this morning. **See over**

CT(BR) 11/5/95

COMPANIES

DAF appoints SA assembler

JOHN DLUDLU

DUTCH truck manufacturer DAF had appointed Associated Automotive Distributors to assemble and distribute its trucks in this country, visiting Dutch Foreign Trade Minister Anneke van Dok said yesterday.

The first trucks were expected to roll off the assembly line in August.

Addressing a luncheon outside Johannesburg, Van Dok, who is on a week's visit to the country, said the existing historical links between SA and the Netherlands should be used to benefit both nations.

"One of the similarities is that both nations occupy a position as a gateway to a large region," she said in reference to SA's position in southern Africa and that of the Netherlands in Europe.

Tourism and trade between the two countries were booming and KLM airline was having difficulty in coping with the number of passengers travelling between the two countries.

Imports and exports had put pressure on cargo capacity and the airline had to increase its weekly freighter service.

She said the challenge was to sustain the gains of expanding trade and tourism over the long term. BD 11/5/95

Earlier in the week Van Dok signed an investment guarantee agreement with Trade and Industry Minister Trevor Manuel and held discussions with leaders, including Gauteng finance and economic affairs minister Jabu Moleketi.

Mandela and EU officials push aside trade obstacles

CT(BR) 12/5/95 (74)

By Bruce Cameron

Political Editor

President Nelson Mandela and European officials yesterday cleared obstacles in the debate over conditions for preferential access for South African goods to European markets.

The European Union commissioner in charge of southern Africa, Joao de Deus Pinheiro, emerged from lengthy meetings with Mandela and the trade and industry minister, Trevor Manuel, to declare: "All the clouds that existed in the past have dissipated."

Manuel said misunderstandings had been cleared up and he was happy with the European Commission proposals to provide the platform for negotiations with South Africa for trade access to Europe.

However, a South African government source said months of negotiations on the final terms of a trade agreement still lay ahead.

Pinheiro had recommended a twin-track approach, giving South Africa temporary access to the Lomé convention benefits which would eventually be phased out in favour of free trade agreements.

Manuel had initially strongly objected to the proposed free-trade provisions over the longer term. He was concerned that South African industry, not yet competitive, would suffer if exposed to totally free trade in too short a period.

Pinheiro indicated that he wanted a more lasting agreement between South Africa and Europe than access to the Lomé convention, which gives the world's 70 poorest nations preferential trade conditions with Europe. He said the European Council of Foreign Ministers still needed to formalise a negotiating proposal later this month.

Pinheiro was speaking at a press conference after signing a memorandum of understanding on European aid of R555 million to South Africa for this year, at a ceremony at Gallagher Estate in

Trade unionists and their ANC allies favour economic isolation for South Africa just as business starts to break out of international barriers imposed by apartheid. DAVID BREIER of the Weekend Argus Political Staff reports.

The world awaits you, investors told

ARG 13/5/95 (74)

ECONOMISTS are warning against a growing tendency in the African National Congress and its trade union allies to isolate South Africa from world trade.

The increasingly inward-looking mentality among leading ANC members and the Congress of SA Trade Unions (Cosatu) comes just as South African business is breaking the shackles of isolation and is joining the international mainstream.

Ironically, the protectionist attitude among some ANC members has been compared to the "siege mentality" that marked the P W Botha government at the height of the total-onslaught years when South African companies had to depend on local markets.

Among recent attacks on outward-looking South African business:

■ ANC secretary-general Cyril Ramaphosa gave a veiled warning to South African companies not to invest overseas but to restrict their capital to South Africa to create jobs here. "The Oppenheimers, the Ruperts must get the message clear. Their interests can only be secured if they have a clear commitment to the future of the country," he warned.

Economists say Mr Ramaphosa is completely out of touch with the real world. They ask how South Africa could expect international investment here if it warns its own companies against diversifying internationally.

■ Cosatu strongly opposes moves to drop South African trade barriers and reduce the country's high import duties which protect local products and jobs. The trade union federation believes local industry can find a big enough market internally.

But economists warn that maintaining high tariffs is shortsighted. While it may appear to protect South African jobs in the short term, it will stifle international trade and long-term growth. The country is obliged to cut duties in terms of the General Agreement on Tariffs and Trade (GATT) or face reprisals.

■ ANC government members have also suggested tough preconditions for "profiteering" foreign investors in South Africa — a move that could discourage foreign investment and job creation.

Okkie Stewart, director of the Bureau for Economic Research at the University of Stellenbosch, said it was difficult to understand Mr Ramaphosa's reasoning.

"One would like to see overseas companies invest in South Africa. Why can't our companies invest overseas?" he asked.

OUT OF TOUCH: ANC secretary-general Cyril Ramaphosa has warned South African companies not to invest overseas but to restrict their capital to South Africa to create jobs. Economists say he is out of touch with reality.

Dr Stewart suggested Mr Ramaphosa's views might be political rhetoric aimed at jockeying for higher office.

He said South Africa now had a large net capital inflow — more than R5 billion this year — for the first time in many years as opposed to the capital outflow during apartheid isolation.

This inflow was mostly in the form of loans rather than investment and had happened in spite of the abolition of the financial rand. But he said if the amounts flowing out of the country were as great as Mr Ramaphosa suggested, there would have been a net capital outflow.

Dr Stewart laughed off any suggestion that offshore investments were unpatriotic — they were to be expected in any normalised economy, and companies could bring their profits back into the country.

Boland Bank economist Francois Jansen, said Mr Ramaphosa's attack on business showed a lack of understanding. "He overlooks the fact that we are now part of the world economy. As such we must compete in world markets.

"The fact that South African companies are stretching their wings is, in the long term, to the advantage of South Africa. They are obtaining further experience, technology and management that will be ploughed back into our own economy to improve life for our own people."

Companies could choose whether to repatriate their overseas profits or not, depending on economic conditions.

"Politicians must be careful about looking at inward industrialisation. This policy under the old Nat government was not successful. We are part of the international business market. We must be able to compete internationally. That is the bottom line. It's all about the competitiveness of South African products on world markets," Mr Jansen said.

Companies were in the business of looking for the best opportunities and they would be failing in their duties if they didn't — this including giants like Old Mutual and Sanlam, who were buying overseas companies on a limited scale, he said.

It also meant mining houses like Anglo American had to look for mining opportunities in countries such as Australia, as mining was their business.

On the other hand Mr Jansen's own Boland Bank has just obtained outside capital inflow from Malaysia to the tune of R270 million.

"It's a fact that international boundaries are breaking down. You have free trade zones in Europe and North America." Even southern Africa had its customs union.

Mr Jansen cautioned about being overpositive about the net capital inflow, saying this was short-term.

He said world capital went into successful countries and countries where there were higher profits. This was why interest rates had to be reasonable and well above the inflation rate, to attract investors.

"The world tendency is globalisation — all the world is working as one big market. That is the aim of GATT — to break down trade barriers between countries so world trade can flow, and companies with a competitive advantage can get the advantage."

To suggest that taking part in this process was somehow unpatriotic, was entirely wrong. "Business has the right to use its knowledge internationally and the experience it gains will help South Africa in the long term," he said.

EU wins over SA on trade package

ST(BT) 14/5/95 (74)

By KEVIN DAVIE and SVEN LUNSCHE

EUROPEAN Union trade commissioner Joao de Deus Pinheiro flew back to Brussels this weekend with an agreement from the SA government to negotiate a free-trade deal with the EU.

The proposed agreement will give most SA products immediate duty-free access to Europe's $7 000-billion market but allow "10 or more years" for scaling down tariffs which protect the sensitive areas of SA industry.

Trevor Manuel, Minister for Trade and Industry, welcomed the EU's "flexible approach" to trade negotiations but said South Africa would seek an agreement "as close as possible to the Lomé Convention".

Mr Pinheiro told a meeting of the SA Institute of International Affairs on Friday that there were possibly as few as 20 "sensitive" products that would require special negotiation.

There were "five or six" agricultural products where difficulties may arise but "there is a good probability of success that we can accommodate the main concerns".

SA officials have been arguing for full membership of Lomé, which gives preferential, but limited, EU market access to 70 African, Caribbean and Pacific countries. Unlike the free-trade offer, it does not require a reciprocal phasing down of tariffs.

Mr Manuel told a news conference on Friday that he was pleased with the EU's open attitude towards negotiations. The talks are expected to begin formally on May 29, when Mr Pinheiro will be officially mandated to negotiate the package on the EU's behalf.

Mr Manuel said the key to the success of the future trade relations would depend on a sectoral analysis of "sensitive areas for SA industry", such as clothing and textiles, motor manufacturing and agriculture.

Mr Manuel said there was "nothing wrong" with spurring local industries into competition but that it should be done on a "rational basis".

Mr Manuel admitted that the EU debate "has pitched us against a fairly tight mindset in the business sector".

A study is being undertaken by the Industrial Development Corporation to determine the impact the free-trade area will have on SA industry.

Mr Pinheiro said the European Commission, the bureaucracy which runs the EU, had not decided on formal timetables for the asymmetrical phasing down of tariffs between the EU and South Africa.

But Mr Pinheiro indicated that the EU would be prepared to allow "more than 10 years" in the case of sensitive products.

Mr Pinheiro told the SAIIA that "clouds appeared to exist" before his visit this week, but after meetings with President Nelson Mandela, Mr Manuel, Minister without Portfolio Jay Naidoo and Deputy President Thabo Mbeki "there is no cloud whatsoever. We're on the same footing and the same approach."

It is understood that EU officials had impressed upon the government the need to be supportive of Mr Pinheiro's free-trade initiative.

Continued insistence by South Africa for market access through Lomé could have led to the European Commission dropping its offer to create a free-trade area.

Mr Pinheiro said the EU was in principle opposed to granting free-trade status to outside countries, but that the Commission believes that its proposals, which include limited (non-trade) Lomé membership for South Africa, were the best deal both for South Africa and the region.

Mr Pinheiro stressed that full membership of Lomé was not an option for South Africa as a special waiver required in terms of World Trade Organisation rules would be blocked by WTO members.

"Full Lomé membership is simply not possible."

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BACKGROUND&ANALYSIS

EU wants SA to get good trade deal

(74) CT(BR) 16/5/95

BRUCE CAMERON
POLITICAL EDITOR

Professor Joao de Deus Pinheiro, European Union commissioner in charge of external relations with the world's 70 poorest nations, wants the best possible trade deal for South Africa — and this, he says, needs to be outside the Lomé Convention, which gives preferential status to the 70 countries.

It appears that the trade and industry minister, Trevor Manuel, who was at first extremely dubious about the switch of the European Commission from a trade deal within Lomé to one outside, is now prepared to go along with Pinheiro.

In an interview, Manuel said as long as the deal was close to the Lomé trade protocols he would be happy, but he foresaw long negotiations about whether South Africa would get preferential treatment.

Agreement is crucial for South African trade. The EU is the target of about 40 percent of all exports.

The initial differences between Manuel and Pinheiro were on the basis of a brief document giving the bare bones of the direction the European Commission wanted to take in its negotiations on trade relations with South Africa.

Manuel read the document to mean that Pinheiro wanted an agreement that would see all preferential trade access to European markets being dropped within a rigidly fixed period in favour of free trade.

This could have seen uncompetitive South African industries having to compete locally on equal footing with more efficient European imports.

In an interview with Business Report, Pinheiro said this was not the case. He was totally committed to eventual free trade between Europe and South Africa but he was prepared to structure an agreement on a product-to-product and sector-to-sector basis.

Manuel is happy with an approach that would lead to a free-trade agreement but he wants each product assessed properly, with no firm deadlines.

"I am happy to sign a free trade agreement on pineapples today but motor vehicle tyres are a different proposition.

"We must start from a position of Lomé trade preferences and negotiate down."

Selective protection

Manuel wants an agreement that would see South Africa able to protect uncompetitive key industries until they can improve their position.

There had to be a system of assessing the position of each product or sector, he said.

Pinheiro said he was quite happy to do this.

"We need a timetable that would not endanger vital developing sectors or uncompetitive sectors. We can do this sector by sector or product by product.

"There will have to be provisions on how to evaluate the position. There must be intermediate points of evaluation taking into account new realities and whether objectives are being reached."

He believed there would be only about a dozen highly sensitive products over which there could be problems, either from the Lomé group, also known as the African, Caribbean, Pacific (ACP) countries, or from some EU members.

He did not want to name the products.

"They account for a very small proportion of South African exports, both in volume and in value."

He said the legitimate interests of the ACP group as well as European members had to be protected.

Pinheiro predicted negotiations would take many hours before agreement could be reached.

Negotiations should start before July with the Council of European foreign ministers scheduled to give approval to Pinheiro's negotiating proposals on May 29.

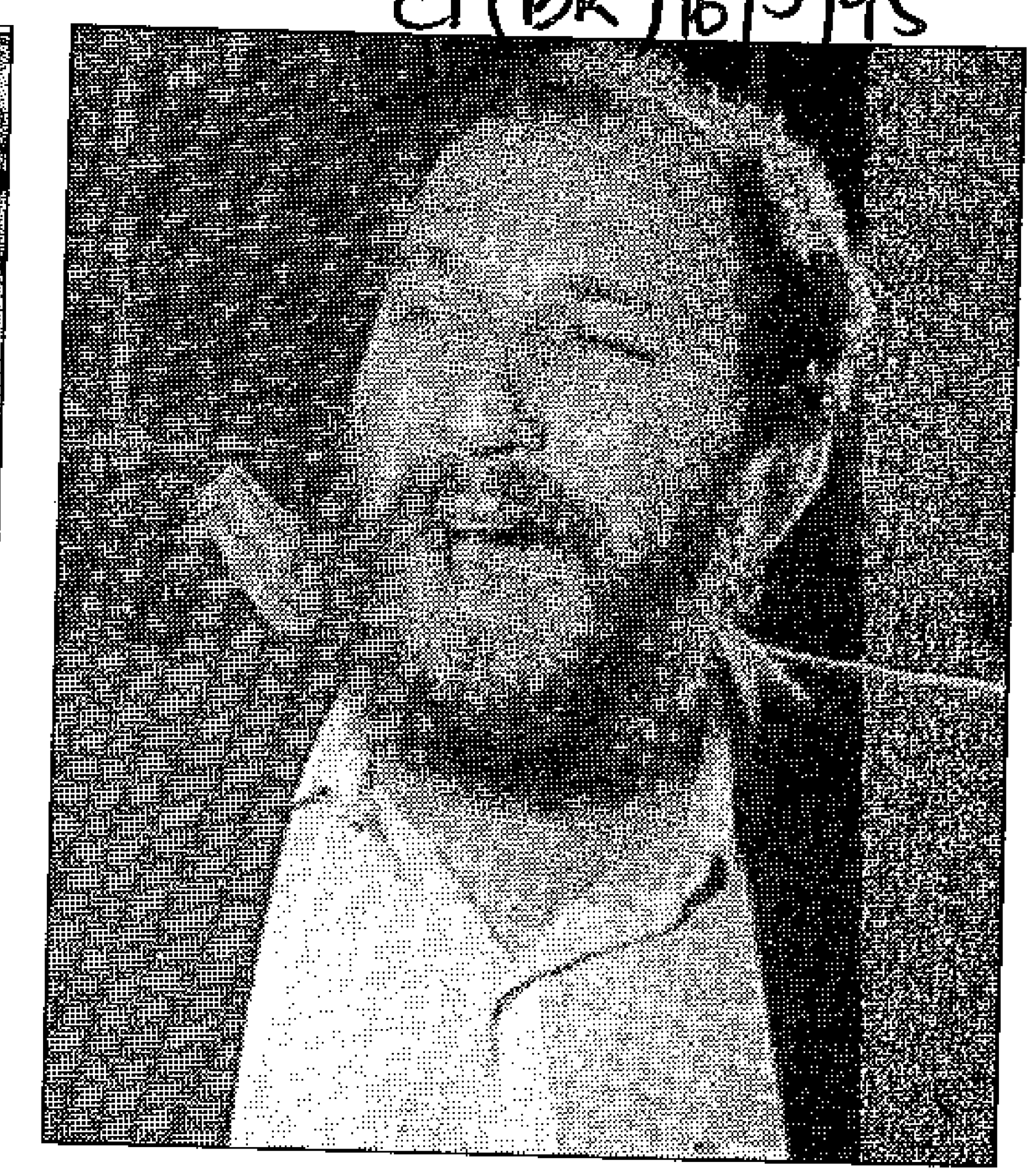
"I hope we can finalise discussions before the end of the year."

"There is strong support for South Africa in the EU. We want to give South Africa a long-lasting agreement.

"We believe South Africa will be a major trading partner."

Pinheiro said he was quite happy for South Africa to become a signatory to all the other provisions of the Lomé agreement, which range from political agreements to

Joao de Deus Pinheiro



Trevor Manuel

cultural exchange. This is what he terms the twin-track approach, with South Africa being offered membership of Lomé plus a separate aid package (which amounted to R550 million this year) minus trade on the one track, and a separate trade agreement on the other track.

Pinheiro said the intention was to have an asymmetric approach, with the EU opening up to South African goods more quickly but with barriers steadily being removed on both sides.

"Agreement should give new impetus to regional co-operation in southern Africa, in which South Africa will play a pivotal role."

He accepted there would be difficulties in finalising agreement because of stresses that could arise because of the slowly emerging southern African economic bloc and South Africa's dominant position in the region.

Special exemptions

These factors would be taken into account. Special exemptions would be made to allow the sensitive issue of EU "rules of origin" to be overcome."

Pinheiro said a major revision of assistance to the developing world was under way. The one thing that was certain in the revision was that there would be a greater movement to free trade.

"The Uruguay round of Gatt (the General Agreement on Tariffs and Trade) has shown that the irreversible direction is trade liberalisation."

Some of the principles of Lomé would have to be retained and developed.

The most important was the EU insistence on the principle of support and interaction with the Lomé signatories rather than taking a patronising and neo-colonial approach.

European states may reject trade package

74

Linda Ensor

BD 16/5/95

LONDON — There are indications that the trade package proposed by the European Commission for SA — and rejected by the SA government as being too restrictive — could be dismissed by European member states as overly generous.

The European Council of Ministers representing all union member states is to discuss the proposals at a meeting on May 29.

Sources in Brussels said yesterday that some member states were opposed to the idea of a free trade area — as proposed by the commission — as this would allow SA products into the European market.

Under World Trade Organisation rules it is not possible to exclude whole sectors from the operation of a free trade area. Member states vulnerable to competition from SA products — for example, agricultural products — would therefore oppose granting SA access to the European market under a free trade area agreement.

Inside sources believed that in these circumstances such an agreement would be the best SA could hope for, despite SA pressure for full membership of the Lomé Convention, and rejection of the free trade area option as insufficient for its needs.

The commission proposals mean SA need not at once give reciprocal access under the free trade area agreement. SA industry would be allowed time to become competitive.

The decision on the negotiating mandate to form the basis on which the European Commission debates a trade agreement with SA can be made only by the Council of Ministers. EC commissioner responsible for SA, Joao de Deus Pinheiro — currently in SA — has no power to change the package proposed.

Even though there is a wide gap between what the European Parliament may wish to offer SA and what the European Commission has proposed, the parliament will vote only on the outcome of the SA talks with the commission, and not the mandate for them.

By the time Parliament voted on the issue, an SA deal with the commission would have been reached, making its role one of a rubber stamp.

Corvettes deal includes R3,2bn trade package

BD 16/5/95

74

Edward West

CAPE TOWN — Scotland-based Yarrow Shipbuilders' tender to build four corvettes for the SA Navy included a R3,2bn countertrade package which would be capable of generating 25 000 new jobs, MD Murray Easton said yesterday.

Yarrow and Spanish group Bazan had submitted tenders to build the corvettes. The Cabinet still had to decide whether in fact to have new vessels built. It must also decide which company to award the tender to following recommendations by the SA Navy and Armscor.

At a briefing yesterday, Easton released details of the countertrade agreement Yarrow had proposed with its tender to build the vessels. The company, like Bazan, had proposed a binding commitment to provide over 100% of the corvettes' contract value in countertrade.

Yarrow Shipbuilders was a subsidiary of GEC. Another GEC associate GEC Alsthom operated a number of engineering and manufacturing facilities in SA. Included in the countertrade offer was a "major opportunity" identified by GEC to generate low-cost electricity.

According to Yarrow's offer, the project involved the investment by GEC of R1,5bn on power stations to generate low cost electricity using previously discarded coal residue. The project was expected to create about 2 500 jobs over the three years of installation and 500 operating staff.

In reply to a question whether GEC would not go ahead with the "opportunity" if Yarrows' tender failed, Easton said the offer represented a commitment by GEC to go-ahead with the project.

Yarrow's offer also included an initial R40m fund to kickstart a urban renewal programme providing 10 000 houses and accommodating 50 000 people. Other components of the countertrade included "quaranteed" export markets, raw materials purchases and training and technology transfer projects.

Responding to reports that Armscor had been criticised by various European shipyards for its conduct over the tender process, Easton said the tender process so far had been normal.

Easton arrived in SA yesterday with the Lord Provost of Glasgow Tony Dingwell and Engineering Union secretary-general Gavin Laird. Easton said the delegation would meet various interests in SA over the next few days to "explain the excellence of our proposals".

Sapa reports that Easton said the offer included the purchase of all available raw materials from SA, the purchase of R435m in equipment and services from SA industries and skills training for 200 South Africans in Britain.

Eastonsaid his company was "confident" of winning the contract if full attention was given to its technical bid and countertrade proposals.

The four corvettes would be supplied to SA without any weapons systems, but could be easily converted to give them an offensive capability.

Firms 'throw in the towel' as tariffs go

CT 18/5/95 (74)

By Bruce Cameron

Political Editor

A number of South African companies have closed down operations, or are threatening to close down operations, as the government moves to meet the demands of open trade in terms of the General Agreement of Tariffs and Trade.

Trade and Industry Minister Trevor Manuel told the Senate in opening the debate on his budget yesterday he had "recently received with shock, news of closures and pending closures of firms which would rather throw in the towel than face competition".

Manuel said the moves followed the first tariff reductions on January 27. The barriers were put in place during the apartheid era to protect the economy from the ravages of sanctions.

Manuel did not tell the Senate how many companies were involved or how many jobs were in jeopardy. Contacted later by Business Report, his office declined to identify any of the companies.

But he said the government would push ahead to meet its Gatt commitments, reducing protective tariff barriers, phasing out the General Export Incentive Scheme (Geis) over three years and adopting policies to force and help companies become internationally competitive.

Manuel said the anti-export bias of past policies, which gave rise to Geis, had partially diminished. He said to fully overcome the anti-export bias of many South Africa companies required a determined effort from all parties to improve competitiveness.

Manuel said much of his department's time had been diverted by the enormous pressures exerted by some established industries which found it difficult to address weaknesses of past practices and adjust to international competition.

"In responding to these industries, we have tried to break with the past and not simply use tariffs as the policy instrument."

Instead, the department was attempting to use supply side instruments, such as improving training, work organisation and technology, to make companies more competitive.

Parallel to this, steps were being taken to set up a National Accreditation System to certify a number of bodies involved in raising manufacturing standards.

Manuel said that in spite of problems, the government had been able to communicate a consistently strong message and the country was seeing increased investment flows from both domestic and foreign investors.

He predicted this year would see an economic growth rate in excess of the population growth for the first time in 20 years.

"The real challenge is to put in place the fundamentals for sustainable growth and a development path to ensure a growth trajectory which is clearly indistinguishable from commodity cycles," Manual said.

The target had to be a growth rate of 5 percent and the creation of up to 500 000 jobs a year by 1999, with substantially increased domestic and foreign investment.

CT (BR) 18/5/95

Ports congestion hurting business

(74)

By Claire Gebhardt

ECONOMICS EDITOR

Chaotic congestion in South African ports, which had led to shippers imposing surcharges on importers and exporters, would have an extremely adverse impact on the economy, the South African Chamber of Business (Sacob) warned yesterday.

In an urgent fax to the trade and industry minister, Trevor Manuel, Sacob director of economic policy Ben van Rensburg, said crisis measures were required to alleviate the situation and its potential influence on the trade account of the balance of payments.

The escalation of cost structures would exacerbate inflation and affect the global competitiveness of South African business, Van Rensburg said.

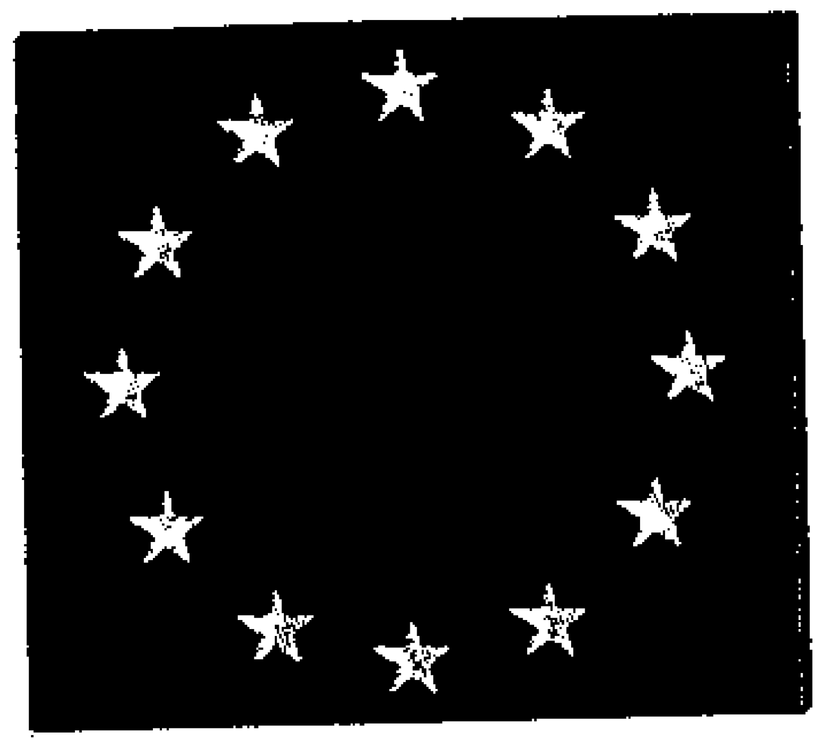
Costly delays in offloading and onloading of containers at ports in Durban and Cape Town have led shipping lines to pass on additional costs to importers and exporters, resulting in a surcharge of $100 on a 20-foot container and a $200 dollar surcharge on a 40-foot container.

A shipping industry spokesman said it was costing shipping companies an "arm and a leg" to operate at present; costs were in the region of $500 000 a voyage.

EU proposes a deal for SA beyond Lomé

74

CT(BR) 19/5/95



The European Union (EU) has put forward a proposal that while relations between the union and South Africa should fall under the Lomé Convention, trade should be covered by a separate agreement.

Joao de Deus Pinheiro, EU commissioner responsible for African relations, recently travelled to South Africa to meet senior members of the government, including President Nelson Mandela, to explain the EU's stance on the Lomé Convention in its relations with South Africa.

Pinheiro said that although the EU favoured Lomé to cover most areas of the relationship, when it came to trade, the EU believed a separate free trade agreement would be more beneficial.

He said: "South Africa is a dualistic society — part of the country is a developing society and the rest has the capacity for international competition.

"How do we address this dualism with the standard agreements that we have? The EU believes it is necessary to devise a totally original approach in which we would follow a dual track.

"We would seek to grant South Africa access to as much as possible of the Lomé Convention and I believe South Africa could benefit from all the chapters with the exception of general trade." Lomé's general trade section grants a number of trade preferences to African, Caribbean and Pacific countries.

However, Pinheiro said that those preferences were given in breach of Gatt and a special waiver had been negotiated.

Reopening negotiations to include South Africa would put the waiver as a whole in jeopardy, and it would be highly unlikely that the preferences would be extended to this country.

Furthermore, such negotiations would take a considerable amount of time.

On the other hand, a free trade agreement would not require such a waiver provided it covered the bulk of the trade between the parties to the agreement — at least 90 percent of products and 80 percent of services and intellectual property.

Lomé is a more focused approach that concentrates on specific products or industries and lacks the broad coverage of a trade agreement, and thus falls foul of Gatt. Said Pinheiro: "Bearing all these factors in mind we have offered South Africa the possibility of having a trade and co-operation agreement on those areas not covered by Lomé. We are so open in this regard that we are even prepared to go to a free trade agreement of an asymmetric nature.

"This would mean that the pulling down of barriers to free trade on the South African side would be much slower than for the union.

"Market access under a free trade agreement would be at least as good as under the Lomé Convention.

"In addition, it is on a firmer basis as there is no time limit and will only end when one or more of the parties gives several years notice in advance.

"However, it is not a precondition that we negotiate towards a free trade area. Nor is this something we would press towards.

"Inside the EU the idea is not particularly popular as conventional wisdom tells people it would be bad for the union.

"Because the EU's market is larger, the agreement to open the two markets offers more opportunities for South Africa. If the EU's council of ministers gives its blessing to the idea, it would be an important breakthrough for South Africa."

It's a wine import-export merry-go-round

BY FRANCOISE BOTHA

Cheaper wines are being imported to offset a wine shortage caused by rising exports, says Cape Town retailer Oscar Foulkes of the Wine Warehouse.

Increasing local demand for low-priced, easy drinking wines was also causing sources to dry up, he said.

The KWV has suggested that an increase in production of 3% a year will be needed to meet rising demand, but local wine farmers who do increase vineyard plantings will need to wait a number of years before vines bear fruit.

In the meantime, the shortage will continue.

The KWV estimates that by 2000 an extra 200 000 tons will need to be produced. To meet the demand, lighter style cabernet sauvignons were being imported from Chile to satisfy the shortage in the ready-to-drink, below-R10-a-bottle category.

(74)

Trade talks set for delay

(74) Star 19/5/95

■ BY JOHN FRASER
STAR FOREIGN SERVICE

Brussels — South African observers in Brussels are nervous that the start of trade negotiations with the EU could be delayed — until September.

EU ambassadors meet in Brussels next week for their first serious debate on proposals for a new relationship between Europe and South Africa.

They will be discussing a proposal by bearded Portugese Eurocrat Joao de deus Pinheiro, who is responsible for the South Africa dossier.

Commissioner Pinheiro has suggested that South Africa should be offered partial membership of the Lomé Convention.

However, he wants trade and aid relations to be dealt with outside the Lomé framework.

Initially, the South African Government expressed alarm at this plan, but it seems that Pretoria is now prepared, cautiously, to use Pinheiro's strategy as the basis for the opening of negotiations.

The aim is for South Africa to win the same trade concessions as are offered under the Lomé Convention.

These have the advantage of being given by Europe, without benefits being sought in return.

Mediterranean

However, the worry in Pretoria is that EU governments will insist that if South Africa is to win new trade benefits from Europe, EU firms must in return be offered better access to the South African market.

One fear is that there will not be an easy debate when the 15 EU ambassadors tuck in to the South Africa dossier at their meeting next week.

Already there are strong indications that Europe's Mediterranean countries — the "olive belt", as they have been dubbed by a senior South African diplomat — are in a protectionist mood.

"The French, Spanish and Italians are nervous at the implications of offering a trade deal to South Africa, as this could bring in a surge of farm products, which would directly compete with the produce of Mediterranean producers," warned a diplomat.

"There is always the danger that the EU governments will reject Professor Pinheiro's formula as too generous.

"In that case the EU commissioner would have to come up with a new proposal, which could take months. The implication would be that there would be no start to formal negotiations between the EU and South Africa before September."

Pinheiro returned to Europe yesterday from a week-long trip to South Africa and Mocambique.

His task next week will be to sell his strategy to all 15 EU governments.

If he fails, he and the South African Government will face several months of thumb twiddling before they are allowed to go into battle.

Qualified 'yes' for SA in Lomé

(74) (EU)

BY JOHN FRASER

ARGUS FOREIGN SERVICE

CT(BR) 23/5/95

Brussels — Ambassadors from 70 developing countries are today expected to vote in favour of South Africa's partial membership of the Lomé convention.

This is the treaty linking the EU to 70 African, Caribbean and Pacific (ACP) states — including all South Africa's neighbours.

The ambassadors will discuss a report which in general terms supports SA's adhesion to the Lomé convention. However, the ACP states suggest SA should not be able to benefit from certain elements of the convention, as this would reduce the benefits to existing signatories.

The areas highlighted are the protocols governing bananas, sugar, rum and beef, as well as funds for supporting mining and basic commodities.

The ambassadors are also expected to vote against South African eligibility for a "structural adjustment fund" — which offers Lomé countries special financial help. The ACP countries argue SA receives separate aid from the EU, totalling R555 million this year.

Progress made in US/SA trade talks

(74)

John Dludlu

BD 23/5/95

PROGRESS had been made on talks to remove obstacles to trade and investment between SA and the US, Assistant Commerce Secretary Lauri Fitz-Pegado said at the weekend.

After a two-day session of the US/SA Business Development Council in Cape Town, she said the SA side was committed to scrapping the remaining foreign exchange controls following the abolition of the financial rand.

Progress was also made regarding US companies' complaints of insufficient protection of intellectual property rights in SA. Further discussion on the subject and other legal barriers to trade and investment would be via a series of commercial law seminars, which began in Cape Town yesterday.

The working groups recommended the establishment of an emerging business fund and technical assistance centre to facilitate business linkages between the two countries, as well as an export trading house initiative for the small business sector.

Fitz-Pegado would not give a time frame, but sources said it was planned to have these bodies in place before October.

Fitz-Pegado said the private and public sectors would assist in carrying out the working groups' recommendations.

The recommendations were in line with the Clinton administration's objective of assisting black participation in the economic mainstream, using links with US companies.

The trend of partnering black entrepreneurs in SA had started to emerge, albeit at a low scale, judging by the recent US entrants to the SA market. "However, we'd like to see more," she said.

'Shun protectionism'

BD 23/5/95

(74)

John Dludlu

TRADE and Industry Department director-general Zavareh Rustomjee has called on SA firms to make a break with protectionism, and rechannel their resources to improve competitiveness and achieve higher growth levels.

He said in his annual report that firms spent too much time and resources lobbying for protective tariffs and the retention of General Export Incentive Scheme (Geis) benefits.

If only half this time was channelled towards a critical examination and international benchmarking of their productive processes, a growth rate of 5% could be reached before 1999.

He said government was committed to improving support to firms which focus on supply side measures for human resources development, technology improvement and better working organisation.

Work was already under way to identify GATT-friendly support measures, but the process would succeed only if business committed resources to improving supply side conditions.

The department would increasingly set conditions for assistance, such as the proposed extension of the duty credit certificate scheme which would be available only to firms committing themselves to achievable targets.

The much criticised single channel funding would be phased out and the effect of the new approach was likely to be felt in the next Budget year, he said.

Agriculture looks to EU benefits

(74)

Star 23/5/95

■ BY JOHN FRASER
STAR FOREIGN SERVICE

Brussels — EU Commisisoner for South Africa Joao de Deus Pinheiro is to propose a substatial lifting of European import tariffs against agricultural products from South Africa.

EU spokesman Joao Vale de Almeida said yesterday he hoped the new measures would come into place on July 1. "We will be putting our proposals to the European Commission in the next few weeks, and hope to win the support of EU governments before July," he explained.

The tariff cuts will be offered under the Generalised System of Preferences (GSP), a framework set up by the United Nations for rich nations to offer benefits to poorer states.

South Africa already enjoys GSP benefits for industrial goods, and for a limited range of agricultural and fisheries products.

However, there was deep disappointment in South Africa when the EU stopped short of offering comprehensive GSP benefits for agriculture, in the package which came on stream in January.

Only around a fifth of the trade in farm products which South Africa had hoped would benefit was actually included.

The aim is to give South Africa equal treatment to that which is available to the other GSP beneficiaries.

The GSP system for agriculture is due for an overhaul from next January, so the advantages would only be offered to South Africa for six months.

However, this would mean better access for South African farm exports while negotiations get going on a wider-ranging trade deal between the EU and South Africa.

This is unlikely to come into force before 1996.

Evans targets SA for new trade bloc

CT(BR) 24/5/95 (74)

BY DALE LAUTENBACH

FOREIGN EDITOR

A mere glance at the itinerary of senator Gareth Evans, Australia's foreign minister, who arrives in Cape Town today, spells out his seriousness about the Indian Ocean rim concept.

Earmarked as a new trading bloc in which South Africa, India and Australia could be the three strong poles, Evans is taking his message to the Maldives, India, Pakistan, Sri Lanka, Seychelles, Madagascar, Mauritius and, of course, South Africa — all countries sharing the Indian Ocean.

In an interview with the Argus Foreign Service earlier this month in Sydney, Evans spelt out his country's various regional interests in terms of "overlapping Olympic rings".

Australia is deeply committed to the Asia-Pacific region, to east Asia and the South Pacific but none of this precludes active promotion of the Indian Ocean rim concept.

"We all have multiple identities," he said. "Let's not get hung up on exclusivity or primary loyalties."

The South African vision of the concept is that it should evolve as a trade and economic grouping.

Here South Africa is a little at odds with Evans as the senator has a broader vision of the bloc in its initial discussion stage.

Evans wants to see security issues, environmental questions, maritime considerations, protection of sea lanes, and law enforcement issues like the drugs trade and health issues, considered as well. He emphasised that he did not envisage a security grouping like Nato. "But I think we should talk about the art of the possible."

The "possible" on the South African leg of Evans' journey will also look closely at the emerging bilateral relationship with Australia and that country's professed commitment to South Africa's reconstruction and development programme.

Evans acknowledged that Australia's aid commitment was "frankly modest at A$30 million for the next three years and not likely to increase".

But commercially viable projects could be supplemented by soft loan facilities, with housing standing above the rest as an area of possible co-operation.

"The Australian construction industry is particularly productive and sophisticated," he said, earmarking Australian technological know-how and expertise in low-cost housing.

But there was only so much the Australian government could do to encourage Australian private sector engagement in South Africa.

Ivan Chait of the Australia-South Africa Business Council in Sydney said interest was still very much "at the notebook stage rather than the chequebook stage". There was "a lot of scepticism in certain business circles".

Much of this was related to the perception of violence and political and labour uncertainty in South Africa and on this Evans put the ball squarely in South Africa's court: "It's for your government to boost their confidence," he said of the Australian private sector.

He said more visits like the one by Deputy President FW de Klerk to Australia earlier this year were needed. Australians had to see not just the ANC but "the whole of modern South Africa, including traditional white society".

Evans said the Australian perception of South Africa, isolated from the mainstream as it has been for so long, was that the country is where Australia was 10 years ago in terms of the management of industrial infrastructure.

Southern Africa had rich resources, though, including human resources.

But governments could only do so much to set the ring for the private sector and could not themselves get in.

Perhaps the initial potential strength of the SA-Australia relationship (tomorrow's game, which Evans will attend, notwithstanding) is a political one.

"There's no inhibition to our political relationship developing in leaps and bounds," said Evans, who has been struck by the "like-mindedness" of the two countries, which could share interests on the world stage in areas like the restructuring of the United Nations Security Council, environmental protection and preventative diplomacy initiatives.

But clear political signals could have a positive impact:

"Business is always more comfortable in committing themselves in countries where there is a strong political relationship. We have every reason to hope we can pick up the ball."

Ambassadors back SA Lomé membership

CT(BR) 24/5/95 (74)

By John Fraser
ARGUS FOREIGN SERVICE

Brussels — Ambassadors from 70 African, Caribbean and Pacific (ACP) states yesterday voted their support for South Africa's bid to join the Lomé Convention.

This is the trade, aid and co-operation treaty linking the European Union with the ACP nations. The ambassadors' recommendations will go to a ministerial meeting of ACP states in Brussels on Monday. The ambassadors adopted a formula which is the brainchild of Neil van Heerden, South Africa's ambassador to the EU. The formula was used when Namibia applied to join the club. On that occasion, a special clause was added to the convention supporting Windhoek's bid for membership — but leaving the fine print to be negotiated at a later stage.

This meant there were no delays in admitting Namibia, once negotiations had been completed.

"We are going to do the same thing for South Africa as we did for Namibia," said an ACP official.

"This gives the political green light to membership, but recognises that there are difficult problems to be sorted out in negotiations."

Although South Africa would enjoy most of the benefits of the convention, the ACP states would want it to be excluded from two funds which protect developing nations from changes in commodity and mineral prices.

South Africa would also be excluded from assistance for producers of sugar, bananas, beef and rum and would not be offered the benefits of the Structural Adjustment Fund.

Trade development

BY JOHN FRASER
STAR FOREIGN SERVICE

Brussels — Ambassadors from 70 African, Carribean and Pacific (ACP) states yesterday voted their support for South Africa's bid to join the Lomé Convention.

This is the trade, aid and cooperation treaty linking the Union with the ACP nations — former colonies of EU states.

The ambassadors' recommendations will now go to a ministerial meeting of ACP states in Brussels on Monday.

The ambassadors adopted a formula which is the brainchild of SA's ambassador to the EU, Neil van Heerden.

Van Heerden persuaded the ACP bloc to copy the formula which was used when Namibia applied to join the club.

(74) Star 24/5/95

Star 24/5/95

Export and import game

UK exports to South Africa for the first quarter of this year were up a whopping 49% to more than R2,5-billion on the same quarter last year. Against this, South African exports to Britain dropped from R5,7-billion in 1993 to R5,6-billion in 1994. — Staff Writer.

(74) PA

Indian Ocean rim shows potential for future growth

CT (BR) 26/5/95 (74)

By Bruce Cameron

Political Editor

Intra-regional trade in the Asian Pacific Economic Community accounts for about 66 percent of the total trade of the member countries.

Yet in the Indian Ocean rim countries, intra-regional trade accounts for a lowly 20 percent.

This, says Gareth Evans, the Australian foreign minister, who is on an eight-nation, 11-day trip around the rim, is a clear indication of the potential of trade development in the region.

Evans is a leading force in the move to link countries like Australia, Malaysia, Singapore, India and South Africa through the establishment of an Indian Ocean economic community.

He said the development of a new trading bloc for the region would have to be gradual and should not be seen as replacing other trading arrangements, such as the Southern African Development Community.

Moreover, the growth of regionalism should not be at the expense of global co-operation, he said, and most certainly should not result in a worldwide tribalism based on mutually antagonistic regional groupings.

Regions should rather be linked together like the five overlapping Olympic rings, he added.

Evans said he envisaged the development of an Indian Ocean rim trade bloc as having three tiers.

Firstly, there should be economic co-operation in the broader sense, with, for example, the interchange of OECD-type data; the analysis of potential co-operative ventures, such as mining; investigations into infrastructure development with the possibility of regional satellites providing affordable services; human resource development; and the interchange of ideas on small and medium-sized business development.

The second tier should add more substance to the structure, Evans said, moving from dialogue to trade and investment facilitation and to direct agreements to deal with such issues as the harmonisation of customs procedures and investment guidelines.

And the top tier should involve issues such as trade and investment liberalisation and the removal of tariff barriers, he added.

In line with this strategy, Australia is sponsoring a conference on the issue in Perth next month to which representatives of 29 countries have been invited.

Evans emphasised that these initial discussions would not be on an inter-governmental level as governments had strict briefs and dialogue would be predetermined.

Instead the conference would be a "second track" means of exploring the scope for regional co-operation.

Participation will be on a tripartite basis, consisting of government officials in their personal capacity, business leaders and academics.

"It will operate in a deliberately constructive and forward-looking fashion," he said.

"No encouragement will be given to, or opportunity allowed for, the counterproductive airing of bilateral disputes or confrontational attitudes surrounding them."

There would be a broad agenda primarily aimed at trade, including existing trade and investment links, existing economic co-operation, obstacles to trade and investment, as well as ways to move forward.

Other issues would include education, the environment, maritime co-operation and security.

Evans said the "second track" approach had been successfully used in the Asia Pacific region.

"Progress may be slow but there is a benefit to be gained from this approach and there is no reason why our positive experience in the Asia Pacific area cannot be repeated in this part of the world."

He said the end of the Cold War, the opening up by India to international trade over the past five years, and the changes in South Africa had opened the way to the development of an Indian Ocean rim economic body.

Evans said regional co-operation had many benefits beyond trade and investment, with mutual advantages being found in discussing policy problems.

These could include issues such as refugee flows, environmental pollution, terrorism and drug trafficking, all of which crossed international borders.

Regional economic co-operation was being driven by the progressive reduction in developed country tariffs, resulting from unilateral measures and successive rounds of multilateral trade negotiations.

He said this was eroding the value and relevance of preferential arrangements, such as the Lomé convention, which give 70 of the poorest nations access to European Union markets.

"Increasingly, regional economies will need to take advantage of the more liberal global trading environment in ways which will require changes in economic culture and a reduction in traditional trading patterns of dependency.

"The globalisation of the world economy means that inward-looking, self-sufficient policies will inevitably fail to capture the enormous growth potential that interaction with other economies offers."

Container pileup threat to sea trade

Adrian Hadland BD 26/5/95 (74)

CAPE TOWN — A crisis in SA's capacity to handle maritime container traffic is threatening to disrupt trade and fuel inflation.

Transnet MD Anton Moolman confirmed yesterday that congestion surcharges of up to $200 a container would be introduced by all shipping lines from June 1 following growing backlogs and the exposure of inadequate infrastructure at SA's major coastal ports.

Responding to a question in Parliament from Inkatha MP Farouk Cassim, Moolman — responding on behalf of Public Enterprises Minister Stella Sigcau — said none of the major role players in the industry had anticipated the 30% rise in container volumes during the past two years.

The running average of vessels delayed at Durban and Cape Town during May this year was 52,5 hours and 38,7 hours respectively, he said.

According to the SA Association of Freight Forwarders, 12 ships were queued up waiting for berths outside Durban every day while the daily container backlog amounted to between 7 000 and 10 000 units.

The average cost a day to ships awaiting berths in Cape Town and Durban amounted to around $25 000, the association said.

Congestion surcharges of $100 per 6m container and $200 per 12m container would be imposed by shipping companies from June 1.

As it was the intention of the shipping lines to impose these surcharges on the cargo, the increase in freight costs could rise by up to 15% over certain routes, the association said.

"Clearing and forwarding agents will have no option but to pass (the surcharges) on to their clients."

A Sacob spokesman said there was no doubt the surcharges and congestion would inflate prices. This was a problem for SA's exports which needed to be competitive.

The association said it opposed the imposition of the surcharges on importers and exporters, "none of whom are responsible for the present catastrophic situation".

The association decried inadequate capital investment programmes at ports and also the lack of sufficient gantry cranes.

Moolman said a number of short-, medium- and long-term steps were being taken in a bid to alleviate the congestion crisis.

A reduced railage rate between Port Elizabeth and Gauteng would be introduced by Portnet, in conjunction with Spoornet (CX), in order to facilitate the planned diversion of some containers from Durban to Port Elizabeth, he said.

The association said, "The surcharges, once imposed, are likely to remain a fact of life for at least the remainder of 1995 and possibly well into 1996."

Trade bloc is no pipe-dream

BD 26/5/95

(74)

TIM COHEN
in Cape Town

YESTERDAY morning Australian Foreign Minister Gareth Evans held talks with SA politicians on mutual cooperation. In the afternoon he watched his country and his host go to war on the rugby field.

It is one of those strange paradoxes of modern nation states that they can compete in virtually every sphere and yet feel the need to cooperate intently. In any event, the ostensible purpose of Evans's trip was not to admire his country's prowess on the rugby field but to discuss, among other things, the proposed International Forum on the Indian Ocean region.

According to Evans, a "new era of opportunity" exists for countries in the Indian Ocean region, which has already developed the inevitable acronym IFIOR. The countries share a vital interest in the expansion of free trade and investment in the region and in its stability and cohesion, he says. The idea has also been raised by both SA's Deputy Presidents and follows a conference of experts in Mauritius in March.

His visit to SA is a precursor to a conference in Perth in June on the topic of IFIOR, and SA will be one of eight countries he will be visiting.

The idea is that a total of 29 countries will be part of the forum, and it is difficult to imagine a more motley crew. Included are countries that are very large and very small (Saudi Arabia and Bangladesh); the countries have very different forms of government (United Arab Emirates and Mozambique); and they are at very different levels of development (Oman and Malaysia).

All countries that border on the Indian Ocean are included except Somalia and Indonesia, and some which do not. Despite the complexities involved, some SA academics and foreign affairs officials are hopeful about the idea, first mooted during the Pik Botha era.

Although no overall logic exists which gives the group a reason for being, the interests of countries within regions do provide some imperative. The Gulf states, for example, have some interest in "turning their backs on the desert" and looking east. Likewise, the more successful eastern and southern African states need new outlets. For Australia, it provides a useful opportunity of developing the country's comparatively undeveloped western seaboard.

But the jewel in the crown is India. Already the second most populous state in the world, and the world's largest democracy, India is regarded by some as a potential economic shooting star as domestic reforms start to take effect. According to a member of SA's Africa Institute, Richard Cornwell, India has been stifled by a kind of Fabian socialism. But in the event of a successful Indian economic revolution, all countries within the region would like to make sure they benefit from its emergence.

Current academic thinking is that the formation of an Indian Ocean trade bloc is impossible in the foreseeable future. The group is too big, too diverse and too widely spread. The countries on the east of the Indian Ocean are deeply involved in creating their own trade bloc. In any event, the advent of GATT has substantially undercut any possible gains that might be made in joint tariff reduction agreements.

But what is possible is the promotion of trade through other means, which is a more hopeful avenue given the fact that only 20% of the trade between the countries of the region takes place with each other. There is a good technological fit between many of the countries in the region, Cornwell says, and hence a business forum is under discussion.

The area of greatest divergence is whether security issues should form part of the group's ambit of activity. Some potential members are worried that if security issues become part of the agenda, bilateral disputes will dominate the body, such as the India/Pakistani dispute over Kasmir. From the SA viewpoint, there is just in no future in including security issues on the agenda.

Evans, something of a expert on security issues and a strong proponent of preventative diplomacy, is much more keen. He stresses that security issues should not dominate the agenda, but sees links between security and economic issues, saying with increased trade comes the desire for an increased "comfort zone". But, in any event, Evans says the other countries he visited prior to arriving in SA were extremely keen about the idea.

In a world in which trade blocs are emerging like mushrooms, prospects for IFIOR seem hopeful.

US urges SA to drop trade barriers

John Dludlu

(74)
BD 26/5/95

THE US trade representative's office yesterday called on SA to speed up the opening of its markets to foreign products and international competition.

Speaking at a commercial law seminar yesterday, special counsel for the US trade representative's office Howard Reed said SA's government should be encouraged to continue reducing trade barriers and foreign exchange controls.

Such steps would improve the country's ability to attract new capital.

He was not advocating a "big bang" move, but urged SA to send "definite timeframes" on its programme of scrapping controls as this would send the right signals to investors.

The lowering of trade barriers would attract direct foreign investment, which in turn would create much-needed jobs.

"If you don't (lower barriers), funds will go only to the JSE. Those funds will reduce the cost of capital but do very little to create jobs," Reed said.

The call for tariff reduction followed reports that the US trade representative's office was unhappy about discriminatory tariffs slapped on US products by SA.

While US officials were reluctant to discuss the matter publicly, it was understood trade diplomats from both countries were holding talks.

Reed encouraged SA companies to form joint ventures to improve their attractiveness to foreign capital.

A major part of yesterday's seminar was devoted to discussing concerns about the "flagrant violation" of US trademarks in SA, which was seen as providing insufficient legal protection to intellectual property rights.

Johannesburg-based US commerce ministerial councillor Millard Arnold said the subject of intellectual rights was of great concern to US companies considering investing in SA.

Delegates called on the Trade and Industry and Finance departments to provide clarity on the matter.

The seminar, organised by the US-SA Business Development Council, continues today in Johannesburg.

Another seminar will be held in Durban tomorrow as part of the council's initiative to remove trade and investment barriers between the two countries.

Is Lomé the best deal for SA?

WM (BM) 26/5-1/6/95 (74)

Reg Rumney

WHILE the government is pressing on with attempts to get South Africa preferential trade access to the European Union (EU) in terms of the Lomé Convention, business seems lukewarm.

The Lomé Convention gives products from underdeveloped countries access to European markets, and could boost sales in Europe of certain South African products, particularly agricultural products.

South African Foreign Trade Organisation (Safto) general manager Anne Moore says: "What is important is that South Africa gets the best possible deal. It doesn't have to be Lomé."

Organised business does not seem to be as taken with the idea as it could be — and not only because it might bracket us with the least developed countries in the world.

The South African Chamber of Business (Sacob), for one, has not taken a strong stance. Perhaps this is because it feels left out of the loop.

A Sacob representative says: "It is absolutely necessary for the government to talk to business on a regular basis about issues of trade relations or the result might be unacceptable to business." What this statement reflects is a feeling that business would like to have been more involved in the negotiations on Lomé — and other matters.

The Department of Trade and Industry (DTI), on the other hand, seems determined that access to Lomé is the target. While South Africa is not strictly an undeveloped country, and so not eligible for Lomé treatment, the South African argument is that it has a per capita income lower than more than 10 of Lomé's member states. Moreover, the United Nations Development Programme (UNDP) human development index, a broader measure of development, ranks South Africa 70th in the world, much further down the development ladder than many developing countries.

Instead of access to European markets in terms of Lomé, the EU has offered a free trade agreement (FTA).

According to some economists, trade fuels economic growth for either party, hence the best possible situation is completely free trade, unencumbered on either side by tariffs. From that point of view, the EU's offer might seem more than fair. Why would South Africa want more?

FTAs are usually "asymmetrical". This means the EU opens its markets to South African goods for, say, five years, and after that South Africa has to open its market completely to EU products. Over-protected South African industries would have time to adjust to the cold winds of international competition.

■ To PAGE B2

P.T.O

TESTING THE WATER ... Gareth Evans is in South Africa to sell the idea of co-operation — Picture: JUSTIN SHOLK

Aussies want SA to join trade pact

(74) ST 28/5/95

By RAY HARTLEY
Parliamentary Correspondent

HAILING from Victoria, where rugby is played on an oval field according to peculiar rules, Australian Foreign Minister Gareth Evans had to get an aide to tell him the difference between a scrumhalf and a flyhalf.

On the morning of Thursday's World Cup clash between Australia and South Africa, Mr Evans' mind was elsewhere. From his suite in Cape Town's Mount Nelson hotel, he was selling the idea of Indian Ocean co-operation.

South Africa was one of eight countries he was visiting in 11 days to prepare for a summit of 29 countries "with a toe in the Indian Ocean" in Perth next month.

"Basically three things have happened to make some sort of meaningful co-operation viable now. One is the end of the Cold War, two is South Africa's re-emergence into the civilised world, three is India looking outward economically, which it has been doing since 1991," he says.

To be attended by business chiefs, academics and government officials "in their personal capacity", the summit will consist of "a minimum of plenary session preaching and a maximum of working group focus", Mr Evans promises.

While the chief focus of the working groups will be economic issues, other matters including security, drug-trafficking, the environment, refugees and health will be discussed.

"Let's be realistic. You're starting in the Indian Ocean region with a much lower degree of interconnection than elsewhere.

"Intra-regional trade in Asia-Pacific is about 66 percent compared to 20 percent in the Indian Ocean," he says.

Out of the "exploratory" meeting could emerge an Indian Ocean business forum and greater networking between academics. And, if things go well, an Indian Ocean version of the Pacific Economic Co-operation Committee to boost trade and regional development.

The initiative gained momentum after a core group of seven countries — Mauritius, South Africa, Kenya, Oman, India, Singapore, Australia — met in Mauritius two months ago.

"At the end of the day, there's no good stuffing this idea down people's necks like feeding a Strasbourg goose. There's got to be some inherent content in it, there's got to be some perceived utility," he says.

For Australia and South Africa, the immediate perceived utility might be access to India's giant market for exports, and the prospect of foreign investment from oil-producing countries in the Middle East whose tankers dock in Indian Ocean waters.

Then there are the "big, booming, economies" of Singapore, Malaysia, Thailand and Indonesia, which could add momentum to the new region.

To explain how the new forum could benefit its member countries, Mr Evans uses the metaphor of a three-layered wedding cake.

At the bottom, he says, is a foundation of dialogue, consultation and data exchange which should provide the context for joint projects. One such project could seek to ease the access of small and medium enterprises to foreign markets.

The second layer is a "trade and investment facilitation agenda" to bring some uniformity to investment guidelines and in technical standards.

The third layer would consist of trade and investment liberalisation, with the member countries cutting down trade barriers. "This", says Mr Evans, "is the hard stuff".

But Mr Evans has been there before. Australia is already involved in co-operative structures as a South Pacific country, an Asia Pacific country, and an East Asian hemisphere country.

Now the country is seeking a "look-west identity".

"We're in the business of changing the psychology of Australians, and we want to do something to change the psychology in the region.

"The hardest thing, if you're trying to get businesses to trade with other countries, to invest in other countries, is to get those countries onto the mental map," he says.

What's in it for Australia? "All foreign relations are about self-interest," he says with a straight face.

JOBS

High-rise economic growth improves Thailand's outlook

ST(BT) 28/5/95 (74)

Thailand's economy has many parallels with South Africa's, writes **JULIE WALKER**, who recently visited the south-east Asian country as a guest of the Thai government.

THIRTY years ago, the tenants of a 25-storey building in Bangkok had an uninterrupted view across the city. Now, the panorama is obscured by skyscrapers — testimony to Thailand's rate of economic growth.

Bangkok — population 8-million or more — has more than 2 000 hotels, 32 currently under construction. The view is a sea of cranes and cement mixers.

The Thais were a little disappointed that none of South Africa's top politicians took up the invitation to visit their country with a view to improving trade links and investment opportunities.

"They prefer to go to Singapore," said one, "but I think they might learn more from Thailand."

The parallels between South Africa and Thailand are several. Both have too few cities, are too heavily populated, with incursions of rural people aspiring to riches.

The Thai government is a shaky coalition. Thailand is regarded as the gateway to the Vietnam, Cambodia, Laos, Myanmar (Burma) and China itself, just as South Africa is hailed as the path to sub-Saharan Africa.

There are also notable differences. It seems, in Bangkok at least, that everybody has a job and a home. Thailand's 60-million people adore their king, speak the same language and follow Buddhism.

Thailand's government has not incurred a budget deficit in seven years of high growth. Deputy prime minister Supachai Panichpakdi says the government looked first at the expected revenue then budgeted accordingly.

This left me pondering on whether it would have been better to have borrowed for spending on infrastructure. If you have a driver and a cellular telephone, Bangkok's traffic could well allow you two hours of relatively uninterrupted working time because that is how long it seems to take to go from any point A to B.

Every day, 600 new cars are registered. Import duties did nothing to limit the number of vehicles but resulted in only old and filthy cars. Since the duties were reduced the car fleet is modern.

Public transport is limited — bus, taxi or motorbike taxi are common but the roads are inadequate. Where 15% is normal, barely 7% of Bangkok's surface is road — a legacy of its having been a city of waterways drained and tarred.

All traffic flow has to halt to allow ground-level trains to pass. One downpour lasting an hour resulted in knee-deep water. Bangkok is too low-lying for an underground to be installed so it is putting in a sky train. There is no ministry of transport and four government departments share the duties.

Thailand dictates a minimum wage of roughly R20 a day but almost everyone earns more. The sum might seem derisory but is a multiple of the amounts people will work for in neighbouring territories. For this, Thailand attracts many illegal immigrants and runs the risk that foreign and indeed domestic companies might set up shop elsewhere.

Thailand is upgrading its manufacturing base away from agriculture and textiles and into electronics and chemicals. Instead of protecting itself against imports it has opted to become the preferred supplier to the developing region.

A survey of Thailand's business climate highlights labour, marketing and raw materials as drawbacks. It cites high labour turnover, shortages of both skilled and unskilled workers, low worker responsibility and high labour costs. Inflation is roughly 5%.

If these symptoms sound all too familiar to South Africans (apart from the shortage of unskilled labour), Thailand has managed amazing economic growth in spite of it.

Trade with South Africa is modest but increasing. Thailand buys iron, steel, pulp and scrap paper, gold and silver bars, wood plus a variety of other goods and we buy rice and manufactured goods.

Although all Thais learn English as a second language, the standard of spoken English is far below the level found among second-language English speakers in South Africa.

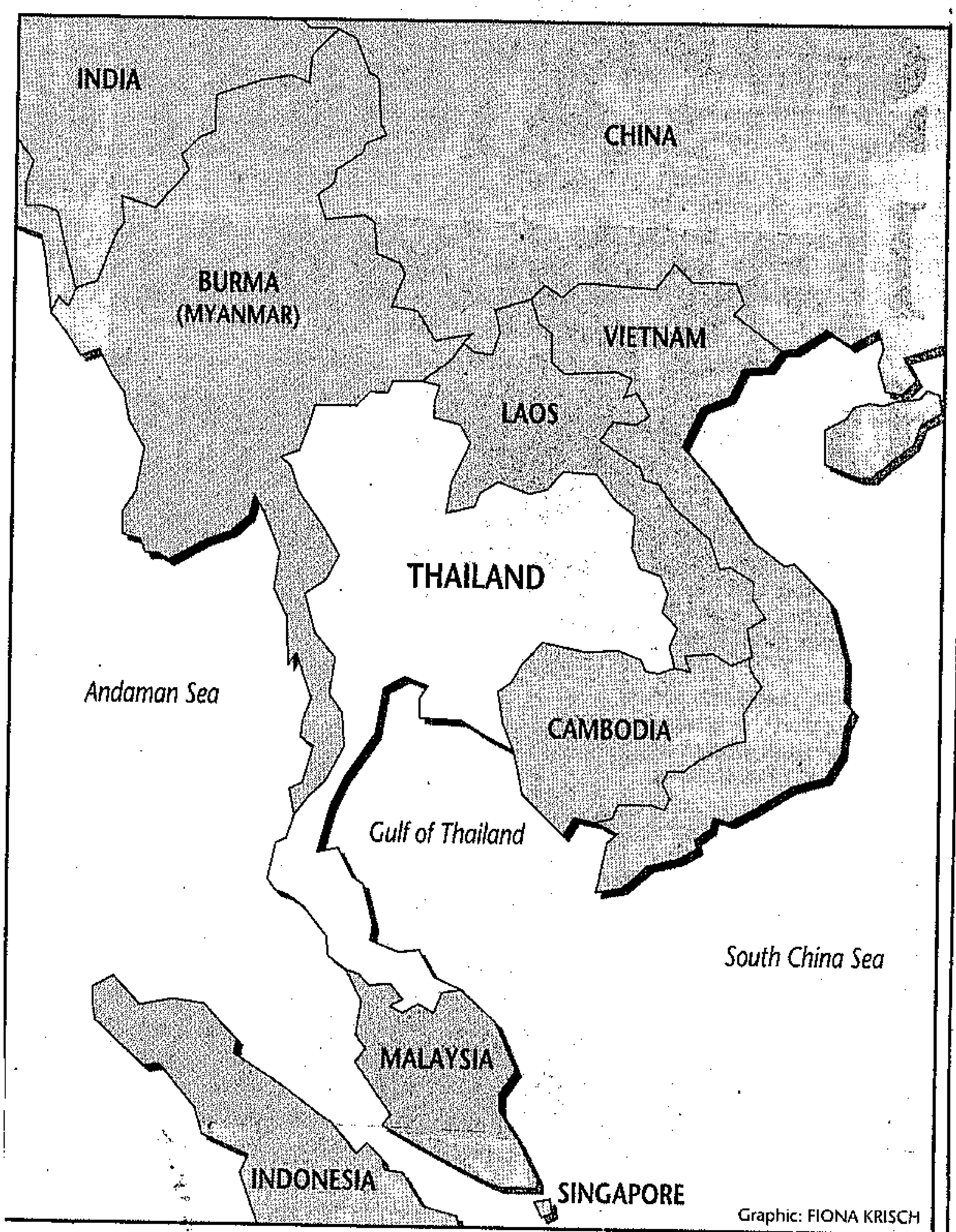
South Africa is flavour of the month for the Thai tourist and 24 000 visited last year. Thailand itself attracts 6,5-million visitors a year — tourism is a huge job-spinner. The best-known South African in Thailand is Gary Player, the man behind many golf-course developments there.

An SA-Thai Chamber of Commerce is being established. Its representative, Ron Endley, a Capetonian who has worked throughout the East, welcomes inquiries from SA companies but laments a lack of business news.

In contrast to a Japanese company seeking orders which would express-deliver samples overnight, the average SA business sends them surface mail to arrive three months later.

Mr Endley's wife, Busaraporn, has a protea-importing business, but buys her flowers from Western Australia because growers in the Cape failed to package their products properly.

Mr Endley says there are many opportunities for South Africans to open businesses in Thailand, particularly in the motor industry, where there is a strong thrust to make components. There are 14 motor manufacturers.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Gulf of Thailand
South China Sea
MALAYSIA
INDONESIA
SINGAPORE
Graphic: FIONA KRISCH

ing at creating 100 permanent jobs tion is good for the industry." sector and the tender business. R130 million comes from this region.

SA fears EU stalling on Lomé

CT (BR) 29/5/95 (74)

By John Fraser

ARGUS FOREIGN SERVICE

Brussels — South African observers in Brussels are nervous that the European Union (EU) is dragging its feet in launching trade talks with Pretoria.

This follows the news that EU relations with South Africa are off the agenda for today's monthly meeting of European foreign ministers.

It is hoped that the 15 foreign ministers will discuss South Africa when they next gather, in Luxembourg, on June 12.

If not, there is a real danger that a decision on the launch of the negotiations may have to await the end of the EU's annual August break.

South African sources in Brussels say they are very anxious to see the EU ministers take a decision to launch negotiations before the end of next month.

This is because the EU is expected by then to have agreed on the review of the Lomé convention; its main trade, aid and co-operation treaty with Africa.

South Africa would hope that its partial admission to Lomé, which is one of the aims of the forthcoming negotiations with Brussels, could be accommodated inside this review.

South African ambassador to Brussels, Neil-Pieter van Heerden, has suggested that a clause could be inserted into the Lomé convention, agreeing in principle to South African membership.

This could be adopted as part of the review process in the same way as Namibia's earlier membership bid was handled.

The details could then be left to be worked out in later negotiations.

"However, if this clause is not agreed to during the mid-term review of the Lomé convention, any later agreement to admit South Africa would have to be ratified separately," said a South African source.

Senior British diplomats have said there is "nothing sinister" in the delay by EU ministers in launching trade negotiations with South Africa.

They add that they hope there will be an agreement to launch negotiations at next month's meeting of EU foreign ministers.

Already it is clear that there is a split among EU governments on how generous to be to South Africa.

The northern European states, such as Germany, Britain and the Scandinavian countries, want to give South Africa a favourable trade accord.

However, southern EU states, like France, Spain and Italy, are worried about competition from South Africa, particularly for agricultural products such as fresh and canned fruit, fruit juices and wine.

It is now fairly certain that South Africa will not be given everything it is seeking in the trade negotiations with Europe.

The Pretoria government had sought for trade relations to be covered inside the framework of the Lomé convention, which EU officials say would be impossible, a view shared by EU governments.

South Africa is now subtly changing its stance, saying it wants a trade deal equivalent to that which it would get from full membership of the Lomé convention.

This is expected to be rejected by the EU, as Lomé trade concessions do not have to be matched by the country receiving them.

"EU commissioner João de Deus Pinheiro has proposed a free trade agreement which would eventually mean SA opening up its market," said one senior British diplomat. "This is the best deal South Africa is likely to get, as we would be prepared to slant it in their favour in the early years." South African trade officials have expressed nervousness about this approach, as they are worried that the EU may pile on the pressure for concessions.

recurring management apology, However, the reduction in acci-

EU reviews SA's role today

John Dludlu

(74)

BD 29/5/95

THE European Union's council of ministers — the highest decision making body — meets today to consider SA's requests for a closer association with developing African, Carribean and Pacific (ACP) countries and a long-term bilateral relationship with the 15-nation union.

Today's meeting will discuss the Pinheiro proposals — a negotiations mandate drawn up by commissioner Joao de Deus Pinheiro to address SA's request.

Pinheiro proposed SA's partial accession to the Lome Convention — a trade, political and aid accord between the EU and the ACP — but its exclusion from aid and generous unilateral trade protocols.

The accord would mean that SA would not be readily expected to open up its markets to the union.

Although SA initially rejected the free trade accord, its negotiators are understood to have softened their position.

In his recent visit to SA, Pinheiro stressed the long-term nature of his proposals compared to Lome which comes under review in 1999.

SA's rejection was based on the fear that a free trade accord might see its Customs Union partners — currently Lome beneficiaries — prematurely forfeiting their benefits through the common external tariff arrangement.

Following Pinheiro's recent mission to SA, the EU and SA agreed to involve the ACP nations — especially Botswana, Lesotho, Namibia and Swaziland — in the talks towards a long-term arrangement, and to study the effect a free trade accord would have on SA industry.

Today's meeting is also expected to give a schedule for the official start of talks with SA, according to sources.

EU sparring could delay SA trade deal

CJ(BR)30/5/95 (74)

By Andrew Marshall
THE INDEPENDENT

Disputes between European Union member states could delay a plan for free trade between Europe and South Africa, diplomats and officials in Brussels say.

Joao de Deus Pinheiro, the European commissioner for development who recently visited South Africa, underlined the priority he puts on the agreement.

"South Africa is, I think, the great hope of Africa," he said.

Reconstructing its economy is vital to underpinning democracy, but also to assisting the whole region, where peace has returned to Mozambique and the outlook in Angola is better.

"For the first time, there is a real prospect of improvement in southern Africa," he said.

Relations with the government are shaping up as a key test of EU relations with Africa and strategy towards developing countries in general.

The European Commission has proposed a deal that would eventually allow free trade between South Africa and the EU. Europe would drop its trade barriers first, allowing South African industry to adjust. After four or five years, South Africa would follow, creating free trade in 10 or 12 years' time.

The idea initially caused controversy because South Africa thought it should be allowed access to the EU's preferential trade scheme reserved for developing countries. The Lomé convention covers trade and aid relations with 70 developing countries in Africa, the Caribbean and the Pacific (ACP).

Because parts of the South African economy are far more developed than the rest of Africa's the commission rejected that, though a "two-track" policy gives the country some links to Lomé.

No agreement

On his visit Pinheiro resolved most South African doubts. But he has still to win the agreement of the 15 EU member states. Some continue to disagree about the free trade idea, fearing it may undermine their own producers — particularly in sensitive agricultural sectors such as fruit.

But commission sources and diplomats say that a larger problem may be emerging.

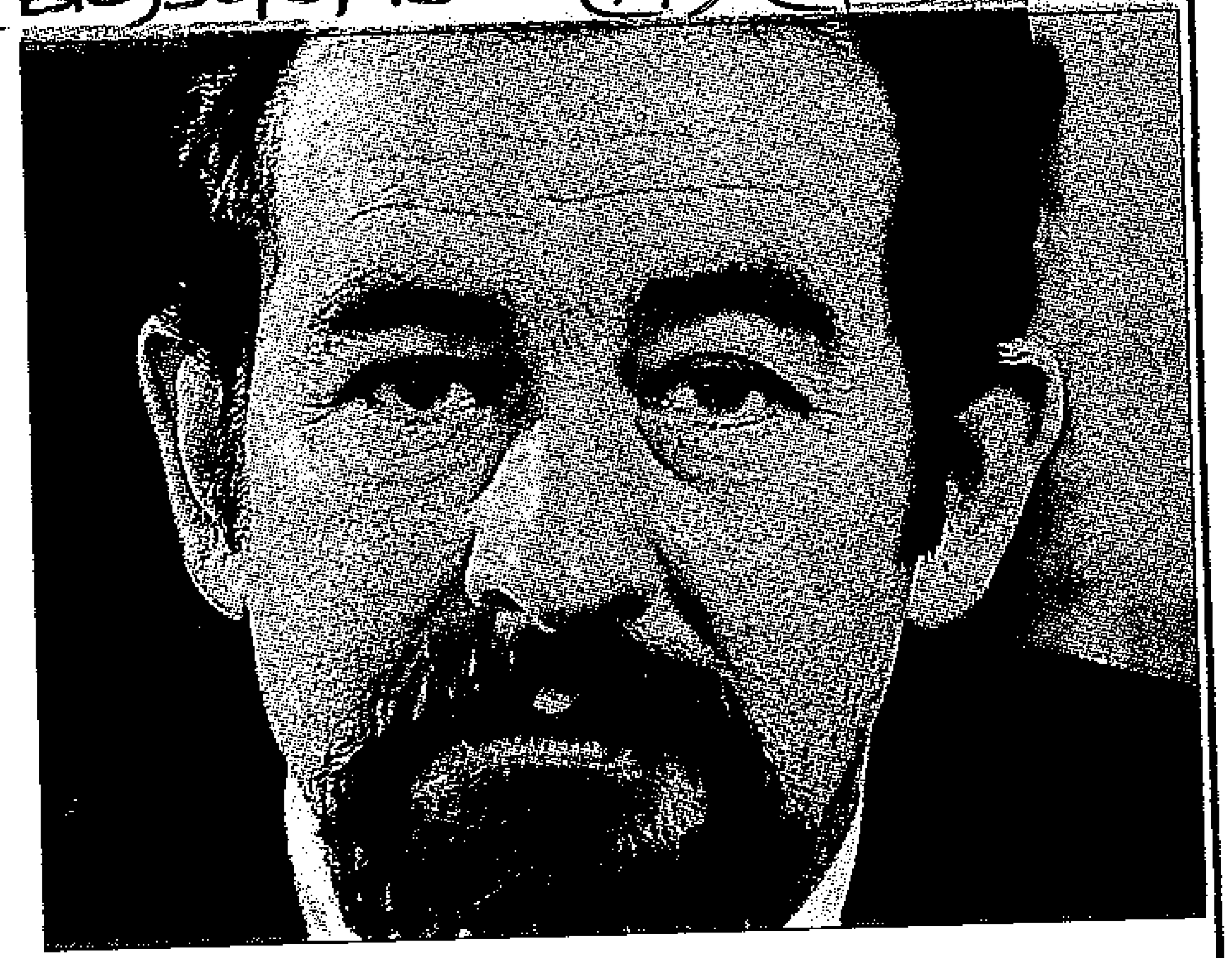
The agreement of EU governments to the mandate under which European officials would negotiate with South Africa may be held hostage to a deal to increase the aid available under the European Development Fund (EDF), a scheme for assisting the 70 ACP states.

Britain and Germany are opposing plans for a substantial increase in the EDF, but they are the two principal supporters of free trade with South Africa. France, president of the EU, has put more cash for the EDF at the top of its priorities. It could use the South African deal as leverage.

It was hoped the negotiating mandate could be agreed yesterday, but it may take several more weeks, officials said.

The trade agreement is pivotal for the commission and South Africa. Pinheiro, a former Portuguese foreign minister, thinks the EU can and should play an important role in South Africa because of its economic involvement — it is South Africa's leading trade partner. The EU is also offering £100 million of aid a year for five years to the reconstruction and development programme.

But the commission also hopes the deal with Pretoria can serve as the nucleus of a strategy for southern Africa, and this was one of the major themes of discussion between Pinheiro and Deputy President Thabo Mbeki. "Because we think South Africa will be decisive in the region, we intend to be generous," said Pinheiro.



PRIORITY *The EU's commissioner for development, Joao de Deus Pinheiro, sees South Africa as the great hope of Africa*

The commission is offering new support for regional integration through the Southern African Development Community.

Analysts hope the changes in South Africa will refocus European attention on the continent. With Eastern Europe, Latin America and the Mediterranean all absorbing much time and money in Brussels, and the former colonial powers now look to Asia for economic opportunities, Africa has started to slide off the agenda.

Foreign investment has collapsed. A study by the institute of development studies at Sussex University shows rapid disinvestment by British firms in the early 1990s.

Rim could create new markets

Nicola Jenvey (74)
BD 30/5/95

DURBAN — Establishing an Indian Ocean Rim trading partnership would force SA to rethink its regional market and encourage increased trade with neighbouring countries, SA Foreign Trade Organisation trade and development GM David Graham said yesterday.

Addressing an Indian Ocean Rim conference, Graham said SA's export markets were predominantly long-haul destinations with 33% going to Europe and 18% to Asia compared with only 9% to Africa.

Hence, forming an Indian Ocean Rim trading bloc provided SA with a new market diversity and potential foreign investment funding, while developing the infrastructure throughout the entire region.

Graham said advantages for the bloc included having English as a common language, cultural and ethnic ties through the former British empire and SA's historical dependence on the region for rubber, tea, oil and rice imports.

Mauritian Finance Minister Rama Sithanen said the Indian Ocean Rim accounted for 66% of the world's oil reserves, 60% of uranium, 40% of gold, 98% of the diamond supply, 50% of rubber and 33% of population, meaning the scope for increased regional trade and economic development was "vast".

He said the Rim's organisational structure should follow the Asia Pacific Economic Co-operation in that it concentrated on one geographical region bordering the ocean.

SA, Australia and India would thus play the pivotal roles.

Foreign Affairs Department director Peter-John Botha said although the government of national unity did not have a stated policy on the Indian Ocean Rim concept, the President and Deputy Presidents had expressed support.

"The government of national unity is committed to the role it plays in the Southern African Development Community (SADC) and south-south economic development, both of which are promoted through the Indian Ocean Rim concept. SADC and the Rim are not competitive, but interdependent," Botha said.

He said large-scale foreign investment to SA could be attracted through the trading bloc and impediments to southern African regional investment dissolved.

"SA lags behind in its trade development and the Indian Ocean Rim concept enhances the south-south co-operation so vital to the government. Global wealth is more evenly distributed and the northern hemisphere no longer dominates world economic policies and commodity prices," Botha said.

KwaZulu/Natal economic affairs and tourism minister Jacob Zuma said the Indian Ocean Rim would not be the world's only powerful trading bloc, and required "a great effort" to come to fruition.

Discussions among Indian Ocean Rim member states will take place in Perth, Australia, in June.

SA at Lomé's door today

(564)

(74)

BY JOHN FRASER

ARGUS FOREIGN SERVICE

CT(BR) 20/5/95

Brussels — The South African ambassador to the European Union, Neil-Pieter van Heerden, is to call today for South Africa to be admitted to the Lomé Convention.

He will be addressing a meeting of foreign ministers from the 70 African, Caribbean and Pacific states, which make up the membership of the Lomé Convention.

South Africa wants trade benefits in terms of the convention and is expected to win the broad support of its members.

The issue was expected to be raised yesterday, but had been put off until this morning's session of the members' foreign ministers.

However, they are likely to highlight a list of commodities on which South Africa should not be given trade benefits under the convention. These include bananas, sugar and beef.

EU foreign ministers were due to have discussed South Africa yesterday, but failed to do so.

Instead, the discussion was postponed until June 12.

SA promise to neighbours over trade deal

Star 31/5/95 (74) (3017)

BY JOHN FRASER
STAR FOREIGN SERVICE

Brussels — South Africa yesterday delivered a pledge to its African neighbours that it will do nothing to undermine their benefits from the European Union.

The pledge was delivered by South Africa's ambassador to the EU, Niel Pieter van Heerden, to a meeting in Brussels of ministers from 70 developing states.

The 70 African, Carribean and Pacific (ACP) countries are signatories to the Lomé Convention — a trade, aid and cooperation accord with the European Union.

South Africa has applied for membership of the convention, and this bid won broad support at yesterday's meeting in Brussels.

However, there was clear nervousness among the ACP states that they will lose out if powerful South Africa gobbles up all the benefits in the Lomé Convention.

"I am instructed to assure the council, once again, that South Africa will not seek to take up any of the benefits available in the Lomé Convention, at the expense of the current membership," said Van Heerden.

"Neither will South Africa be party to a relationship with the European Union which is detrimental to the interests of the ACP countries."

He added, however, that South Africa was seeking access to the European Market "comparable to preferences granted in terms of the Lomé Convention."

EU Commissioner Joao de Deus Pinheiro has told South Africa that it cannot win trade concessions inside the convention.

Instead, SA will be offered "qualified membership" of Lomé — and a separate trade deal will have to be negotiated.

Van Heerden was making an important point when he stressed that South Africa was insisting on trade benefits "comparable" to those available under Lomé.

South Africa is well aware that Lomé Convention countries receiving special access to the EU market do not have to offer EU countries similar rights in return.

However, the danger is that South Africa will be forced into a corner in forthcoming trade negotiations with Europe, and will be under pressure to agree to two-way trade access.

This would mean fragile South Africa industries facing the prospect of fierce competition from Europe.

EU countries have already voiced some opposition to being too generous to SA — with the Mediterranean states particularly woried about competition involving agricultural products, such as fresh and canned fruit, fruit juices and wine.

COM

SA on verge of being a 'gangster nation'

CT(BR) 31/5/95

By Claire Gebhardt
ECONOMICS EDITOR

South Africa was on the threshold of becoming a gangster nation with crime escalating to unprecedented levels, Piet Liebenberg, Chamber of South African Business (Cosab) chief executive warned.

One serious crime was committed every 17 seconds and police were investigating more than 22 000 reported cases of fraud involving more than R7 billion.

At least 278 organised crime syndicates were operating in the country.

Liebenberg said that despite the wave of euphoria that swept across South Africa since President Nelson Mandela's inauguration last year, crime statistics were grim and reflected a growing potential for anarchy and economic ruin.

Although the crime rate was a legacy of apartheid, the country faced a new class of criminal — one that had infiltrated the legitimate business world, he said.

This "corporate sickness" posed a serious threat to economic stability and had a negative effect on foreign investment.

David Brink, Business South Africa (BSA) chairman said the police force lacked resources and was unable, to cope with the escalating crime rate.

About 1 000 business leaders from Southern Africa will be joining forces at a one-day conference on 15 August.

The event will be hosted by BSA and Cosab at the World Trade Centre in Kempton Park to formulate an action plan for restoring law and order and economic growth to the region.

The conference is entitled A Business Initiative against Corruption and Crime.

It is in support of Mandela's call for the country to be put on a new moral footing.

SA reassures Lomé members

CT(BR) 31/5/95 (74)

By John Fraser
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The African, Caribbean and Pacific (ACP) countries are signatories to the Lomé Convention — a trade, aid and co-operation accord with the EU.

South Africa has applied for membership of the convention and this bid won broad support at yesterday's meeting in Brussels. However, there was apprehension among the ACP states that they would lose out if South Africa gobbled up all the benefits of Lomé.

"I am instructed to assure the council, once again, that South Africa will not seek to take up any of the benefits available in the Lomé Convention, at the expense of the current membership," Van Heerden said. "Neither will South Africa be party to a relationship with the EU which is detrimental to the interests of the ACP countries."

He added, however, that South Africa was seeking access to the European market "comparable to preferences granted in terms of the Lomé Convention".

Joao de Deus Pinheiro, the EU's commissioner for development, has told South Africa that it would not be able to win trade concessions inside the Lomé Convention.

Instead, South Africa would be offered "qualified membership" of Lomé — and a separate trade deal would have to be negotiated.

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Fragile South African industries would then face the prospect of fierce competition from Europe.

whereby committees requiring financial support for the building of new or the upgrading of existing schemes can become statutory committees qualifying for State financial support, subject to the control measures provided for in the regulations.

Abolished posts in the Public Service: 1 May 1994 to 1 April 1995

285. Mr M F CASSIM asked the Minister for the Public Service and Administration:

Whether any officials in the public service had been retired on the grounds of their posts being abolished during the period 1 May 1994 up to 1 April 1995; if not, what is the position in this regard; if so, how many in each category?

N576E

The MINISTER FOR PUBLIC SERVICE AND ADMINISTRATION:

Yes, 811 officials retired from the Public Service on the grounds of their posts being abolished during the period 1 May 1994 up to 1 April 1995. The number per category is as follows:

* Management Echelon: 5
* Middle Management: 22
* Production Levels: 784

Note: The information of one of the departments could not be obtained.

Public Enterprises: senior staff members retired

305. Mr J A JORDAAN asked the Minister for Public Enterprises:

(1) Whether any of the 50 most senior staff members of her Department were retired, retrenched or made redundant or voluntarily took early retirement during the latest specified period of two years for which information is available; if so, how many such officials (a) retired at normal retirement age, (b) were retrenched or made redundant and (c) voluntarily took early retirement during (i) the said period of two year and (ii) the latest specified period of six months for which information is available;

(2) what was the total sum paid out in respect of (a) redundancies and retrenchments and (b) voluntary early retirements during each of the above periods?

N619E

The MINISTER FOR PUBLIC ENTERPRISES:

(1) (a) None.

(b) None.

(c) One.

(i) None.

(ii) One.

(2) (a) Nil.

(b) R352 388,05.

INTERPELLATIONS

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

Completion of the Uruguay Round

1. Ms J Y LOVE asked the Minister of Trade and Industry:

(74)

In view of the completion of the Uruguay Round requiring South Africa to replace quantitative trade restrictions with tariffs, with the result that the set of trade policies of which South Africa can avail itself is narrowed, (a) what mechanisms are in place to protect South African producers from the dumping of agricultural produce, particularly dairy, meat, grain and oilseed products and (b) what plans have been made for the sequencing of the transition to tariffs on agricultural commodities relative to the reduction in barriers to imports of agricultural inputs, changes in exchange rate policies and capital market liberalisation?

Hansard 31/5/95 N696E.INT

The MINISTER OF TRADE AND INDUSTRY: Mr Speaker, hon members, South Africa's commitment to the World Trade Organisation requires that we place quantitative restrictions on, *inter alia*, agricultural products with customs tariffs. In the short term, the customs duties on agricultural products will be recommended mainly in accordance with the following guideline.

Customs duties should result in production and consumption being more or less in the same balance it was under import control. Our GATT binding levels in respect of agricultural products have been accepted at a fairly high level. In the process of replacement of import control with customs tariffs the Government will take into consideration the price competitiveness of this sector with regard to imported products.

In the longer term the customs tariff policy must give expression to the fact that agriculture, like any other sector, must be subject to basic economic guidelines to ensure that it serves the primary national economic objectives. In South Africa this requires that we balance the needs of producers with those of consumers. The Government must take the interests of consumers very seriously, if only on the grounds of equity and the objectives of the RDP, one of which is to ensure access to cheaper foodstuffs for the majority.

Like other sectors, agriculture should improve on its overall performance. In order to stimulate the competitiveness of this sector, a number of products which could be regarded as important inputs for the agricultural sector already enjoy a position of no or relatively low duties, for example, fertilisers are subject to a zero rate of duty, and we have just recommended to the Minister of Finance that the duties on tractor imports should be reduced to zero.

In respect of dumping we have decided to strengthen the dumping investigations capacity within the Board on Tariffs and Trade. It should be made clear that the capacity which we seek to enhance must put in place the ability both to respond quickly and to discern between goods that actually are dumped and goods which merely compete with overpriced South African produce.

Dumping cannot be a euphemism for absolute protection from competition, nor can it be an excuse for the retention of a market closed to outside competitors. We must recognise, as the amendments to the Dumping at Sea Control Act reflect, that the definition of dumping is subject to international rules.

Furthermore, a special safeguard clause in the agricultural agreement of the GATT can be invoked for contingency provision in the event that volumes or prices of imports change due to, for example, exchange rate fluctuations, in ways that may adversely affect domestic producers.

Ms J Y LOVE: Mr Speaker, the concerns that prompted the asking of this question are really that trade policy has been clear only to the extent that South Africa has signed the GATT, and that the quantitative controls that existed before should now be replaced by tariffs.

Nine hundred tariff lines were due to be confirmed on 1 January. Not all of these were confirmed, but the reality is that the tariffs, as the Minister has stated, will eventually drop, and a number of structural changes will need to be debated. We will need to have a policy in place, rather than merely reacting to changes in world prices and exchange rates.

There are various mechanisms that need to be agreed upon as being the best mechanisms through which this can be done. For example, a strong case has been made for the value of price bands or variable import levies to the agricultural sector. Fixed tariffs are not practical for the agricultural sector in which prices move rapidly. If the formula is public knowledge, then the movement of a tariff is transparent, predictable and quick and it contributes to price stability.

It is also of major concern to us how these tariffs will be set. What process of consultation will this involve? In our view the tariff system should, above all, be kept simple. It is our concern that South Africa is said to have the second most complicated tariff arrangements in the world after Nepal. If the tariff arrangements were simplified, many of the loopholes which are currently being exploited would be eliminated. With regard to our probable increased association with Southern Africa, these loopholes are likely to be exploited even more.

One of the most important features of the procedures for instituting or changing the tariff is the time that it takes. Many concerns have been raised by agricultural producers who say that the setting of tariffs for agricultural products is simply taking too long.

We also need to recognise the dangers to our agricultural sector of heavy overseas subsidies on specific commodities which receive enormous support. Oils and wheat would be some examples.

I would like to read briefly from the Farm Bill recently tabled in the United States. Some of the motivations which went into this Farm Bill add to the understanding that it is not only in South Africa that issues relating to GATT are of major concern.

In the Farm Bill, it is indicated that NAFTA and the Uruguay Round have, and I quote:

> . . . opened the door to greater trade opportunities, but United States farmers will also face greater competition. Therefore, strategies must be put in place to promote export, to combat unfair trade, and to develop new markets.

[Time expired.]

The MINISTER OF TRADE AND INDUSTRY: Mr Speaker, I would like to mention three points. Firstly, in ideal circumstances, we would want to see agriculture being subject to exactly the same rules as all other industries, with due account for climatic and other conditions that affect agriculture and that do not necessarily impact on industrial sectors.

Secondly, the position of the shift from quantitative restrictions to tariffs actually allows us to develop agriculture in the context of the Southern African Customs Union, and perhaps for the first time to shift towards regional food security, because we have a common external tariff in the Customs Union.

Thirdly, we, as a country, for the first time sent an observer delegation to the Cairns Group meeting last week. We are, therefore, associating ourselves quite positively with a group that seeks to campaign actively against the protection for agriculture, as we observed both in North America and in the EU.

Mrs B E E SETHEMA: Mr Speaker, I rise to make one important point. Whilst I think that at this present time the issue of tariffs is quite a hot potato which needs to be handled with care, agriculture cannot remain in a separate space in the current trade and market.

There is a need to have close co-ordination between the Ministries of Agriculture, Trade and Industry and Finance. The Ministry of Finance needs to be involved, because it deals with exchange controls and the exchange value of the rand.

Ms J Y LOVE: Mr Speaker, I rise again to acknowledge the points that have been made by the Minister of Trade and Industry, but would like to express, following on from my colleague Mrs Sethema, concern that there is an absence of co-ordination between the different departments.

In the United States, for example, the sorts of controls that they are likely to put in place are controls which are about hygiene and health standards, which could be used as some sort of barrier against trade from other countries. I wonder whether there is enough close scrutiny in South Africa of this kind of legislation and controls being put in place.

Secondly, it seems to me, with regard to our participation in the Southern African Customs Union and the question of Southern African food security, that this clearly is a vital policy for us to support. I do, however, feel that we need, again, to have a much fuller understanding of the impact of this on agricultural products in particular.

The MINISTER OF TRADE AND INDUSTRY: Mr Speaker, the Deputy President reminds me that, as the hon member Mrs Sethema said, if one is dealing with tariffs in the context of agriculture, clearly, it must be a potato, whether hot or cold.

The only issue I would like to respond to is the last point raised by Ms Love about barriers against trade. What I am saying is that our responsibility as the Government is to dissociate ourselves from what happened in this country in the past, when the only interests ever considered were those of the producers.

Surely we stand here representing the consumers of agricultural goods. Surely the RDP points us in the direction of taking the interests of consumers to heart, and ensuring that those interests are reflected in the way in which tariffs are set, rather than finding tariff barriers we should hold out the kinds of tariffs that could actually improve the quality of life of our people.

Debate concluded.

SA Minting Company/Reserve Bank

2. Dr T G ALANT asked the Minister of Finance:

> Whether he or his Department intends taking any steps with a view to the South African (a) Minting Company discontinuing the minting of 1c, 2c and 5c coins and (b) Reserve Bank withdrawing these coins from circulation; if not, why not; if so, what will the expected effect thereof be on the consumer price?

N702E.INT

The MINISTER OF FINANCE: Mr Speaker, the question of the discontinuing of the minting of the 1c and 2c coins specifically was raised with the Department of Finance by the Reserve Bank as far back as 3 March 1992. At the time the matter was considered by the Cabinet Committee on Economic Affairs, but not obtaining the extraparliamentary consensus that was considered necessary at the time by the then Minister of Finance made it impossible to proceed with that particular issue. Since then, very little progress has been made. The matter has as yet not been revived, but we have asked the Reserve Bank, as I will mention a little later, to update their details for us on a much more comprehensive basis.

*What is the reason for the scrapping of the 1c and 2c coins? It is basically the cost involved. I hear that it costs 5,7c to make a 1c piece. To make a 2c piece, costs 8,5 cents, and to make a 5c piece costs 11,3 cents. Large numbers of these coins are made daily and they simply disappear. I am told that the 1c, 2c and 5c coins take up as much as 70% or 71% of the production capacity of the current Mint.

†The basis on which we would certainly consider the scrapping of the 1c, 2c and 5c coins is that they would remain part of our monetary system, which means that even if they are not available, the prices, when one pays by credit card and by cheque, will not be adjusted. Prices will only be adjusted for people who pay cash. For those who pay cash, it means that the price will have to be adjusted to the nearest 10c, and knowing how the commercial world out there works, I am convinced that it will be an upward adjustment to the nearest 10c and not to the lower 10c. That means that it is really the poorest section of our population who will be the hardest hit.

Theoretically the scrapping of the 1c, 2c and 5c coins should not affect price levels, especially if it is phased out, which means that the adjustments will only take place on a phased-in basis over a period of time, and will not be adjusted for people paying by cheque or credit card. Some adjustment will obviously be made, and it is impossible at this stage for us to say what impact this would have on the inflation rate for that matter.

*Dr T G ALANT: Mr Speaker, I would like to thank the hon the Minister for the fact that he is at least not negative about the issue.

I would like to advance four arguments as to why it is essential for the country to take this step and for the Minister to recommend to the Government that these coins should be phased out.

The first is that one must compare the current monetary values of these coins with the monetary value of our half-cent piece of 1961. With decimalisation in 1961 the half-cent piece was the smallest coin. Since then the increase in the cost of living index has been a factor of approximately 22. Rounded off to the lowest coin we are then talking about the 10c piece.

We all know that one can virtually buy nothing with 1c, 2c and 5c pieces any more. The coins are simply piling up in our houses in cans and in bottles and bowls. Most of our children are so aware of the low value of the coins that they scarcely bend down to pick them up any more. Only we older people still pick up the coins. Of course, it gives one an indication of age whether one picks up the coin, or not.

FOREIGN TRADE – 1995

JUNE – SEPT.

SA seeks trade boost

(74) CT(BR) 1/6/95

FROM SAPA

South Africa would seek the inclusion of Southern African Development Community (SADC) states in an Indian Ocean Rim trade and economic bloc, a senior foreign affairs official said yesterday.

Despite some SADC states not bordering on the Indian Ocean, foreign affairs director (Far East, Asia and Oceania) Peter-John Botha said these land-locked countries' trade access was largely through Indian ocean ports.

He told a South African Foreign Trade Organisation seminar that SADC's inclusion in a proposed Indian Ocean Rim (IOR) association would make the institution more viable.

"The process should be inclusive and not exclusive — particularly in view of our SADC commitments," Botha said.

Indian Ocean Rim countries including South Africa, India, Mauritius and some Gulf states will build on the regional initiative at a conference to be hosted by the Australian government in Perth.

(74) CT(BR) 2/6/95

Shanghai on port-of-call list

By Audrey D'Angelo

Cape Business Editor

Increasing trade between South Africa and mainland China has caused Nedlloyd Lines to add Shanghai to its ports of call in South East Asia.

Its managing director in South Africa, Aubrey McElnea, said yesterday that South African exporters and importers were "experiencing increasingly lucrative trade opportunities with burgeoning markets in mainland China".

This was shown by a high demand for container slots on Nedlloyd's new fortnightly sailings to and from Shanghai.

"In addition, the line will continue to service China with dedicated feeders out of Hong Kong," McElnea said.

McElnea said self-sustaining cellular carriers with cranes and handling gear were being used on the route.

Figuring out the official figures

(74)

FM 2/6/95

Information about SA's trade with the rest of the world is frustratingly selective. Each month Customs & Excise publishes a country breakdown on trade flows. But the figures call for explanation. This is not available from C&E, whose job is purely to capture the data; nor is it available from any other official agency.

Analysis of trade flows is complicated by a huge flaw in the C&E figures. Gold is not included in the country breakdown of exports. It is the main component in the biggest category, described as "other unclassified" — valued at R32bn in 1994 out of a total of R79bn. So its exclusion makes the breakdown misleading.

What provisional figures for 1994 show is that, excluding gold, the strongest growth in exports in 1994 was to the UK — 48% to R5,9bn (see table). Of this, R2,5bn was in the category which includes diamonds.

Globally, diamond exports showed virtually no growth. So the boom in UK sales was due to sharp falls in other markets. According to Safto economist Linda Smith, diamond exports to Switzerland fell from R7,3bn in 1993 to R5,3bn in 1994.

Overall, SA's biggest export market was Africa — R8,6bn.

Machinery & electrical equipment brought in R1,4bn from the rest of the continent, chemical or related products earned R1,3bn and base metals R1,2bn.

The next biggest customer was Switzerland, which was the recipient of R6,1bn of goods. This was almost entirely diamonds, channelled through De Beers' offshore arm, Centenary, for rerouting.

Other major customers were:

- The US, which paid R4,4bn for goods. Of this, R1,5bn was for base metals;
- Japan, R4,2bn. The biggest source of revenue for domestic producers was mineral products — R1,3bn; and
- Germany, R3,7bn. A wide range of goods was included and the single largest item was "miscellaneous manufactured items" worth R460m.

After the UK, the strongest export growth was to South Korea — 37% to R1,7bn. Base metals earned nearly R800m. Exports to a number of countries fell, including China (-2%), Hong Kong (-12%), Taiwan (-16%) and Israel (-37%).

Though exports rose only 11,6% in 1994, imports jumped 34,6% to R79,5bn, according to the December monthly trade abstract.

As they stand, the December figures show a leap in imports from the US — 61% to R12,5bn. However the largest category, valued at nearly R4bn, is made up mostly of brake linings, according to Smith. This is apparently an error. If the item is removed from the figures, growth in imports from the US is only about 9%.

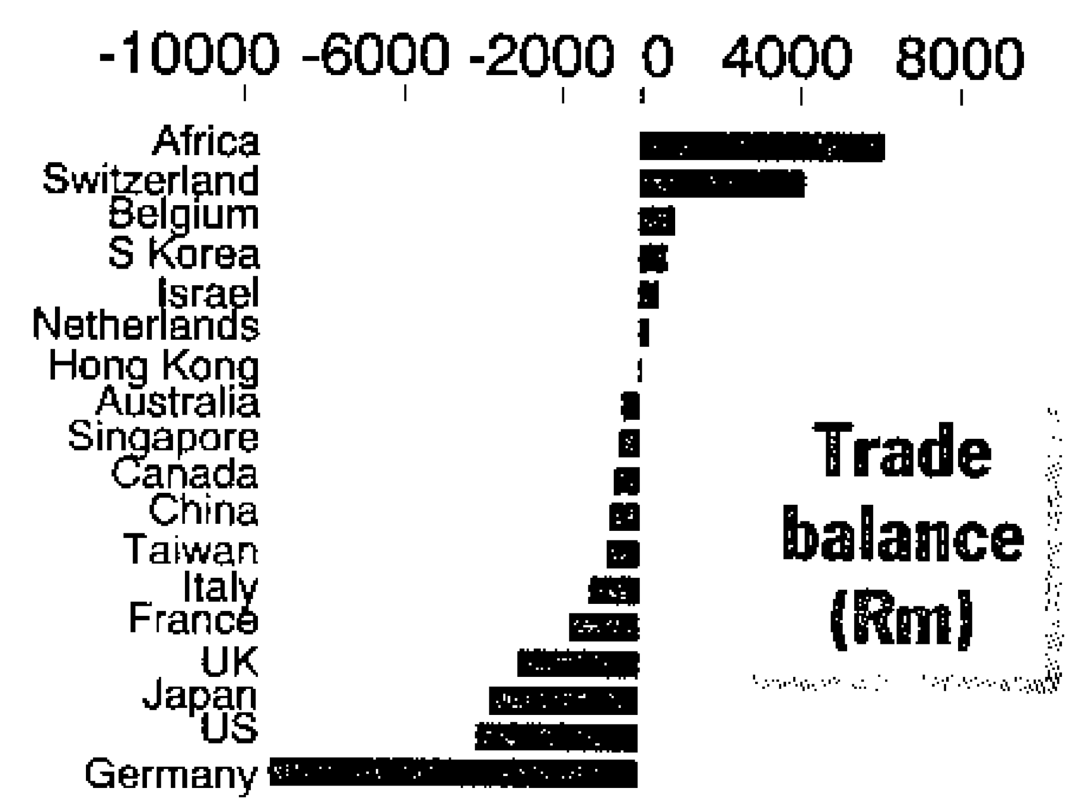
If the rest of the figures are correct, the rising yen is pricing Japanese goods out of the pockets of SA consumers. Imports rose only 6% — to R7,9bn. Of this, R4,2bn was spent on the category which includes vehicles, aircraft & vessels and R2,2bn was spent on machinery & electrical goods.

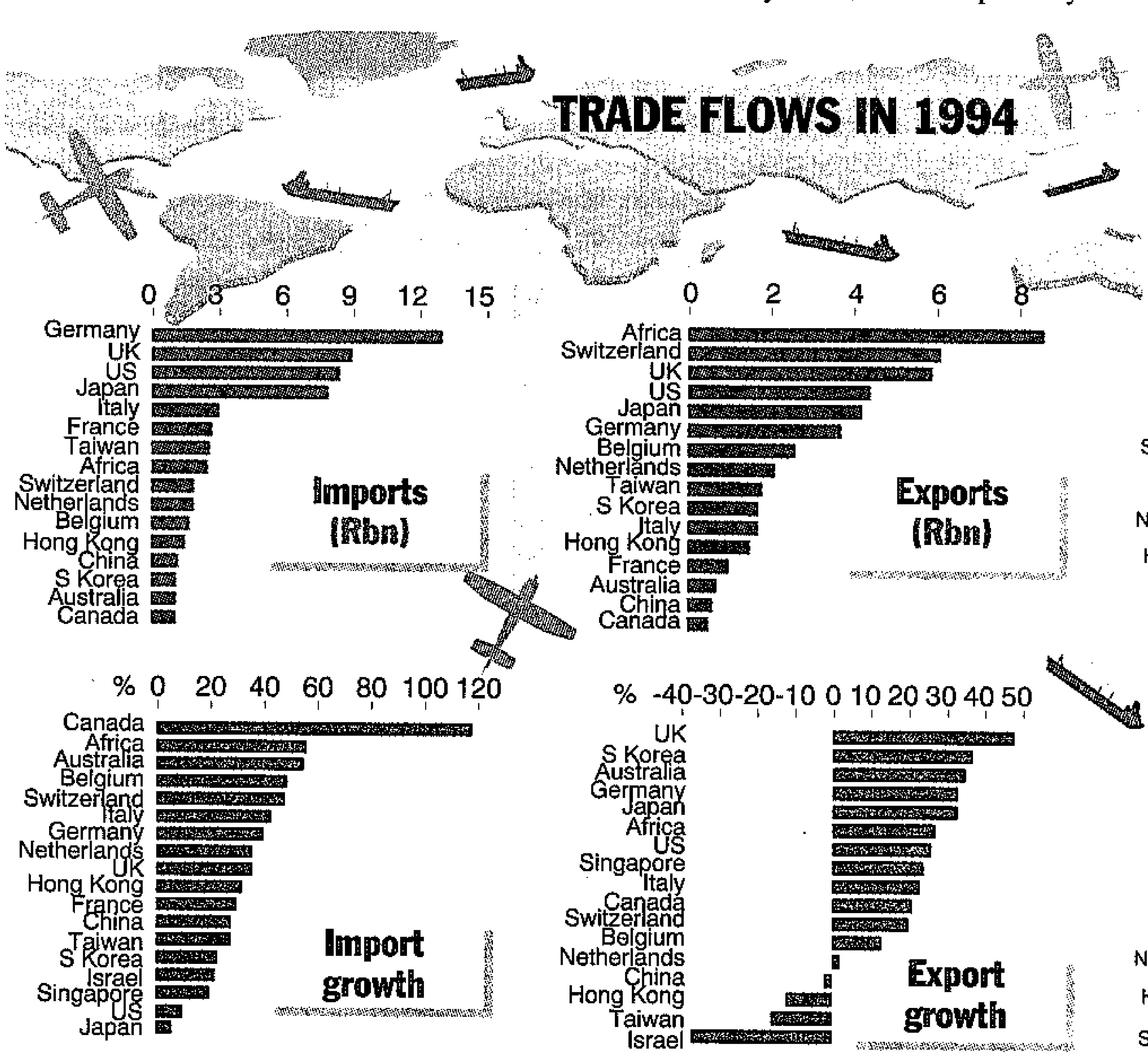
Germany is the biggest source of imports — R13bn. Machinery & electrical equipment accounted for R4,8bn. And vehicles, aircraft & vessels cost R3,8bn.

Goods imported from the UK cost R8,9bn; R3,4bn went on machinery & electrical equipment and R1,4bn on chemical & related products.

Imports from Italy were worth R3bn, of which R1,4bn was for machinery and electrical equipment.

Adjusting for the mistake in the US import figures, Germany remained SA's biggest trading partner with two-way trade of R16,7bn. This was up 38% on 1993.





Mbeki calls on Europe to stop dragging feet over SA

ARG 3/6/95

Foreign Service (74)

BRUSSELS. — South Africa has appealed to European Union governments to stop dragging their feet in launching negotiations with Pretoria.

The appeal came in letters sent yesterday by Deputy President Thabo Mbeki to the 15 foreign ministers and another, tougher, letter to French Prime Minister Alain Juppe.

The negotiations will give SA a chance to bid for partial access to the Lome Convention, the EU treaty with 70 African, Carribean and Pacific states.

South Africa would also aim at securing easier access to the European market for its exports.

However, nervous EU governments are dragging their feet, with southern states nervous that competition from South Africa could put their producers out of business.

Mr Mbeki's letters call for an end to delays and hopes that a decision to begin negotiations can be taken on Monday, June 12.

That is when the 15 foreign ministers next meet, in Luxembourg.

Mr Mbeki's letter to Mr Juppe was sent because France holds the Presidency of the EU — and will have an influence in setting the agenda for the Foreign Ministers' meeting.

If no decision to begin negotiations is taken there will inevitably be delays in implementing a future deal.

Mbeki in plea to EU for quick start to trade negotiations

(74)

By JOHN FRASER
ARGUS FOREIGN SERVICE

Brussels — South Africa has appealed to European Union governments to stop dragging their feet in launching negotiations with Pretoria.

The appeal came in letters sent yesterday by Deputy President Thabo Mbeki to the 15 EU foreign ministers and another, tougher, letter to French Prime Minister Alain Juppe.

The negotiations will give SA a chance to bid for partial access to the Lome Convention, the EU treaty with 70 African, Caribbean and Pacific states.

Star 3/6/95

SA would also aim at securing easier access to the EU market for its exports. But wary EU governments are dragging their feet, with southern states nervous that competition from SA could put their producers out of business.

Mbeki's letters call for an end to delays by the EU side, with the hope that a decision to begin negotiations can be taken on June 12, when the 15 EU foreign ministers next meet in Luxembourg.

Mbeki's letter to Juppe was sent because France currently holds the presidency of the EU, and will have an influence in setting the agenda.

If no decision to begin negotiations is taken by the EU side this month, there will inevitably be delays in implementing a future deal.

Government takes a private view of Safto

ST(BT) 4/6/95 (74)

(74)

4/6/95

THE SA Foreign Trade Organisation has lost the "privileged position" it enjoyed as the government's private sector arm and is now regarded by the Department of Trade and Industry as a "normal export/import consultant".

Gerrit Breyl, the department's deputy director-general for Trade, says Safto has been awarded a limited number of projects to undertake on behalf of the department, following acceptance of quotations. He says the organisation may undertake further projects in the future, which will also be awarded on a tender basis.

The new relationship with government has been confirmed to Business Times by Len van Zyl, Safto's chief executive, who says this has been a negotiated process conducted with the government over the past year.

Mr Van Zyl says that as from April 1 this year, Safto has been regarded by the department as a private-sector supplier of services.

Safto has been allocated five projects for which it tendered for the current financial year.

Three of these concern education and training, one is the publication of the *International/SA Product Digest* and the fifth project involves hands-on management assistance to small exporters.

Safto was established 32 years ago as a private sector, non-profit Section 21 company. The major portion of its funding was originally provided by the government and the organisation was perceived as an extension of the government's export promotion arm.

It has more than 3 000 member companies and clients, accounting for probably 80% of all SA exporters.

Mr Van Zyl says the proportion of government funding lessened as the membership grew. During the last three to five years, he says, the government's financial contribution amounted to about 20% of Safto's total revenue.

"With the formation of the new government, the clear trend has been established that we are going to develop more as a true private sector international trade consultancy. That was the pattern we set ourselves.

"In the past two years, we changed the original formula whereby the government merely gave us a grant and we now stipulate at the beginning of every fiscal year, specific projects which we do with or on behalf of government."

With regard to the assistance to small exporters project, Mr Van Zyl says there are several international examples of how SME's contribute significantly to export trade — such as the clothing industry in Italy for example, where family units are involved in production on a sub-contractor basis.

These units are usually co-ordinated or controlled by a bigger organisation which is responsible for international marketing and the setting of production standards.

"SA entrepreneurs could find international buyers for their products, but it is folly to suggest that a whole host of micro-entrepreneurs could be let loose in the technicalities of international marketing," says Mr Van Zyl.

Mr Van Zyl says there is a danger that government policy might be placing too heavy an emphasis on SME development.

"My plea is for balance in that all the emphasis, energy and promotional money that government makes available should not be given only to SME's, to the exclusion of larger companies."

EXPORT OPP

SUPPLIER . . . Len van Zyl, Safto's chief executive

FOCUS

ZIMBABWE business and trade officials believe South Africa should reopen fully its market to their country's goods and services or accept a huge influx of illegal immigrants.

Mike Humphrey, director of trade for Zimbabwe's trade promotion organisation, Zimtrade, says the parallels with the North American Free Trade Agreement (Nafta) are close.

"The US entered that agreement partly because it preferred to have Mexican goods than Mexican people. The sooner South Africa realises that the dynamics in southern Africa are the same, the better."

But for the moment, according to David Haslett, president of Zimbabwe's Commercial Farmers' Union, a trade treaty between the two countries has been taken off the burner by South Africa's trade negotiators.

Zimbabwe's request last year for urgent revision of the trade agreement has apparently fallen on deaf ears. It proposed moving towards free trade within two years, with a 50% fall in tariffs in the first year and complete abolition of tariffs in the second. Special provisions were suggested for sensitive industries.

In the sporadic trade talks which have taken place between Zimbabwe and South Africa, South Africa has apparently suggested that Zimbabwe should join the Southern African Customs Union. Zimbabwe has turned this down because the future of the union itself is under negotiation.

Trevor Manuel, South Africa's Trade and Industry Minister, said recently negotiations to restructure the SACU would probably last another two years. He also said the proposal to establish free trade among Southern African Development Community (SADC) states would not happen soon.

Faizel Ismael, consultant to Mr Manuel on multilateral trade negotiations, confirms that the trade treaty with Zimbabwe is not under discussion.

The treaty, which was favourable to Rhodesia when it was signed by a sympathetic South Africa in 1964, has since become unfavourable to Zimbabwe. It has never lapsed but become outdated.

It is highly complex. For instance, it has quotas for many Zimbabwean imports in ancient rand terms. All these quotas are now hopelessly low, so Zimbabwean exports have been faced with South Africa's high general tariffs, especially in food and agricultural products.

Mr Ismael says the only trade talks between South Africa and Zimbabwe at present relate to textiles and clothing.

He says a joint SA-Zimbabwe working group examining whether South Africa's 1992 preferential arrangement should be re-established has almost completed its study and the matter will be considered by the National Economic Development and Labour Council (Nedlac).

Revision of tariffs in agricultural goods is particularly urgent because it would create a boom in Zimbabwe's efficient, low-cost agri-food industry. Currently, little Zimbabwean agricultural produce flows to South Africa though South Africa is Zimbabwe's natural market. A boom in agriculture in Zimbabwe could limit the flow of illegal immigrants because two-thirds of Zimbabwe's population depends on this sector for employment.

Zimbabwean businessmen and traders perceive the SA government as being disorganised and having many other priorities.

They say Mr Manuel is constrained by the government's commitment to consult Nedlac, which they view as a cartel between big business and big labour.

Consumers and small business never get a good hearing in such forums, they say. While the new government might want to favour the consumers who elected them, it is also under heavy pressure from organised labour, which upholds a narrow interpretation that lower tariffs mean less jobs.

Big business, accustomed to years of having it its own way, is disunited about lower tariffs. In this situation, established industrial and agricultural interests can still call the shots.

The Zimbabweans say that the rate of decision-making emerging from Nedlac, never fast when it was the National Economic Forum, is likely to become glacial.

Mr Ismael defends Nedlac. He says it has taken a few sessions to establish a formal working agenda and select priorities but it is now "moving" and "going well".

For the government, he says, the preferential agreement on clothing and textiles with Zimbabwe is a priority.

Mr Humphrey says Mr Manuel is also being slowed down because he receives many more requests for protective tariffs than requests for opening up trade with Zimbabwe.

The issue of freer tariffs is urgent for Zimbabwe — but not for South Africa — because of South Africa's huge and growing trade surplus with Zimbabwe. Trade between the two countries was worth almost R3-billion last year, over two-thirds of which South Africa exported to Zimbabwe.

An opening of trade with South Africa would have a far greater effect on Zimbabwe's economy than on South Africa's. This is why Zimbabweans regard South Africa's stance as selfish, "let alone stupid".

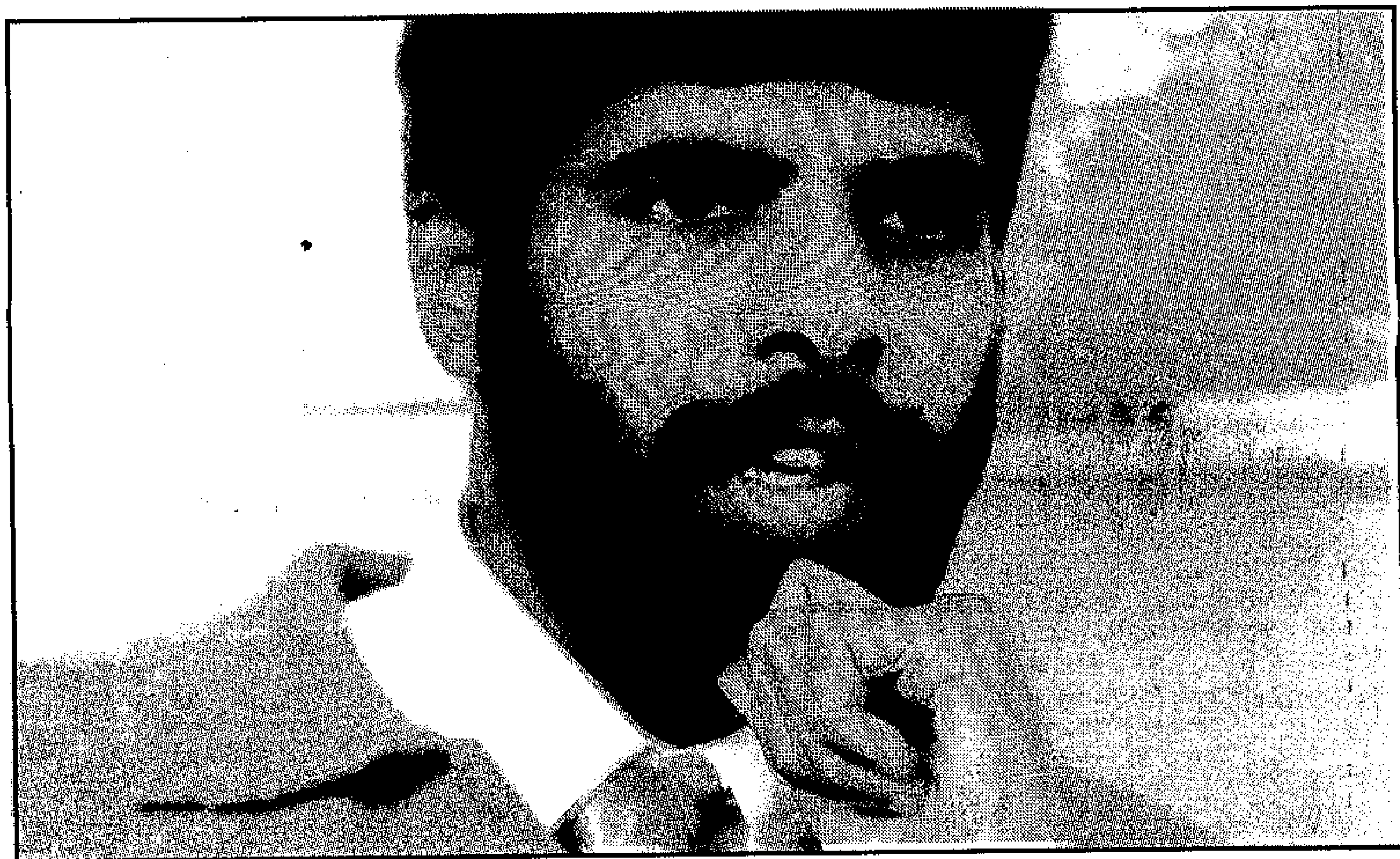
Mr Humphrey believes that within a year of a free-trade agreement between the two countries being in place, trade between South Africa and Zimbabwe could treble.

Not that Zimbabwe's government or its business sector is blameless. Until last month, President Robert Mugabe did not have a Finance Minister, or a Minister of Trade in his Cabinet since the beginning of last year.

commentators also suggest another delaying factor is the little love lost between the ruling parties of the two countries. President Mugabe did not back the ANC during its struggle against white minority rule in South Africa.

Zimbabwe's agricultural and business sectors also share blame because they have not united to mount any campaign in the absence of government action — or even tried to communicate the issues to SA consumers.

Zimbabwe already has low tariff barriers compared with South Africa. They were reduced in one go, in accordance with the World Bank's Structural Adjustment Programme.



PLEASE BE PATIENT . . . consultant Faizel Ismael, who says South Africa is making progress on trade issues

(74) ST(BT) 4/6/95

Trade kept waiting

South Africa's lack of urgency in negotiating a trade agreement with Zimbabwe is delaying a relationship which could be prove hugely beneficial to both countries, writes **TEIGUE PAYNE**.

Local goods fill up African markets

(74)

ST 4/6/95

By CHIARA CARTER

SOUTH AFRICA's trade with the rest of Africa leapt by almost two thirds last year with the country expanding sales in neighbouring states and making inroads into east Africa.

According to Customs and Excise statistics released by the Department of Trade and Industry, the total value of trade between South Africa and the rest of Africa was worth R10 986-million — 60 percent more than 1993's R6 889-million.

Exports to Africa increased by more than a quarter, from R6 826-million in 1993 to R8 631-million last year, and analysts said this trend was likely to continue.

South African imports from the rest of Africa went up by 45 percent to R2 354-million.

While a similar increase occurred in exports to Europe and the US last year, the African marketplace was especially important to South Africa because African states bought mostly manufactured goods and foodstuffs, and the balance of payments favoured South Africa.

While 70 percent of Africa-bound exports continued to go to South Africa's traditional southern African trading partners, new markets have emerged in east Africa where South African exports increased threefold between 1993 and 1994.

Kenya imported more than three times as many goods last year as in 1993 making it South Africa's fourth largest African market. Neighbouring Tanzania is now ranked the country's ninth most important market on the continent.

Nestle group corporate affairs manager Dave Upschon said the company's exports to Africa and the Middle East had doubled in the past year and now exceeded R100-million.

Other South African goods in demand last year were machinery, chemicals, base metals, transport equipment and vegetable products.

However, exports to west Africa declined by 10 percent last year. Trade with Ivory Coast, a traditional market for South African goods, dropped by half.

The South African Foreign Trade Organisation's African business development group director Martin Smith said that one reason for South Africa's "lacklustre performance" was the devaluation of French Africa's currency.

Mbeki urges SA-EU trade pact haste

BD 5/6/95

Debra Percival

(~~Gen~~) (T4)

BRUSSELS — ~~Letters from~~ Vice-President Thabo Mbeki urging haste in the adoption of a negotiating mandate for a new EU-SA trade pact were dispatched to 15 European foreign ministers at the weekend.

SA ambassadors delivered the letters which outlined SA's arguments for a non-reciprocal trade agreement and French Foreign Minister Alain Juppe was also asked to ensure that the item was included on the agenda of the next meeting of foreign ministers on June 12.

SA ambassador to the European Union Neil van Heerden said SA regarded it as important for the mandate to be discussed on the 12th. He said Pretoria wanted to tag the item onto the current mid-term review of the Lomé IV Convention at the forthcoming summit of heads of state in Cannes on June 26-27.

"There is a psychological barrier in the EU concerning SA that it is a country that will dump high quality, low-priced produce on the European market." This myth would be removed by SA negotiators, he said.

This month EU foreign ministers are expected to agree on a temporary package of improved access for SA's fruit and vegetables under the EU's Generalised System of Preferences (GSP).

The European Commission is believed to be putting its finishing touches to the package before EU foreign ministers seal its content. The package will be valid for just six months until the EU brings in new GSP access next year, when there will be fairer distribution of preferences.

US strikes some goods off preferential list

(74) BD 5/6/95

John Dludlu

THE Clinton administration has reversed a decision granting 35 developing nations — including SA — $1,6bn worth of trade preferences under the general system of preferences (GSP).

The mechanism, which was extended to SA last May, allows beneficiary nations to export to the benefactor's markets duty-free or at substantially reduced import duties.

Of the 140 products covered by the decision, only three items from SA will lose their preferential status — animal leather, building stones and vanadium oxides. The decision is to come into effect next month.

Following the decision, the affected products will now be granted most favoured nation status — the most basic form of trade preferences which drops duties symbolically.

It was unclear at the weekend what effect the decision would have on SA's trade with the US or the performance of SA exports in US markets.

A statement released from Washington quoted one official as saying that the change from GSP to most favoured nation status "should not be particularly burdensome" for most countries since most favoured nation rates on affected items were already very low.

The basic idea behind GSP — often seen by trade diplomats as the cheapest form of aid to developing countries — is to stimulate economic development in the beneficiary country through the expansion of its exports in the markets of the benefactor nation.

Under US laws — and generally those of other countries — the list of qualifying products may be changed if it is found that the exports already enjoy a competitive edge in the markets of the benefactor country, or when it is found that the beneficiary country's per capita GNP exceeds a specified level.

Countries affected by the announcement include Argentina, Malaysia, Russia, Chile, India, Brazil, Thailand and Turkey, while the products affected include fruits, plywood, firearms, articles of yarn, handbags, non-aromatic drugs, typewriters, machinery parts and juices.

US lobby 'broadly supports' labour Bill

BD 5/6/95

Renee Grawitzky

MAJOR US investors in SA represented by the American Chamber of Commerce (Amcham) broadly supported the draft Labour Relations Bill and hoped it would contribute towards creating a new atmosphere in labour relations.

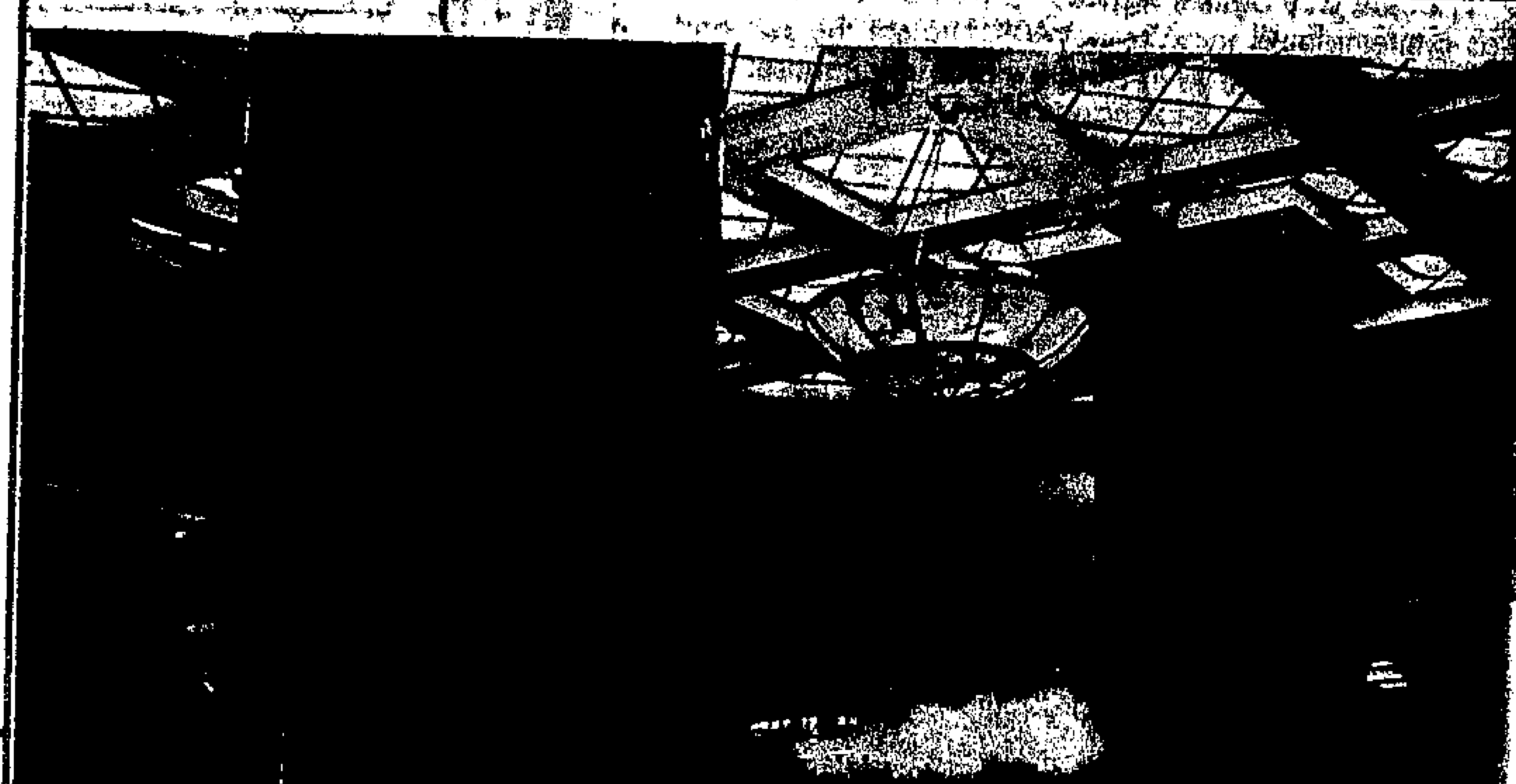
However, Amcham working committee head Roger Crawford said: "We have highlighted certain aspects which the chamber cannot see its way clear to giving any form of support."

Amcham would call on the labour minister to give serious thought to delaying the promulgation of the Act until a conciliation commission was up and running.

"We are deeply concerned about some of the wide powers that the Bill suggests the commission should have. Powers must be limited and refer only to issues under dispute."

Organisational rights provisions were problematic in that they could "unduly disrupt the operational activities of an employer".

Disclosure of information was supported but the automatic right rejected. Amcham supported the right to strike, but was concerned about the removal of ballot provisions from the Bill.



DIPLOMATIC VIEW

An Indian Ocean Rim conference is where old sporting rivals and colonial cousins clash again

BY JEAN-JACQUES CORNISH

Trade blocs and the future

CT(BR)5/6/95 (74)

Those old sporting rivals South Africa and Australia are scheduled to clash once again in Perth next week. There is no Rugby World Cup or cricket series at stake — believe it or not — it's more important than that.

These two old colonial cousins are due to differ quite radically about the details for setting up a grouping of countries on the Indian Ocean Rim (IOR).

Both South Africa and Australia are of a mind that formation of a regional bloc of countries sharing the Indian Ocean is long overdue.

This has already happened in Europe, America, Asia and the Pacific. Indeed Australia already benefits from its membership of the powerful Asia-Pacific Economic Co-operation (Apec).

Nations of the rim first gathered in Mauritius in March to lay the groundwork for a formal arrangement.

An important development reached there was an understanding that an IOR would be fully inclusive and that countries not actually bordering the sea but reliant on Indian Ocean ports as their major trade access — like Zimbabwe, Zambia and Malawi — be considered.

The second meeting, to which individuals rather than governments are invited, will be held in Perth from June 11 to 13.

South African officials are concerned that the hosts have included security issues on the agenda in Western Australia. As they see it, prospective IOR members should concentrate exclusively on the economic issues that unite them.

Security discussions might all too easily become distractive not to say destructive. The difference between India and Pakistan over Kashmir is an issue that springs immediately to mind. As it is, getting the participation of both these countries in IOR talks was something of a coup.

The Australian determination to discuss security issues in the IOR talks puzzles South African officials who have studied the Apec track record. That grouping scrupulously avoids dealing with anything but economic issues — so much so that Apec lexicon refers to economies rather than countries.

In this way Apec has managed to retain the membership of China, Taiwan and Hong Kong.

To the South Africans, all too well experienced in how confusing and bitter multilateral political battles can become, this proven means of avoiding trouble seems like an excellent model.

□ □ □

What goes around, comes around. First the members of the ANC's Department of International Affairs (DIA) angered the old white diplomats as they snapped up plum diplomatic jobs shortly after being integrated into the Department of Foreign Affairs (DFA). Now it's the turn of the former DIA members to be angry as officials of the former TBVC states are absorbed into the DFA.

Grossly under-experienced — the TBVC didn't even have a foreign policy outside their mutual friendship and dealings with paymaster South Africa — more than 100 of these former homeland officials are coming into the DFA on a deal that is mind-boggling even by profligate public service standards.

They could not be sacked, neither could they have their pay cut. So they have been slotted in to relatively junior jobs, earning senior packages.

Former DIA officials say this is unfair to them and wasteful to the public purse.

Whatever political differences the old guard might have had with their ANC counterparts, there is no denying they have contributed vigorously to a new dynamic in the department that has made it more transparent and rid it very quickly of apartheid thinking.

As one 20 year veteran of the department put it: "This is an entirely different place, now. And I don't miss the old DFA at all."

"The ANC chaps are very well educated and have a real understanding of South Africa's place in the world. While their systems might need some work they are a valuable addition to our task here."

Try as I might, I could not find anyone to put a cheery gloss on the arrival of the TBVC people.

EU gears up for Lomé talks with SA

(74)

BY JOHN FRASER

ARGUS FOREIGN SERVICE

ET(BR) 5/6/95

Brussels — European Union officials are this week expected to prepare the way for the launch of trade negotiations with South Africa.

This would enable EU foreign ministers to give their formal approval next Monday.

However, South African diplomats remain worried that protectionist EU states may still try to delay the process.

The EU commissioner for southern Africa, Joao de Deus Pinheiro, has proposed a twin-track approach for South Africa.

South Africa would be offered partial membership of the Lomé Convention and a special trade accord would be negotiated.

There are some EU nations — particularly the Mediterranean nations with strong farm lobbies — which believe Europe should be strict with South Africa.

"They think of us as some sort of colossus, and they are worried about the effect we could have on their producers," said South Africa's ambassador to the EU, Neil van Heerden. "However, once we get the chance to begin negotiations, I hope we can dispel some of these myths and fears."

Mbeki aims for negotiating pact

74 CT 5/6/95

BRUSSELS: Letters from Deputy President Thabo Mbeki urging haste in the adoption of a negotiating mandate for a new EU-SA trade pact were despatched to foreign ministers in 15 European capitals on Friday. The letters outlined arguments for a non-reciprocal trade agreement.

EU finally set to open talks on SA

CT(BR) 9/6/95 (74)

By John Fraser

ARGUS FOREIGN SERVICE

Brussels — European Union (EU) foreign ministers are set to launch negotiations on a new relationship with South Africa, when they meet in Luxembourg on Monday.

This follows an agreement by the 15 EU ambassadors to put South Africa on the agenda for Monday's meeting.

The ministers failed to debate South Africa at their last meeting. Protest letters were sent as a result to all 15 EU foreign ministers by Deputy President Thabo Mbeki.

Mbeki urged the EU governments to speed up their consideration of South Africa's request for closer ties with Europe.

EU diplomats have revealed that the 15 EU governments are expected to follow the guidelines set out by European commissioner Joao de Deus Pinheiro.

These foresee a continuation of the EU's special aid programme for South Africa, a new trade accord between Brussels and Pretoria and partial South African membership of the Lomé convention.

The convention is the treaty linking the EU to 70 developing nations in Africa, the Carribean and the Pacific (ACP).

South African diplomats were worried that there could have been a delay in launching negotiations with Brussels.

EU foreign ministers are expected to agree on Monday that South Africa's entry into the Lomé convention can be included in a review of the convention, which is due to be agreed this month.

"This means that the ratification of South African membership can begin at once, with the details to be filled in later," an EU diplomat said.

"The effect will be to speed up South Africa's admission. A similar formula was agreed for Namibia, when it was awaiting independence," the diplomat said.

Trade

The framework for trade access will be the most difficult element of the negotiations between Brussels and Pretoria.

South Africa has sought rights equivalent to those of the ACP nations — which have beneficial access to the EU market without being obliged to open up their own markets.

EU officials say that South Africa must agree to dismantle its protectionist barriers — although they are prepared to allow this to happen over time.

The Mediterranean nations, known as the "olive belt", fear competition from South Africa.

"Launching the negotiations is just the beginning of the battle," said a senior European diplomat.

"South Africa has a tough battle ahead to convince the protectionist Europeans to open their markets."

It appears some EU governments are trying to whittle down the benefits available to South Africa. They want to outlaw South Africa from eligibility for the European Development Fund's emergency aid programme.

They also want to restrict South Africa's right to bid for tenders under the Lomé convention.

Meanwhile, Spain is insisting that there be no agreement on a four year EU aid programme for South Africa until the EU has agreed aid allocations for Eastern Europe, North Africa and Latin America.

South Africa is set to continue to receive EU aid, worth about R550 million, over four years.

Meanwhile, Germany is insisting that an agreement with South Africa must include a commitment by Pretoria to accept the return of South African citizens who have illegally immigrated to the EU.

The European Parliament is expected to debate a report later this month, calling for generous treatment for South Africa.

The report — by Scottish European MP Alex Smith — argues that South Africa needs better access to the EU market to help pay for the reconstruction and development programme.

Negotiations between the EU and South Africa are expected to be in two stages.

The first stage would cover South African access to the Lomé convention, and a separate co-operation agreement between Brussels and Pretoria.

The second stage would be a trade accord, possibly with the eventual aim of free trade — if South Africa is prepared to accept this.

(74)

INDIAN OCEAN

All or nothing

FM 9/6/95

Development of an Indian Ocean Rim trade and co-operation bloc cannot include SA without its southern African neighbours, says Foreign Affairs director P J Botha.

Due to visit Perth in Western Australia next week as part of an SA team attending talks on regional co-operation, Botha says other countries should not look at SA in isolation but as a member of the Southern African Development Community (SADC).

"For SA to believe it can enter a prosperous future in isolation, without taking neighbouring countries along, would be unrealistic and shortsighted," he told an Indian Ocean marketing seminar presented by the SA Foreign Trade Organisation.

He admits the SADC is neither as developed nor as sophisticated as other regional economic blocs. In this respect, SA has an important role to play. The Indian Ocean Rim group will benefit from dealing with a broader regional unit in which SA is a leading player. In turn, the SADC and eventually also countries beyond its boundaries will gain from SA's strong voice and economic muscle in the Indian Ocean forum.

Botha stresses that despite supportive noises from senior SA politicians — notably Deputy Presidents Thabo Mbeki and F W de Klerk — government has yet to determine a formal policy on Indian Ocean co-operation. A follow-up conference to next week's Perth meeting is scheduled for Mauritius next April. Meanwhile, he says, government will seek the means to make "sober, well-founded decisions" on its involvement.

Trade & Industry Department deputy DG Gerrit Breyl says SA has already enjoyed significant benefits from increased trade in the Indian Ocean region.

He says an analysis of trade with 14 countries shows SA exports rose by 216% between 1990-1994 to R5,66bn. The share of these exports in the country's total goods export account rose from 2,8% to 6,2%. Imports rose by 188% in the same period to R3,66bn, increasing from 2,9% to 4,6% of imports. Total two-way trade grew 204% and SA's trade balance improved from R521m in 1990 to R2bn in 1994.

Mauritian Finance Minister Ramakrishna Sithanen told the seminar Indian Ocean Rim co-operation would lessen the threat to regional economies from the potential of reduced access to major world markets.

He says regional trade blocs elsewhere in the world have increased trade within the blocs and reduced trade with nonmembers. These blocs are increasing internal trade and relying less on outside sources. Whereas European Union members rely on non-EU markets for 40% of exports, Asian-Pacific nations 25% and North Americans 55%, Indian Ocean Rim countries send 80% of their exports beyond the region.

"Such a high dependence on extra-regional exports makes our region extremely vulnerable to the adverse effects of trade diversions," says Sithanen. ■

Indian Ocean tourism body formed

ET(BR) 12/6/95 (74)

By Audrey D'Angelo

The South African Tourism Organisation (Satour) is helping to form an Indian Ocean Tourism Organisation for inter-regional marketing, says its deputy executive director, Ernie Heath.

Interviewed on Friday just before leaving for Australia to take part in the launch of the new organisation, Heath said it was far more effective to market a region with a choice of destinations than one country alone.

For this reason, Satour was also taking part in moves to form a marketing organisation for the whole of southern Africa.

And it would be targeting a wide range of prospective customers, including young people. "Young people are opinion formers, often with plenty of disposable income, and they will be tomorrow's high-spending executives.

"We must not make the mistake of thinking backpackers are less desirable visitors than older people who stay in five-star hotels. They may economise on the cost of accommodation but they often spend a lot on other things and tend to stay in the country for a longer time.

"South Africa offers a wide variety of experiences and should appeal to several different target markets."

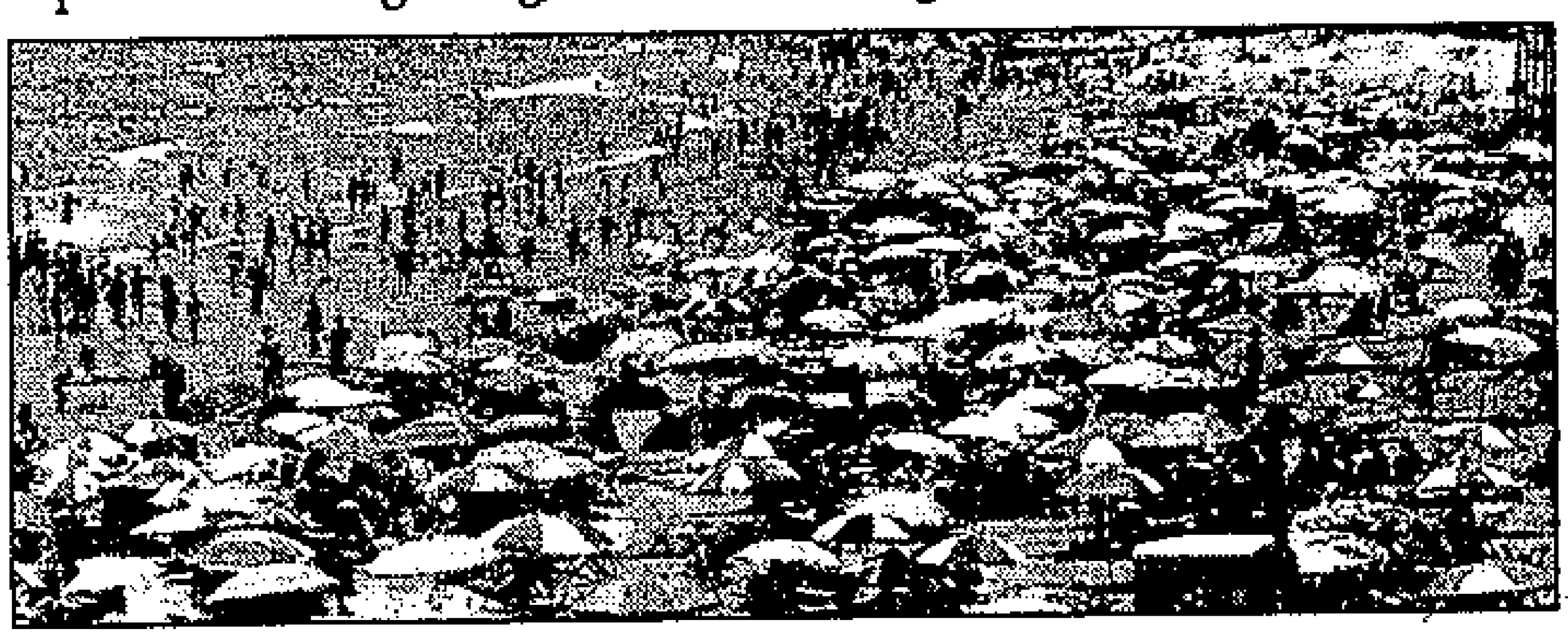
Heath said complaints that the Rugby World Cup had failed to attract the number of visitors forecast were unjustified. The big crowds were likely to come in the last week, when the final was played.

Forecasts of 26 000 World Cup visitors made it clear that they would be spread over the entire three week period, with only 5 200 expected at the beginning, 9 600 for the quarter finals and 11 500 for the semi final.

It was normal for the number of foreign visitors to South Africa to fall steeply in May. Figures for previous years showed an average of 70 000 in December and 30 000 in May.

Heath said that although Australia attracted more foreign visitors than South Africa, they tended to spend less. "The average visitor to South Africa spends R7 800 compared with the average of R4 800 spent by visitors to Australia."

Discussing complaints of poor service, Heath said South Africans seemed more conscious of this than foreign visitors were.



BIG CROWDS *Satour believes the big Rugby World Cup crowds are still to arrive for the final*

Lome still country's first choice

(74)

■ BY ALIDE DASNOIS

South Africa's bid for easier access to markets in Europe will be discussed by European foreign ministers this week, with South African negotiators still pressing for membership of the Lome Convention.

"We are still going for Lome first," said Department of Trade and Industry consultant Faizel Ismail.

At the last minute the question of South Africa's trade with Europe was moved off the agenda at the meeting of EU foreign ministers last month.

Ministers meet again in Brussels today.

Ismail said European Commissioner Joao de Deus Pinheiro had assured South African negotiators he would seek a flexible mandate from the ministers to accommodate South Africa's concerns.

Pinheiro has suggested a free trade agreement between the two, but the government is concerned that reciprocal opening of markets will expose vulnerable sectors of South African industry to harsh competition.

Star 12/6/95

Indian Ocean countries face 'promising era'

CT (BR) 13/6/95 (74)

By Lachlan Colquhoun
ARGUS FOREIGN SERVICE

Perth — The countries of the Indian Ocean rim (IOR) were poised to begin an era of economic co-operation which offered a "new and promising future" Gareth Evans, Australian foreign minister told a conference on the formation of a regional trade basin.

Delivering the keynote address on the first day of the International Forum on the Indian Ocean Region in Perth, Evans said prospects were "now better than at any stage since the end of World War Two" for developing economic linkages in a region that had in recent years been "the forgotten ocean, the ocean where time stood still".

Intra-regional trade around the Indian Ocean was only 20 percent, compared with a figure of 68 percent for the countries around the Pacific Ocean.

The Perth conference — attended by representatives of 23 nations — is the second important step in the embryonic formation of a new Indian Ocean economic grouping in which South Africa, Australia and India can be the three strong poles.

An inter-governmental meeting of seven countries — including South Africa — in Mauritius in March gave impetus to the beginnings of new Indian Ocean co-operation, and the Perth conference has been held as a "second track" forum to exchange and develop ideas as part of the IOR process.

Peter John Botha, the director of the Far East, Asia and Australasian directorate for the foreign affairs department said it was "inconceivable" that although it was one of the world's largest trading basins, there was no formal economic group for the Indian Ocean.

Botha said although South Africa's major interest was in the development of the Southern African Development Community the IOR process could bring economic benefits to southern Africa.

South Africa is also keen to develop increased integration with the rapidly growing markets of Asia, and the IOR process which could give South Africa the "leverage to make an entreé" into Asia.

Botha said South Africa was concerned that the IOR process be "inclusive" of all nations with an interest, and that it should remain "business driven".

Australian sources were quick to downplay speculation on a rift between the countries on the security issue, stressing that Australia also viewed the IOR process as trade driven.

Evans anticipated the creation of a new body with the working title of the Indian Ocean Economic Co-operation Council which could be created out of the conference.

Evans also committed Australia to funding an Indian Ocean Centre in Perth, costing A$250 000 this year and a further A$200 000 for two years.

New laws needed to counter fakes trade

(74)

Kevin O'Grady BD 13/6/95

SA IS increasingly being targeted by overseas manufacturers of counterfeit goods since trade channels with the outside world have opened up, leading to calls for the speedy implementation of new legislation to combat the offence.

In recent weeks a police raid has seized a shipment of 600 000 bogus Bic pens, last week a raid on a Florida clothing outlet found 122 fake Caterpillar shoes and a number of fake Rolex watches and earlier this year 116 000 counterfeit TDK cassettes were confiscated from their importer.

Reinard Michau of law firm Spoor & Fisher, acting for Caterpillar, said yesterday that, "in view of the large hauls made recently, it would appear as if South Africans are being targeted more and more" by counterfeiters, particularly in the East and India.

Michau said he had appointed an investigator to track down the sellers of the fake shoes after official distributor Medicus Shoes noticed an increase in the sales of counterfeit Caterpillar shoes.

An official complaint had been laid with police after the haul of fake shoes in Florida and instructions to lay an official complaint in respect of the fake watches were awaited from Rolex, said Michau.

So serious has the problem become that importers and distributors Frank & Hirsch have set up a division dedicated to tracking down counterfeit sources.

The head of the company's new intellectual property division, Roedie van Bosch, said yesterday that when the sale of counterfeit goods was reported to police they seized batches but did not investigate the source of the merchandise.

Van Bosch's division had established that most fake cassettes were imported from China by "three or four" Chinese people living in Gauteng who then travelled to small towns where they sold the goods to unsuspecting shopkeepers.

"People are making more of an effort to try and prevent this but one of the problems is that the Merchandise Marks Act is outdated. Fines are still set in pounds and the Act hasn't been amended since 1941," said Michau.

A new piece of legislation, the Counterfeit Goods Act, was still in draft form and needed to be speedily implemented.

SA back in favour as tourist destination

Amanda Vermeulen BD 13/6/95

SA's tourism industry received a much-needed shot in the arm in March, with the total number of bed nights sold to foreign tourists increasing almost 60% compared with March last year.

According to the latest information from the Central Statistical Service (CSS), the total number of bed nights sold was 211 906 — 59,4% more than in March last year.

The most popular province was the Western Cape, which dominated almost 40% of the market in this period compared with about 34% last year.

The increases substantiate reports from the hotel industry of a strong rise in foreign tourism to SA. The CSS said the largest increase according to continent occurred in tourists from Asia, whose numbers grew to 14,9% in March (8,7%).

Africa's market share declined 4,4 percentage points to 10% of the market.

The CSS said the latest figures included the number of bed nights sold in hotels in the former TBVC states. Last year's figures did not include the TBVC bed nights.

"The number of bed nights sold to foreign tourists in these states in March amounts to 9,6% of the total," the CSS said.

Manuel slashes tariff protection

CT(BR) 13/6/95 (74)

By Bruce Cameron
Political Editor

Fundamental restructuring of the clothing, textile and motor industries, with major reductions in tariff protection barriers and the scrapping of local content requirements for the motor industry, have been unwrapped by Trevor Manuel, trade and industry minister.

The release of the programmes yesterday followed months of controversy and lobbying, with fears raised that all three industries could be significantly damaged by the removal of the tariff barriers which were put in place during the sanctions era.

Manuel hoped to save thousands of jobs with the programmes, while making motor vehicles and basic clothing and textiles cheaper.

Key to the success of the programmes will be the stimulation of exports.

Zavereh Rustomjee, director-general of trade and industry, said indications were that all the industries were improving and there would be a positive balance of trade in value terms, even though tariff barriers were coming down.

Manuel said all three industries had no option but to adapt and this was recognised particularly by the unions.

Manuel briefed all sectors of the industries. He said there was "no blood on the floor" but some reservations had been voiced about whether enough was being done on supply side measures, which included upgrading training and technology.

The clothing and textile industries had been given a month to consider proposals. A task force representing government departments, labour and employers was set up to consider the recommendations for the motor industry.

BOLD STROKE *Trevor Manuel, trade and industry minister and Nic Swart, chairman of the board of tariffs and trade, announce news of fundamental changes to the clothing, textile and motor industries*

PHOTO ALAN TAYLOR

The programmes for the clothing and textile industries were completed by the trade and industry department. The recommendations for the motor industry were made by the Board of Tariffs and Trade.

For the motor industries, the local content programme would be dropped and a new system of reduced and "tradable" duties would be introduced.

In the process the range of motor vehicles assembled in South Africa is likely to decrease and prices are expected to come down.

In the clothing and textile industries Manuel has opted for a compromise between demands for a 10-year phasing out of tariffs, demanded by the textile industry, and the five years on textiles wanted by the clothing industry.

Manuel said that the reduction of tariffs in all three industries would be counter balanced by intensive programmes to upgrade training, technology and management skills.

The upgrading of supply side inputs would enable the industries to become internationally competitive in both local markets and export markets.

In the clothing and textile industries he has taken measures to improve management, technology and training to make them more internationally competitive.

Manuel said there would be phased reductions in the textile and clothing industries over eight years for ad valorem rates and over four years for specific duties, with a possible one year extension.

The decreases would be at a minimum rate of 10 percent a year.

☐ See next page

Manuel's manual

☐ Import duties on built-up vehicles to be reduced almost immediately from 115 percent now to 65 percent and to 40 percent by 2002;

☐ Motor vehicle manufacturers to be granted a 27 percent duty-free allowance for components and further rebates if they export components or vehicles;

☐ Phased reductions in the clothing and textile industries over eight years for ad valorem rates and four years for specific duties. Decreases will be at a minimum rate of 10 percent a year. All rebates phased out over 10 years

EU ministers agree to open talks with SA

(74)

BY JOHN FRASER
ARGUS FOREIGN SERVICE

CT 13/6/95

Luxembourg — The 15 European Union foreign ministers last night agreed to launch negotiations on a new relationship with South Africa. The decision was taken after just five minutes of debate.

The EU commissioner for South Africa, Joao de Deus Pinheiro, now has the green light to begin talks with the South African side.

"Everybody here has shown full trust in the future of South Africa," he said. "The EU wishes to make South Africa and southern Africa very special partners."

The EU foreign ministers adopted a strategy for relations with South Africa put forward by Pinheiro which will maintain EU annual aid at R555 million. However, aid to South Africa will still be subject to discussions at the EU summit later this month.

Meanwhile, South Africa will be given partial membership of the Lomé Convention — the EU's treaty with other southern African states.

Finally, there would be a separate trade agreement, possibly leading to free trade.

The British foreign secretary, Douglas Hurd, last night said the agreement would have to be "asymetrical".

"It can't be wholly symetrical; it will have to be balanced in South Africa's favour initially. But we think this is abundantly worthwhile."

Manuel due to thrash out accord with EU

TRADE and Industry Minister Trevor Manuel would visit Brussels before the end of this month to begin talks on a new trade and co-operation accord with the European Union, a spokesman said in Brussels yesterday. (SGA)(74)

"We still have to fix an exact date but the negotiations will definitely begin in the final days of June," the spokesman said.

Sapa-AFP reports that Manuel will meet the commissioner with responsibility for southern Africa, Joao de Deus Pinheiro, to begin thrashing out the details of the new framework for EU-SA relations.

The announcement of the early start came the day after EU foreign ministers agreed on a negotiating mandate for the new accord. The mandate envisages SA as having qualified membership of the Lomé convention, through which 70 of the world's poorest countries are linked to the EU. BD 14/6/95

As a relatively "rich" country, SA will not be accorded Lomé trade concessions, but the EU has held out the offer of negotiating a free trade agreement favourable to SA.

John Dludlu reports the SA mission yesterday calmed fears that the union's generous R550m aid package to SA might come under threat following disagreements by member states on Monday over the EU's foreign aid commitments.

EU ambassador to SA Erwan Fouere said the disagreements at the ministers' council did not apply to SA, but were on "broad principles governing foreign aid commitments".

Reports from Brussels this week said Spain — which takes over the rotating presidency of the union next month — had opposed the move to continue the generous package to SA over the life of the government of national unity.

The 15 member states had endorsed a proposal to continue aid to SA until 1999, using this year's figure as a guide for subsequent allocations.

Plans for Indian Ocean Rim bloc gain impetus

ET(BR) 14/6/95 (74)

By Lachlan Colquhoun
Argus Foreign Service

A set of measures to promote increased economic co-operation between Indian Ocean Rim countries has been adopted by an international conference in Perth.

More than 100 participants from 23 countries bordering the Indian Ocean attended an international forum on the Indian Ocean rim to explore possibilities for regional co-operation with a view to creating a new trade bloc.

The conference agreed to establish a consultative business network to examine trade liberalisation and consultation in four areas: information technology (including telecommunications), customs and trade documentation, maritime affairs, and non-tariff barriers and impediments to investment.

The South African Chamber of Business (Sacob) will take on the responsibility of researching the tariff questions, and all the issues will be canvassed at a meeting of the business network in New Delhi in December.

The business network will also move to develop a business charter incorporating all business activity in the Indian Ocean rim.

Fully-fledged

A leading Indian businessman told journalists that within two years he envisaged a "fully fledged co-operative process" between Indian Ocean rim countries which would primarily be business driven along the model of Asia Pacific Economic Co-operation.

The conference also decided to create a research network — parallel to the business network — to promote an exchange of information and data and promote joint projects. The research network will also report in New Delhi in December.

South African representatives at he conference hailed the result, saying it continued the momentum for regional co-operation established at an intergovernmental meeting in Mauritius held in March and attended by seven core countries including South Africa.

"The conference added value to the process," said Jerry Matsila, the South African high commissioner in New Delhi.

The next step in establishing an Indian Ocean rim bloc will be a meeting of the seven core countries in Mauritius in August, where it is hoped its membership will be enlarged.

Matsila said that South Africa had undertaken the process of establishing the trade bloc in consultation with its partners in the South African Development Community, who would be briefed on the outcome of the conference. Earlier, Nthatho Motlana, head of the Get Ahead Foundation, told the conference that any Indian Ocean trade bloc would have to extend its benefits to other African countries if it was to be successful from a South African perspective.

Motlana said South Africa was seen by other African countries as "a land of milk and honey".

Illegal immigrants

This perception had unleashed a tide of illegal immigrants who arrived in South Africa seeking work and fortune.

"Africa will not provide the world with vibrant, expanding markets peopled by an active consumer population if South Africa does not grow and prosper," he said.

Motlana said that if South Africa failed to deliver growth and benefits for its people, then the countries around it would fail equally.

US to drop duty-free status on SA products

(74) BD 15/6/95

Simon Barber

US TRADE officials have decided to strip SA hides and other products of the duty-free status granted them by President Bill Clinton last year under the generalised system of preferences (GSP).

The move, which takes effect on July 1, is being justified on the grounds that SA does not deserve special treatment for these products as it was the single largest exporter of these items to the US last year.

As part of its efforts to support SA's transition, the Clinton administration granted blanket GSP treatment to about 4 600 SA products including hides, building stone and vanadium pentoxide.

The overall value of shipments to the US last year — about $23m — was less than a pinprick in the US marketplace, but the extra duties — 2,2% for hides and 5,4% for stone — could cause headaches for SA producers.

The US market for SA hides has grown dramatically since sanctions were lifted.

The customs values of SA leather and skins landed in the US last year was $18,5m up from $7,3m in 1993 and $1,3m in 1992. US imports for the year totalled $25,6m.

SA's closest competitor was Finland, with exports to the US valued at a paltry $900 000.

SA also accounted for two-thirds of the porphyry, basalt and "other monument or building stone" imported by the US last year, shipping products with a customs value of $1,9m, up from $233 000 at the start of the decade.

The story was the same for vanadium pentoxide, with SA exporting $1,3m of the $1,8m that the US imported overall.

Under the highly complex GSP rules, preference cannot be granted on an eligible country's exports if they account for more than 50% of US imports — which did not apply in this case — or their value exceeds an annually revised "competitive need limit", currently $114m.

Exporters can apply to have their duty-free privileges restored. The US trade representative is empowered to grant waivers under certain circumstances.

However, the deadline for any such applications to avoid duties from July 1 was yesterday.

US trade and industry department officials are beginning to wonder how generous the GSP is, arguing that as soon as SA producers take advantage of it, chances are they will be denied its privileges, or be hit with quotas or anti-dumping suits.

Gatt 'may expose SA to dumping'

CT(BR) 15/6/95 (74)

By John Sherrocks
KwaZulu Natal Business Editor

Rainbow's cry of foul against poultry importation highlights the growing concern that far from protecting South African industry, the General Agreement on Trade and Tariffs (GATT) will dramatically increase exposure to dumping and a number of other unfair trade practices.

Mark Silver, Deloitte & Touche tax partner, said the new South African legislation, which would incorporate the provisions of GATT, would do little to improve the lot of local manufacturers and producers.

"Alarmingly, these do not provide the 'dumped upon' with the same degree of protection," he said.

The international agreement's definition of dumping was considerably narrower than South Africa's existing legislation.

Target

It limited applicants for the imposition of anti-dumping duties to domestic producers who accounted for at least 25 percent of local production of the allegedly dumped product. It also makes no provision for the onus of proof.

Silver said South Africa would increasingly be regarded as an attractive dumping site.

Together with the reduced costs of exporting to South Africa, the country's status as a low-density industrialised country and the removal of the political factors which inhibited international trade in the past made the country an ideal target, said Silver.

"Local manufacturers will be particularly vulnerable to well-seasoned international operators seeking to exploit new markets, so it is essential that they are not only aware of the increased dangers of unfair foreign competition but also poised to recognise when dumping is taking place and prepared to take immediate action.

"Although our admission to international trade circles is to be welcomed, it carries severe risks that need to be countered with equally defensive strategies," Silver said.

FORUM

Indian Ocean is a global trade backwater

CT (BR) 15/6/95 (74)

BY LACHLAN COLQUHOUN
ARGUS FOREIGN SERVICE

A meeting of over 100 representatives from 23 Indian Ocean countries gathered in Perth earlier this week for much-needed discussions on regional trade liberalisation. The initiative could be the beginning of an important new trade alliance

The Indian Ocean may be an ocean in name but in terms of global trade it has become something of a backwater.

While the Asia Pacific region accounted for half the world's production and 40 percent of its export in 1993, the Indian Ocean region's collective gross domestic product was around one tenth that of the Asia Pacific Economic Co-operation (Apec) countries.

Even amongst Indian Ocean countries, intra-regional trade has not been strong. Only 20 percent of the total trade in the region is intra-regional, compared with 66 percent in the Asia Pacific.

For South Africa, the region is currently of little significance in terms of trade statistics. Over the last 25 years, the percentage of South African trade with Indian Ocean countries has remained static at less than 2 percent.

Recently, however, new political factors in the region have given impetus to dialogue on regional co-operation and, flawed as it was, this week's conference in Perth represented a high water mark in efforts at Indian Ocean regionalism.

The "second track" conference comprising government officials, business leaders and academics followed the ground-breaking March meeting in Mauritius, where seven nations — South Africa, Oman, Mauritius, India, Singapore, Kenya and Australia — got the ball rolling.

Like the Mauritius conference, Perth was almost a diplomatic disaster. It was saved at the last minute by some hard brokering largely by the South Africans.

The South Africans seem to have been thrust into a role of lobbying for many of the smaller countries, which feel overrun by the headstrong giant India and the agenda-stacking Australians.

The contentious issue of "inclusivity" — who should or should not be a part of any Indian Ocean grouping — continues to plague the initiative, with bilateral feuds between India and Pakistan marring progress.

For South Africa, inclusivity most pertains to involving the southern African states which, although they do not have an Indian Ocean coastline, rely on it for their economic survival.

South African speakers at the conference — most notably Peter-John Botha of the department of foreign affairs and the Get Ahead Foundation's Nthatho Motlana — emphasised that for South Africa, any Indian Ocean grouping would have to include these smaller states. South Africa had clear priorities to be the engine of development through the South African Development Conference (SADC), and any Indian Ocean initiative must complement that.

The other sticking point was the security issue, which Australia — against the wishes of the other six participants at Mauritius — had put on the agenda for Perth. South Africa wants the Indian Ocean initiative to remain purely economic at this stage and sent observers only to the security sessions.

In this — but for different reasons — South Africa was strongly supported by India, which wants to avoid discussion of its longstanding feud with Pakistan.

It was the enthusiasm of business participants which saved the conference. It may be the trading acumen of the region's business people that drags the politicians and diplomats behind them on the road to co-operation.

One leading businessman — Amit Mitra from the Federation of Indian Chambers of Commerce and Industry — gave the bullish assessment that "fully-fledged co-operation" in the region was only two years away.

To hasten that, an Indian Ocean Business Consultative Network was formed in Perth and has pinpointed five areas to address: information technology, customs and trade documentation, non-tariff barriers, maritime affairs, and the drafting of a charter for a regional business forum.

The South African Chamber of Business has taken responsibility for the initial research to the tariff questions.

The initiative next has a meeting of the Mauritius seven in August when "inclusivity" will be raised once more.

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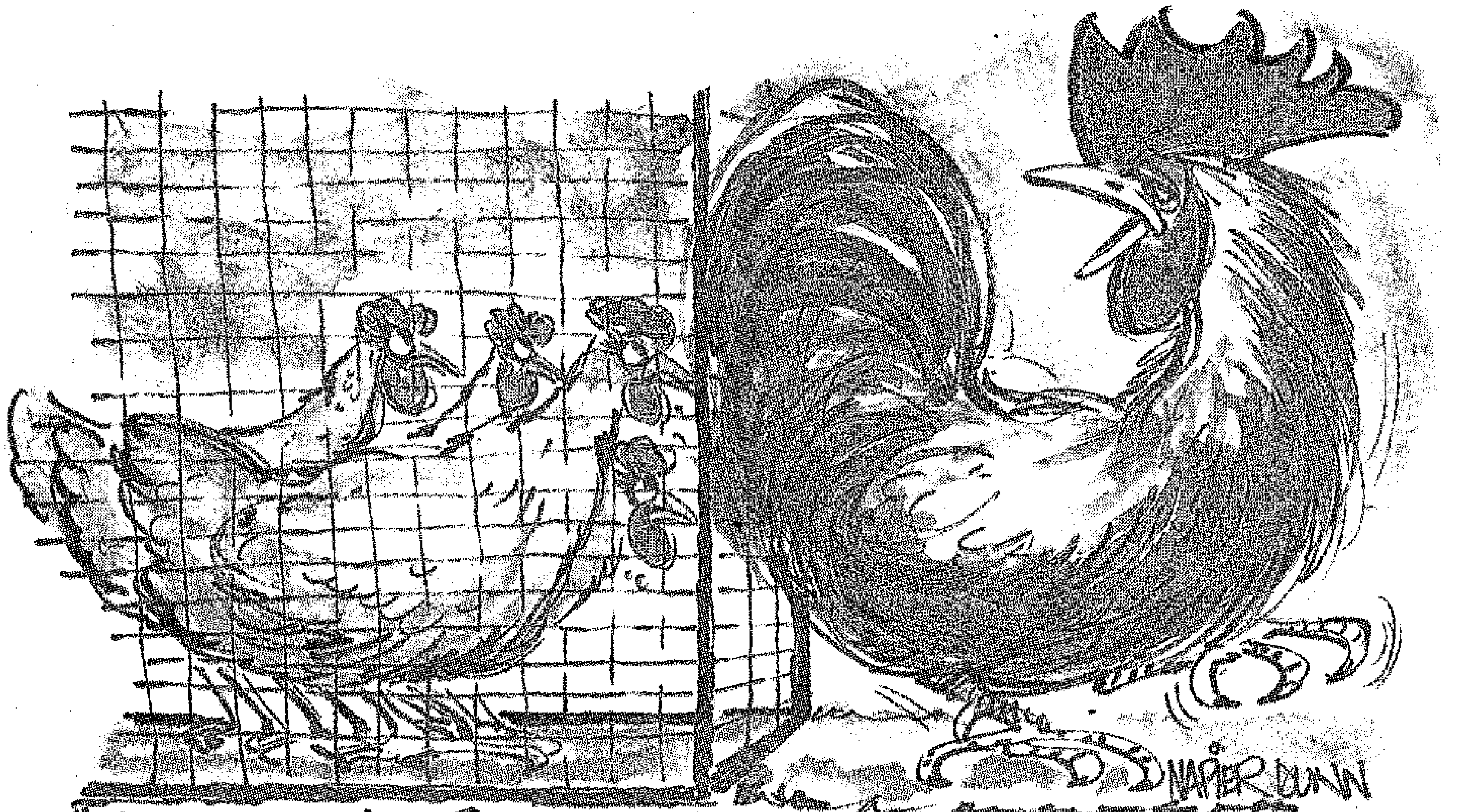


"GOODBYE LADIES. THE GOOD TIMES ARE OVER!"

Anti-dumping rules 'should protect producers'

(74) CT (BR) 16/6/95

BY AUDREY D'ANGELO
CAPE BUSINESS EDITOR

Anti-dumping measures should be sufficient to protect South African producers against unfair competition from overseas and it was not in the interests of consumers to continue to provide tariff protection for inefficient industries, economists said yesterday.

But, commenting on complaints from poultry producers, Nedbank chief economist Dennis Dykes recalled that they had been successful exporters in the past.

He pointed out that their industry had been hit by disease, which had opened the door to foreign producers to make up a shortfall of supplies last year. He also asked whether they were being disadvantaged by having to pay more than world prices for poultry feed.

Board of Executors economist Rob Lee said: "Our industries have had far too much protection in the past. And if there is unfair competition from dumping we are allowed under the rules of Gatt to protect our producers against it.

"I am on the side of the consumer, who will benefit by being able to buy cheap protein in the form of chicken."

Old Mutual economist Rian le Roux said that although local input costs were higher, if the South African poultry industry was facing unfair competition by foreign producers, who could raise their prices later, "there are anti-dumping measures and we should be able to do something about it".

JOBS (74)

(74) ST (BT) 18/6/95

High duties and cheap talk in SA's free-trade debate

South Africa's record in dealing with its neighbours suggests a preparation for trade skirmishes rather than a country committed to opening up trade in the region, writes SVEN LUNSCHE.

POLITICAL and economic solidarity with southern Africa is a recurring theme in the rhetoric of the new SA government.

However, all its actions and policies so far suggest that instead of greater regional integration and freer trade, South Africa is erecting more barriers.

This comes at a time when the country's exporters are taking advantage of the lifting of political barriers and are making Africa a successful hunting ground.

South Africa's exports to Africa (excluding those to the Southern African Customs Union) have risen more than five-fold between 1987 and 1994, from R1,62-billion to R8,63-billion. Last year South Africa exported about R13,8-billion to its partners in the union — Botswana, Lesotho, Namibia and Swaziland — R1-billion more than in 1992.

Africa has emerged as South Africa's largest export region, just behind Europe, excluding unclassified goods (mainly gold).

Trade with the rest of the continent weighs strongly in South Africa's favour: imports from Africa totalled R5,7-billion last year, leading to a trade surplus of R16,7-billion.

South Africa's government has embraced the principles of good neighbourliness, promising frequently that it will take the region with it on its path to economic prosperity.

In its latest annual report the Department of Trade and Industry says it "will play a key role in encouraging regional development based on the principles of greater balance, equity and mutual benefit".

So far, however, the government has been full of good intentions but short of practical policies to realise that vision.

Rather, its critics would say, South Africa is preparing for a bit of a trade skirmish with its neighbours.

☐ In 1992 SA raised the duties on Zimbabwe's textiles and clothing exports although they accounted for a mere 1% of the SA market. Those exports made up 20% of Zimbabwe's total textile exports. Despite numerous requests South Africa did not rescind its position and Zimbabwe's textile industry has been all but wiped out.

☐ Talks about renewing the 1963 Rhodesia-South Africa trade pact have reached deadlock. The agreement puts Zimbabwe's exports at a particular disadvantage as they have to be confined to outdated quotas.

☐ The SA government was quick to react to calls for help by South Africa's car industry after Hyundai started selling at low prices cars it assembled in Botswana. Hyundai has been given two years to join the policy programme governing SA manufacturers.

☐ Since taking over the finance and investment portfolio of the 11-nation Southern African Development Community, South Africa has been slow to set an agenda and not once raised the prospect of a binding agreement to gradually reduce tariffs.

The reduction of tariffs is one of the stated economic priorities of SADC, now that South Africa is a member.

The country's reluctance to open up its market to its neighbours is most apparent in the current round of negotiations to establish new rules for the SACU.

The regional trade pact has established joint tariff barriers and a common duty revenue pool from which income is distributed according to an agreed formula. Botswana, Lesotho, Namibia and Swaziland derive up to 75% of their total income from the revenue pool.

South Africa has recently bemoaned the large payouts to its partners, who in turn have accused the country of monopolising investment in the region.

The negotiations on a new formula were supposed to be concluded earlier this year, but it now appears that 1997 is a more likely date.

The DTI's consultant on regional relations, Mfundo Nkuhlu, hints at disagreements between his department and the Finance Ministry. Some trade officials in Botswana, however, suggest that the SA government is dragging its feet in order to accommodate big business and the unions.

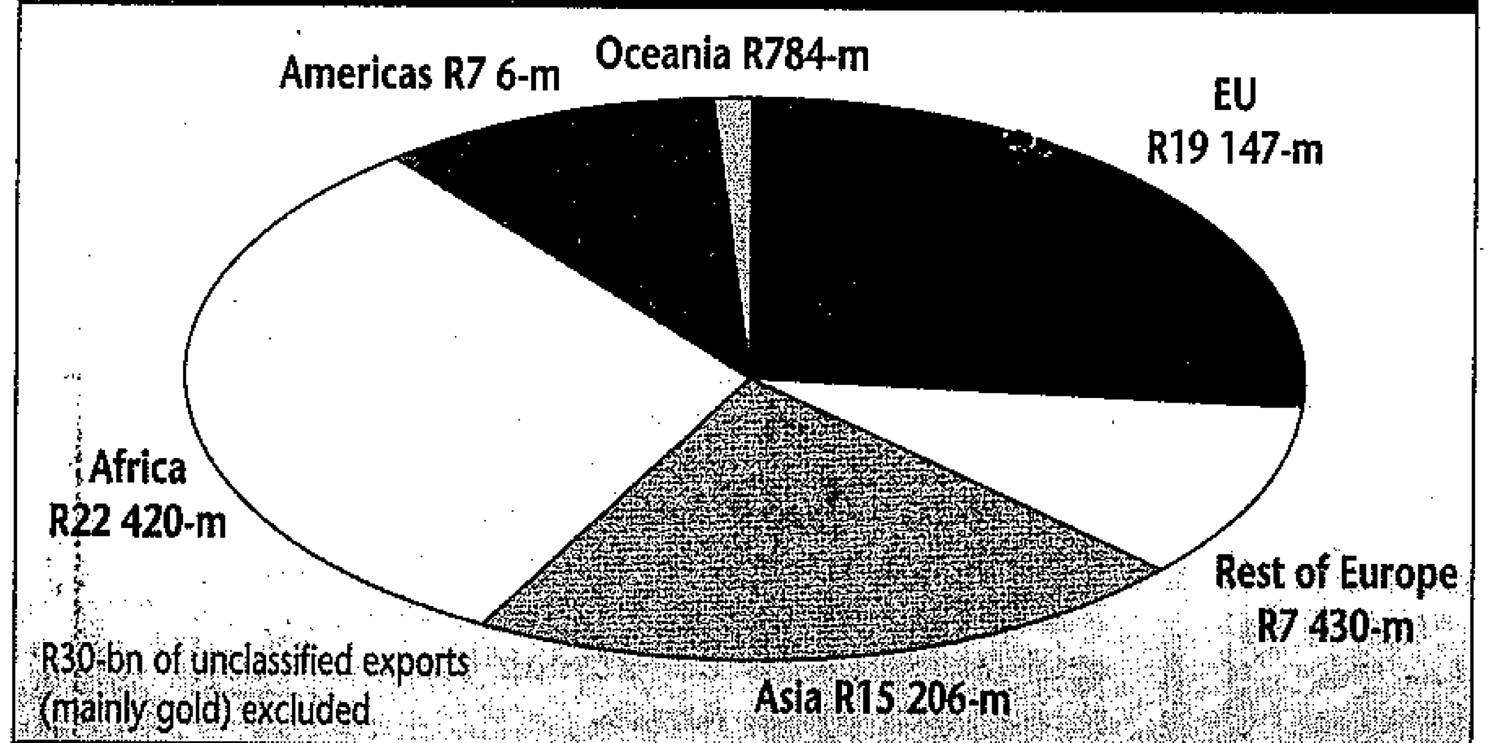
The business sector is worried about cheap imports while labour is concerned that South Africa's high labour costs could force manufacturers to move to low-wage neighbours.

Mr Mfundo says regional economic policies have to take into account the needs of local interests and decisions would be taken only if backed by all parties at Nedlac.

This is a recipe for disaster, say trade officials in neighbouring states, suggesting that business and labour will use Nedlac to block any attempts at opening South Africa to their goods.

"South Africa should lead by example and commit itself to a gradual relaxation of tariffs. This is the only way the region will flourish," says one official.

SOUTH AFRICA'S EXPORTS 1994



Graphic: FIONA KRISCH

Source: MINISTRY OF TRADE AND INDUSTRY

SOUTH AFRICA's TRADE BALANCE WITH AFRICAN STATES - 1994

COUNTRY	EXPORTS TO (R-m)	IMPORTS FROM (R-m)	BALANCE
Botswana	4 171,5	5 66,8	3 604,7
Namibia	4 057,7	1 414,3	2 643,4
Swaziland	2 816,4	1 147,9	1 668,5
Lesotho	2 742,2	214,1	2 528,1
Zimbabwe	2 459,4	1021,6	1 437,8
Mozambique	1 406,8	91,9	1 314,8
Zambia	1 158,7	193,9	1 054,8
Kenya	664,7	28,1	636,6
Malawi	622,9	185,2	437,7
Mauritius	541,3	15,1	526,2
Zaire	349,6	353,6	-3,9
Angola	311,8	16,9	294,9
Tanzania	183,2	15,9	167,4
Reunion	147,4	0,9	146,5
Seychelles	84,2	4,8	79,3
Ghana	80,9	22,6	58,4
Egypt	70,5	12,5	58,0
Madagascar	68,5	3,7	64,8
Nigeria	63,6	21,2	42,5
Cote d'Ivoire	52,8	85,7	-32,9
Sudan	50,5	4,3	46,2
Comoros	49,8	-	39,8
Congo	32,0	3,1	28,9
Morocco	26,8	3,3	23,6
Burundi	24,2	1,4	22,7
Uganda	22,7	1,6	21,1
Ethiopia	16,4	0,9	15,6
Cameroon	15,4	7,4	14,6
Algeria	14,3	-	14,3
Gabon	13,5	-	13,5
St Helena	11,9	-	11,9
Togo	11,4	61,6	-50,3
Rwanda	11,1	-	11,1
Mali	11,1	5,8	5,2
Libya	9,7	-	9,7
Other states	40,5	27,4	13,0
TOTAL	22 419,8	5 697,1	16 722,7

Source: MINISTRY OF TRADE & INDUSTRY; NEDCOR ECONOMIC UNIT

SA faces tough trade talks

(74) BD 19/6/95

Linda Ensor

LONDON — Negotiations on a trade agreement between SA and the EU are due to begin later this month, with June 30 cited as a likely date for the opening ceremony.

Trade and Industry Minister Trevor Manuel is expected to attend the first day of the talks in Brussels.

The French government, which has a deep involvement with Africa, wants to ensure that negotiations get under way before its presidency expires on June 30.

There are fears in some quarters that negotiations might be delayed once Spain takes over the presidency as, along with other Meditteranean countries, it strongly opposes SA agricultural products being given favourable market access in Europe.

"It is important to get the negotiations rolling as soon as possible," a source in Brussels said. They were expected to last for 12 to 18 months.

Last week European commissioner in charge of SA Joao de Deus Pinheiro told the European Parliament he expected the talks to continue well into 1996, but did not think they would extend into 1997.

He reiterated he was not prepared to grant Lomé membership to SA as this would require an application for a waiver from the World Trade Organisation, and that, he said, would endanger the entire Convention.

The two negotiating teams have yet to be announced, but it is considered likely that the European Commission director-general in charge of relations with African-Caribbean-Pacific countries, Steffen Smidt, will lead the European team.

SA ambassador Neil van Heerden has been suggested as a likely candidate to head the SA side.

SA given access to R1bn in EU contracts

(74) CT(BR) 20/6/95

By Bruce Cameron

Political Editor

South Africa has been given access to more than R1 billion a year in European Union development contracts, Trevor Manuel, the minister of trade and industry, announced on the eve of his departure to Europe to open negotiations with the EU.

In an interview with Business Report, Manuel said negotiations on trade would be drawn out and multi-faceted. Yesterday, Sapa announced that the governors of the European Investment Bank (EIB), the long-term lending institution of the European Union, cleared the way for the bank to begin offering loans in South Africa.

The annual meeting of the EIB's board approved the extension of credit to South Africa within a ceiling of 300 million ecus ($390 million dollars) over two years. Disbursement of the money will be dependent on finding financially sound projects.

Manuel said labour and business would both be consulted on an ongoing basis on the EU trade negotiations, mainly through the Nation Economic Development and Labour Council.

The way to negotiations was opened by the recent approval by the Council of European Ministers of a negotiating package, which gave South Africa access to most protocols of the Lomé agreement.

Manuel said he would be arguing for the negotiations on trade to start on the basis of the "full" Lomé basket from which items could be extracted, rather than starting with an empty basket and building up concessions.

He also wanted the aim of free trade to be based on different sectors of the markets being reciprocal at different stages.

SAFTO to become private company

(74)

ARGT 21/6/95

COLIN DOUGLAS
Business Staff

THE South African Foreign Trade Organisation (SAFTO), cut off from government funding, is to become a private subsidiary of the Industrial Development Corporation (IDC) and embark on a drive for profitability.

The boards of SAFTO and the IDC had ratified the new structure, said SAFTO chief executive Len van Zyl, and notice of a general meeting to approve the change had been given to his organisation's 2 000 member companies.

The new company would initially be wholly owned by the IDC, but SAFTO's members would be approached with an offer to subscribe for debentures, he said.

SAFTO's R6 million annual subsidy from the Department of Trade and Industry — a quarter of its budget — was discontinued on March 31, but the organisation was poised to turn a profit even in the current financial year, Mr van Zyl said.

"As a partly state-subsidised Section 21 company, we always budgeted just to meet our costs, and if we wanted more we just went to the government.

"There were no shareholders and there was never an incentive to build up a capital reserve — if we had made profits, the government could have refused to give us more money."

The new arrangement, undertaken at the IDC's initiative, would provide SAFTO with the capital and cash flow needed to avoid financial problems, Mr van Zyl said.

Costs had already been cut, with the retrenchment of 40 of SAFTO's 180 staff, and the organisation would consider charging the government for advice, now free, given to foreign trade missions.

"In the past we were perceived to be an extension of the Department of Trade and Industry's promotional arm, and we did an enormous amount of work for which we weren't paid.

The fact that many of SAFTO's and the IDC's activities were synergistic was a plus for the restructuring, Mr van Zyl said.

The organisation hoped to continue to undertake projects for the Department of Trade and Industry, for which it would tender in competition with private sector companies, he said.

Safto to become IDC subsidiary

(74)

By Llewellyn Jones

CT (BR) 21/6/95

Staff Writer

Safto would soon become a subsidiary of the Industrial Development Corporation, the two organisations said yesterday.

They said the proposal had been ratified by the boards of both organisations and would be put to the full membership for approval.

Safto has provided the business community with a range of foreign trade development services for the past 30 years, but it has relied on the trade and industry department for 20 percent to 25 percent of its revenue.

The two organisations said there were synergies between some activities of the organisations which would result in significant savings in overhead costs through the rationalisation of some facilities.

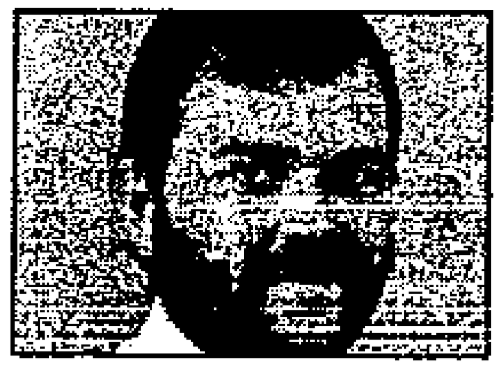
The restructuring would ensure that they continued to provide services in research, development, education, training and export management assistance.

Forum

Hong Kong to open trade development office in SA

eT (BR) 22/6/95 (74)

Diplomatic View



By Jean-Jacques Cornish

South Africa is all of a sudden flavour of the month in Hong Kong

Hong Kong means business about South Africa. In two months time, the highest profile business delegation to leave the crown colony this decade will visit our shores.

They will be coming for the official opening of the Hong Kong Trade Development Council office in Johannesburg.

The council is a statutory body which was established 30 years ago to look after the business interests of Hong Kong abroad. It is financed by a levy of imports and exports on Hong Kong registered companies who do not pay corporate tax. South Africa will be the 48th country in which the council has established a permanent presence. It will also be the only council office in Africa.

Opportunities

Victor Fung, chairman of the council will be leading the delegation of eight to South Africa. He is also the chief executive of Prudential Asia and of Lia and Fung, a top Hong Kong trading house and a member of the eminent persons group of the Asia-Pacific Economic Community.

Also on the delegation will be Robert Ng, chairman of Sino Land, a company with $100 billion worth of assets, Chung Po-Yang, chairman of DHL and Edgar Cheng, chairman of the Hong Kong Stock Exchange.

The visitors will include leaders of top construction and food companies looking for opportunities and suppliers in South Africa.

There cannot be a better demonstration of Hong Kong's interest in the new South Africa.

"We never get inquiries here about political developments in South Africa from people interested for academic or social reasons," Consul General Michael Farr told me last week. "Everyone wants to know how developments will affect business confidence and stability. That is the most important consideration for all dealings in Hong Kong."

It is this mentality that makes the people of this business success story redouble their efforts as China prepares to resume its sovereignty over the six million people and 1 072km² of the territory in July 1997.

China, they believe, cannot afford to prevent them from getting on with the business of making sure the goose that lays the golden eggs continues to thrive.

Farr said spending most of his time talking business rather than politics made for the most exciting diplomacy he had practised.

"You get measurable results this way," he said. "I got very excited the other day when the Peninsula Hotel agreed to use South African jam.

"It may sound trivial, but it is quite a lot of jam. And the benefit of South African products getting exposure in this prestigious hotel is enormous," he said.

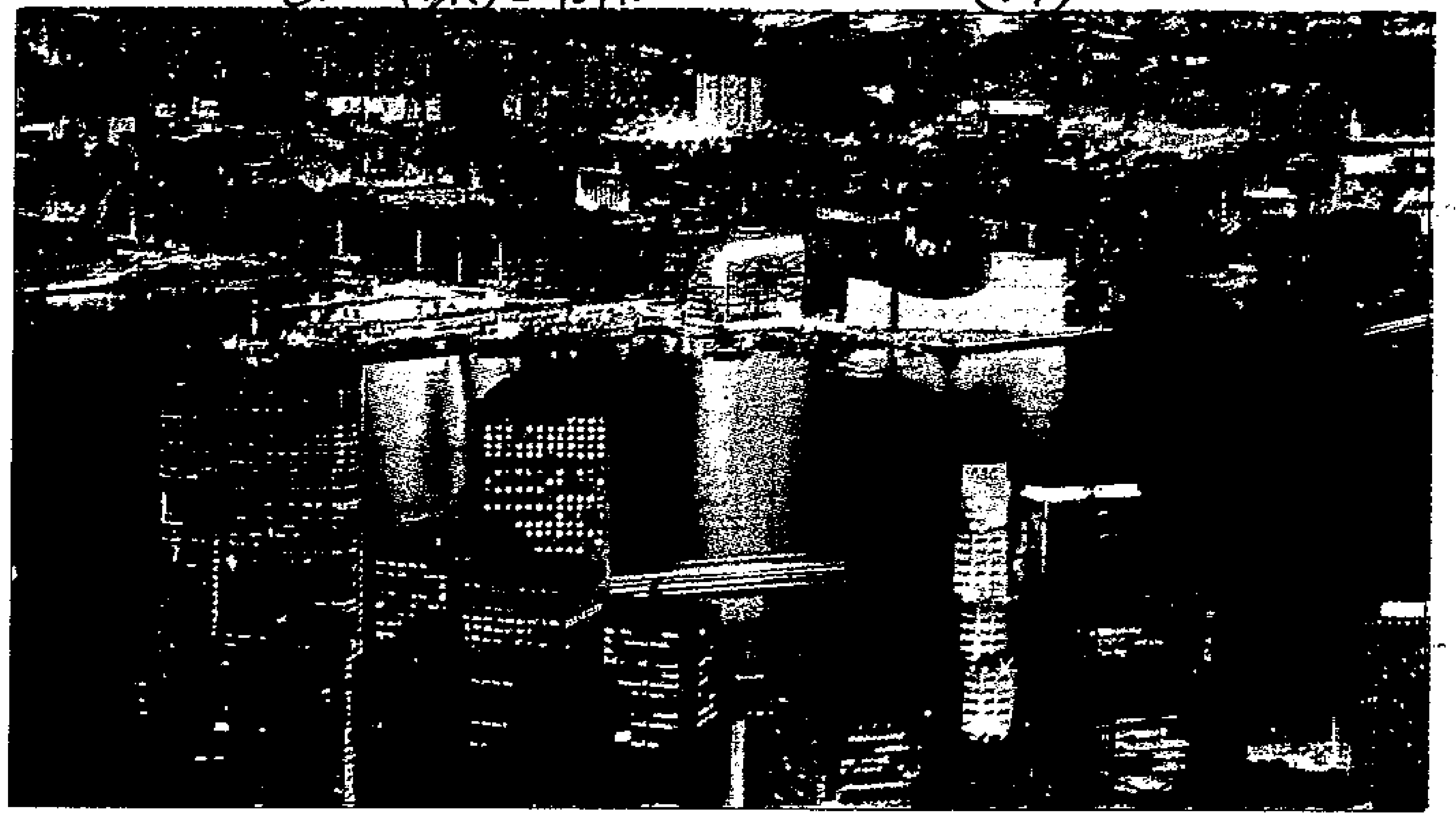
He is also busy organising a tour of Hong Kong and hopefully a visit to China by the musical group Mango Groove later this year.

Festival

"By agreeing to play at our South African festival here in October we were able to arrange some sponsorship from SAA.

"Mango Groove has already been booked to play at two balls in Hong Kong after that and other bookings are being investigated. We are also negotiating to get them some bookings in China," said Farr.

The group is in Hong Kong this week for a publicity tour that will include four hours of filming with Asian MTV and other major networks serving Asia.



SUCCESS STORY *Hong Kong businesses are working hard to ensure they remain successful as China prepares to resume its sovereignty in 1997*

PHOTO: UPA

SA to grapple with EU on trade agreements

FOREIGN SERVICE

Brussels — On Friday, more than a year after the historic multiparty election, the European Union will at last open trade negotiations with South Africa.

South Africa's team will be headed by Trade and Industry Minister Trevor Manuel, who will fly to Brussels for Friday's official opening of negotiations.

His opposite number will be the EU's commissioner for South Africa, Portuguese Foreign Minister Joao de Deus Pinheiro.

South Africa's aim in the discussions with the EU is already clear: to win the maximum access for its exports to the EU market.

HOPING FOR ACCESS: Trevor Manuel to head delegation at official opening

Also on the SA agenda is a membership bid for the Lome Convention. The negotiations are likely to drag on into next year.

There is a fear among the Europeans that South Africa will snatch jobs from EU producers, particularly in the agriculture sector.

There is also concern to find the right formula for trade relations, as any deal too slanted in SA's favour could be challenged in the World Trade Organisation, the successor to Gatt.

Unfortunately Spain, which has been identified by South African officials as the EU country most hostile to Pretoria's demands, takes over the EU presidency from next Saturday.

Star 24/6/95

(74)

Private Safto

(74)

ST (BT) 25/6/95

EXPORT promotion agency Safto is set to become a private company and subsidiary of the Industrial Development Corporation. The move follows a recent cut in government funding of about R6-million a year.

Len van Zyl, Safto's chief executive, says there are many synergies between the two organisations. Large savings will be achieved through rationalisation. Safto's 2 000 members and clients may be offered debentures in the organisation at a later date.

SA faces unexpected hitch at EU trade talks

Star 27/6/95 (74)

BY JOHN FRASER
STAR FOREIGN SERVICE

HOPED-FOR July 1 deadline for trade concessions to come into force will not be met, SA is told

Brussels — The European Union has delivered a slap in the face to South Africa — just days before the opening of formal trade negotiations.

EU spokesman Joao Vale de Almeida revealed yesterday there has been a hitch in preparing promised tariff cuts for farm exports from SA.

"We had hoped for an agreement by July 1, but we are now not going to meet that deadline," he stated.

The concessions, under a trade framework known as the Generalised System of Preferences (GSP), were due to come into force this weekend.

EU Commissioner for SA Joao de Deus Pinheiro wants to expand the range of SA farm products covered by GSP from the current 20% of exports.

However, he has encountered stiff opposition to his proposals, and his efforts to win support inside the 20-strong European Commission have been in vain.

"The farm lobby is opposed, and they have leant on some members of the Commission," said a top Brussels official.

"Meanwhile, commissioners with interests in other parts of the world fear the share of the EU market for North Africa, Latin America and so on could shrink if SA is given better access.

"And Professor Pinheiro knows that there is no point in putting forward a proposal to the EU governments, which will not be accepted by them.

"So at best there is delay — at worst stalemate."

It is now certain, then, that the GSP package will not be ready this week — to meet the July 1 deadline.

Pinheiro will be pressing for an agreement next week, but even that is in doubt.

The news about GSP comes as SA Trade and Industry Minister Trevor Manuel is preparing to travel to Brussels for the formal launch of trade talks with the EU on Friday.

It confirms, if confirmation were needed, that SA faces an uphill battle in winning better access for its farm exports to the European Union.

This is despite a consensus in Europe that more generous trade measures are the best way for the EU to assist economic reforms in SA — and to help ensure politicial stability.

This is the theme of a report by Scottish European MP Alex Smith, which is expected to be adopted next month.

Welsh European MP Glenys Kinnock, who is an expert on South Africa, yesterday condemned EU officials for delaying a decision on GSP.

"This delay is quite unacceptable, and I would like to see a decision as soon as possible," she protested.

"I want the European Commission to be as generous as possible, and I am worried that what they eventually decide will fall short of the full GSP list which I have called for."

In another development, Kinnock is battling to secure observer status for the European Parliament in the forthcoming negotiation between the EU and South Africa.

"It is very important for us to be able to listen in and to contribute," she said.

However, she says Pinheiro has so far turned down this request.

EU to delay SA tariff cuts

(74)

By John Fraser

Independent News Service

Brussels — The European Union (EU) delivered a slap in the face to South Africa days before formal trade negotiations are due to open.

Joao Vale de Almeida, EU spokesman said yesterday that there had been a hitch in preparing promised tariff cuts for farm exports from South Africa. "We had hoped for an agreement by July 1 but we are now not going to meet that deadline," he said.

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Joao de Deus Pinheiro, EU commissioner for South Africa, wants to expand the range of South African farm products which are covered by the system from 20 percent of exports. However, he has met stiff opposition to his proposals.

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"Commissioners with interests in other parts of the world fear the share of the EU market for North Africa, Latin America and so on could shrink if South Africa is given better access.

CT(BR) 27/6/95

Trade reforms 'will slash inflation rate'

(74)

BD 28/6/95

John Dludlu

SA's proposed trade reforms — characterised by progressive tariff reductions — will bolster GDP and employment by 0,7% and slash the inflation rate by 4,7% when they are finally phased in, according to preliminary results of an Industrial Development Corporation study.

The study, made available yesterday by the IDC's economic research and development department, showed reforms would boost exports 2% and imports 2,4%. Private consumption would rise 1,1% as a result of the changes in the trade regime.

The authors of the study said sectors that stood to benefit from the changes included agriculture, mining, basic metals and the services sector.

"The positive impact on the metal and metal producers indicates that the reduced input costs due to tariff reductions by far outweigh the negative impact of the removal of the general export incentive scheme," the study says.

The study updates earlier efforts to gauge the results of trade reforms, taking into consideration government's recently unveiled plans for clothing and textiles and motor manufacturing.

While the reforms would have a marginally positive effect on the overall economy, the highly protected sectors stood to pay a high price for the removal of protection, the study said. The most adversely affected sector was the textile industry, where employment was projected to decline 10%.

In the section dealing with car makers, the study said the net result of the phasing in of lower import tariffs and rebates on duties was that the price of intermediate inputs in the sector would decline nearly 7% and output prices would drop about 9%.

Although the domestic car manufacturers would benefit from lower input costs, they would be "squeezed" by higher levels of import penetration.

An IDC spokesman said the study did not take account of the way in which the economy would behave on its way to the final result. He said the study represented a worst case scenario.

However, the negative effects of the new regime could be negated by the introduction of GATT-friendly industrial support measures, including support for small enterprises, research and development, and training and investment.

A decline in the country's currency could also serve to boost exports in world markets — well above the projected 2%.

"Another positive factor is the good fortune that the changes are taking place during an economic upswing. This will go a long way towards mitigating against the negative effects," the study said.

SAFTO (74) FM 30/6/95

Big brother steps in

A sharp rein on budgets at the Department of Trade & Industry was the catalyst leading to the effective takeover of the SA Foreign Trade Organisation (Safto) by the State-owned Industrial Development Corp (IDC) last week.

A departmental warning to Safto six months ago that its R6m annual subsidy was about to be cut off was the spur that brought the two parties together.

Safto CE Len van Zyl says the change has given his organisation the opportunity to transform itself from a Section 21 non-profit organisation into a private, profit-orientated company.

"Even though both Safto and IDC boards have given the green light for the new deal, we now have to get a quorum vote of our 1 500 members at a meeting on July 11. We expect this to be a formality, after which Safto will progressively become a private company from July 1," says Van Zyl.

The amount of share capital, together with loan funding for the current year, is R3m-R4m. While the IDC will be the only shareholder, Safto also intends offering members debentures. "Depending on future developments, these might later be transformed into redeemable loan capital or even into equity," he adds.

Since January, Safto has reduced its permanent staff by about 20% (from 180 to about 140) and Van Zyl does not foresee any further restructuring at this stage.

"I believe we have an essential role to fulfil as SA enters the post-sanctions, post-Uruguay Round (of Gatt) world of increasing global competitiveness. In the past eighteen months alone, our imports have grown by about double the rate of our exports, showing that we have to do a lot to upgrade our export effort.

"And SA manufacturing companies must not only become more adept at finding market niches — they should also focus on expanding export trade beyond our traditional English-speaking trade partners."

Van Zyl says Britain, the US, Germany and Japan remain SA's four largest trading partners. But, he says, while France, for example, is the fourth biggest trading nation in the world, it is only tenth on the list of SA's trading partners.

"They prefer to trade in French. Therefore we should become more adept in meeting this type of linguistic challenge if we want to grow our exports." Other important markets now opening up include the Middle East and South East Asia.

"Africa, which makes up 12,5% of our total export revenue, nevertheless buys about 25% of all SA's manufactured exports. This is an important and growing market of 500m people. Another challenge is Spanish- and Portuguese-speaking South American states, where there are growing opportunities for expanding trade."

IDC MD Carel van der Merwe says while the IDC feels Safto, as a full IDC subsidiary, should be given a chance to prove its mettle, the longer-term outlook is that the two bodies might merge their operations. This will also save on operating costs, as Safto might be too small to justify its own head-office operation.

"But it renders an essential service to the exporting community and should be helped to survive and prosper," he says. ■

SA-EU talks

SOUTH Africa started trade talks with the European Union on Friday by asking for a 10-year period of grace to allow its industries to adapt to free trade gradually. (74)

Trade Minister Trevor Manuel said South Africa needed the period to protect its industries while they become competitive on world markets.

Mr Manuel met with EU African Affairs Commissioner Joao de Deus Pinheiro to start negotiations on a proposed twin-track trade approach.

ST(BT)2/7/95

Casino licence

GLOBAL Resorts, a Rand Merchant Bank subsidiary, has been granted a casino licence for its Grand Palm Hotel and Casino Resort in Gaborone. The casino complex is scheduled for opening at year-end.

Global Resorts MD Ernie Joubert says that "in view of the slow progress in reaching the license application stage in South Africa, we decided to bring our international expansion plans forward."

IMF delay (158)

ST(BT)2/7/95

THE International Monetary Fund, a major financier of Zimbabwe's economic reforms, has withheld some funding in a bid to force the government to show conviction in fiscal discipline as it has failed to curb its spending.

In an apparent move to get the government to honour repeated undertakings to curtail its expenditure under a five-year-old programme, the IMF delayed disbursing the next tranche of promised financial support amounting to Z$500-million.

Mining dispute

ST 2/7/95 (BT)

A DISPUTE between the National Union of Mineworkers and the Chamber of Mines is imminent following the deadlock reached this week between the union and De Beers over wages and working conditions. (213)

"The chamber seems to think that Sunday working is the answer to the industry's problems," says NUM assistant general secretary Gwede Mantashe.

"We want to look at job grading systems, affirmative action, the hostel system, time off, contract labour, single panel supervision and training."

The negotiating team will report back to members and it is likely that a dispute will be declared this week.

Boland deal

BOLAND Bank and stockbrokers Senekal Mouton and Kitshoff have agreed in principle that Boland will buy 50% in SMK once legislation regulating the Johannesburg Stock Exchange permits.

Boland Bank said the deal would have no immediate effect on earnings or net asset value.

Reports by Business Times staff and Sapa-AP-Reuter.

Manuel moves deftly in trade talks with EU

ST 2/7/95 (74)

By CHERILYN IRETON: Montreux and DEBRA PERCIVAL: Brussels

TRADE and Industry Minister Trevor Manuel stepped up for one of the most testing tangos of his short ministerial career on Friday when he opened negotiations for preferential access to the bulging and affluent single market of the European Union.

Clutched between his teeth is a commitment, made by the EU's political leaders in the heady days just before the 1994 elections, to contribute materially to South Africa's reconstruction.

Since then, the EU has delivered assistance in various ways, but only now is the crucial part of its package — preferential trade links — being debated.

The framework within which Mr Manuel and his team will manoeuvre for export advantage is not as perfect as initially believed.

Hopes were raised that they would win duty-free access to the European market while being able to protect some domestic producers and manufacturers from European competition. That's the deal that traditionally goes with full membership of the Lomé Convention, an arrangement between the EU and 70 African, Caribbean and Pacific (ACP) nations.

It has been ruled out for South Africa because of the detrimental effect it would have on the trade of the other ACP nations and EU economies. Instead, South Africa is set to get a watered-down membership of Lomé that rules out trade and aid benefits, but gives the political affiliation so prized by the government.

Erwin Fouéré, the EU's chief delegate in South Africa, says there are several other benefits that "don't have sexy names but together are attractive".

One is the right for South African firms to tender for European Development Fund projects; another is the inducement for other Lomé members to use South African inputs for their export products.

The main trade aspects of the new SA-Europe relationship will be negotiated bilaterally with the European Commission on a product-by-product basis. It will be a long slog, but both teams hope to get at least three meetings in during July.

There have been glimpses of the parties' negotiating strategies: Mr Manuel's team wants to get as close as possible to Lomé-type benefits; the EC, headed up by its Portuguese development commissioner Joan de Zeus Pinheiro, will call on South Africa to reciprocate duty-free arrangements, which would lead to a formal free trade agreement. The South African team accepts that, in this era of an anti-protection World Trade Organisation, reciprocal benefits are unavoidable.

This was succinctly spelt out by Deputy President Thabo Mbeki in a letter to the heads of state earlier this month. He said South Africa remained committed to the principle of reciprocity — as evidenced in its Gatt negotiating stance.

But there were some sensitive sectors and producers that required special treatment to protect the economy from the inevitable disruption of competition which could wipe out gains made by the fledgling democracy.

Mr Manuel will be dancing for time, he wants breathing space for at least a decade so that the economy and manufacturers can adjust to the tariff-reduction targets set by Gatt.

EU rules out full Lomé benefits

Manuel seeks 'grace period' from Europe

BD 3/7/95

(74)

Debra Percival

LONDON — SA wanted to put off opening its market further to European Union (EU) goods and produce for a 10-year "grace period" under a first-time bilateral trade agreement with the EU, it emerged at the launch of the talks on Friday.

Trade Minister Trevor Manuel headed the SA side in the two days of opening talks. At the opening ceremony he said, "SA's objective is to negotiate a comprehensive trade and co-operation agreement with the EU for the duration of the next 15 years at least.

"During the first 10 years the agreement should, in our view, contain features as close as possible to the Lome Convention to support the current transition under way in SA and southern Africa as a whole."

He made it clear that after the initial 10 years, when SA industries had adapted to competition and market openings demanded by the World Trade Organisation, SA would be in a position to open its market at a faster pace. He said "equivalent access" for SA as given to fellow African, Caribbean and Pacific (ACP) nations which had signed the 10-year Lome IV Convention would mean "immediate economic benefits" for SA.

John Dludlu reports an SA business source said Manuel's grace period proposal looked set to raise objections both from within and outside the EU.

The EU commissioner for ACP nations and SA, Joao de Deus Pinheiro, noted that straight Lomé benefits for SA were off the agenda because of the "effects on the trade of ACP nations and EU economies".

The EU proposal provides for SA's partial accession to non-trade and aid protocols of the Lome Convention, and a long-term bilateral trade and co-operation agreement.

Pinheiro reiterated at a news conference that the best way to improve SA's access to the EU market was a free trade pact. He avoided comment on the length of the grace period requested by Manuel. But he is a supporter of so-called "asymmetrical free trade", which involves an acceptance by the EU that it would open its market faster than SA in certain sectors.

Commission officials hope the trade agreement will be in place by January 1 1997. Concurrent with the trade negotiations are negotiations on the terms of SA's membership of the Lome IV Convention as its 71st member.

At the talks Manuel played down EU fears of SA exports and emphasised the importance of the duration of the talks.

Manuel requested the EU help SA farmers by immediately opening markets to more agricultural produce.

He also sought to reassure European farmers by saying only 0,1% of the EU's farm trade would be affected by the increase in SA imports.

Pinheiro said the European Commission — the union's executive — would this week propose improved preferences for SA's agricultural exports.

Pinheiro said the union acknowledged the central role that SA played in the southern Africa region.

The EU has committed itself to a five-year bilateral aid package. This year the package stands at R550m.

Trade 'grace period' sought

(74)

OWN CORRESPONDENT

CT 3/7/95

LONDON: South Africa, negotiating a bilateral trade agreement with the European Union, has said it wants a 10-year grace period to adapt to competition before opening its markets further to EU goods and produce.

Trade Minister Mr Trevor Manuel said a comprehensive trade and co-operation agreement should "contain features which are as close as possible to the Lome Convention to support the transition under way in SA".

After the initial 10 years, SA would be in a position to open its market at a faster pace.

EU chiefs propose new package on SA trade

(74) Star 5/7/95

■ BY JOHN FRASER
STAR FOREIGN SERVICE

Brussels – EU chiefs are today expected to propose a new package of trade concessions for South Africa.

The measures will apply to agricultural exports, and will take the form of tariff cuts under a programme known as the Gene-realised System of Pre-ferences (GSP).

At the moment these reduced tariffs affect only around 20% of the range of agricultural products which SA would like to benefit from GSP.

So EU Commissioner Manuel Marin, who is responsible for the GSP programme, is today proposing a more generous deal for SA.

He is strongly backed by the EU Commissioner for SA, Joao de Deus Pinheiro.

However, some EU Commissioners – nota-bly from Luxembourg, France and Spain – are resisting being more generous to SA.

They argue that extra benefits for SA will be at the expense both of Europe's own farmers, and of other nations competing for a share of the EU market.

Tightrope

"We are treading a tightrope," admitted an EU official yesterday.

"We are trying to be more generous to SA, without coming up with a proposal which will immediately be blocked.

"Commissioner Marin is himself torn on the issue.

He is sympathetic to SA – but he comes from protectionist Spain, which is deeply worried about its own farmers."

Invitation to trade

74 CT(MR) 5/7/95

BY JOHN SPIRA

GAUTENG BUSINESS EDITOR

Malawi offers outstanding opportunities for South African businessmen following the liberalisation of its economy about a year ago.

Thoko Banda, the executive director of Blantyre-based EDC International, is in Johannesburg to drum up interest among South African businessmen in joint ventures and investment opportunities in his country.

While conceding that Malawi has certain drawbacks — an undeveloped infrastructure, high unemployment, low literacy — he is adamant that these disadvantages offer superb opportunities.

"Malawi's new government recognises the benefits of the free market. It appreciates that for the country to progress, the state should be no more than a facilitator," he said.

BUSINESS REPORT, WEDNESDAY JULY 5 1995

EU to propose new SA trade package

74 CT (BR) 5/7/95

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The measures will apply to agricultural exports, and will take the form of tariff cuts under a programme known as the Generalised System of Preferences.

At the moment, these reduced tariffs affect only about 20 percent of the range of agricultural products which South Africa would like to benefit from the system.

Manuel Marin, the EU commissioner who is responsible for the system's programme, is proposing a more generous deal for South Africa today. He is backed by Joao de Deus Pinheiro, the EU commissioner for South Africa.

However, some EU commissioners argue that extra benefits for South Africa will be at the expense of European farmers and other nations competing for a share of the EU market. — John Fraser

Zimbabwe accuses SA of unfair trading practices

Michael Hartnack BD 6/7/95 (74)

SIMMERING Zimbabwean resentment over the long stalemated renegotiation of its SA trade pact boiled over yesterday when Industry and Commerce Minister Herbert Murerwa warned of probable retaliation by President Robert Mugabe's government for SA's "unfair trading practices".

Delays in updating Zimbabwe's 1964 "most favoured nation" pact, had "caused enormous difficulties for our industries through loss of markets", Murerwa told the annual congress of the Confederation of Zimbabwean Industries.

Murerwa complained that bankruptcies caused by the loss of SA markets had contributed significantly to Zimbabwe's unemployment total — now put at more than 2-million.

"The government has a responsibility to protect our own industries in the face of what amounts to unfair trading advantage by SA."

Business sources said Mugabe could have updated the 1964 pact on the turn with FW de Klerk's government in return for minor diplomatic concessions, but the incoming ANC-led administration remained preoccupied with its own internal problems.

SA Chamber of Business (Sacob) president Les Weil, speaking on emerging southern African markets, said to mobilise and use resources at a regional level successfully, there was a need for macroeconomic convergence.

"Co-ordination of monetary and fiscal policies to ensure the reduction and harmonisation of interest and inflation rates would be the first step towards achieving this in the region."

Weil said the EU had shown that in taxation, particularly on goods and services, harmonisation was a first step to an integrated approach to regional trade flows.

"Greater investment efficiency is a pre-condition for the mobilisation of resources."

In most member states of the SA Development Community there were controls on at least capital flows between countries. These controls should be reviewed to facilitate cross-border investment which had the added benefit of countering trade imbalances.

Trade between SA and Zimbabwe currently totalled more than R1bn a year, with the balance slewed 70-30 in favour of SA. With SA's trade with Sadec neighbours amounting to only 20% of its international total, Pretoria would stand to lose far more morally than financially from a trade war. A confrontation with Zimbabwe could damage SA's image in Africa.

CT (MA) 7/7/95 (56A)

SA unhappy with EU farm preferences

FROM SAPA

South Africa is disappointed with the European Union's proposals to grant the Generalised System of Preferences to only 66 percent of the country's agricultural exports.

"The (European) Council should extend the full list of agricultural preferences to South Africa.

"This will be a meaningful expression of the EU's desire to support the democratic transition as well as the reconstruction and development programme," a joint statement by the trade and industry, foreign affairs and agricultural departments said.

Representatives from the three departments make up the SA-EU working group — which is negotiating South Africa's trade arrangements with the EU.

The working group said South Africa's agricultural market access to the EU was similar to developed countries like the United States, Japan and Canada.

Competitors

However, all of South Africa's agricultural competitors enjoyed a much better market access to Europe.

"Certain African and South American countries enjoy full agricultural preference system, while South Africa is the only country which is subject to partial benefits."

The working group said the most notable exclusions from the proposal were fruit mixtures, plant parts, prepared or preserved pineapples, fresh cut-flowers, dried mushrooms, and cured tobacco.

This totalled exports of a value of R162 million to the EU.

The working group also pointed out that even if the EU granted full preferences to South Africa's farm products, most of the country's competitors enjoyed even better access under the Lomé convention.

"The EU is the only GSP benefactor that discriminates against South Africa."

New trade preferences for Zimbabwe

(74)

John Dludlu

A REVAMPED trade agreement between SA and Zimbabwe granting Zimbabwe trade preferences, but at a limited scale, would be in place within months, trade sources said.

This follows the evaluation of trade flows of clothing and textiles by negotiators from the two countries last week.

The review was requested by Zimbabwe, following SA's withdrawal of tariff preferences on Zimbabwean clothing and textile exports to SA.

Trade and industry department consultant on Southern Africa relations Mfundo Nkuhlu confirmed that technical aspects of the review had been completed.

The SA team had tabled its recommendations to Trade and Industry Minister Trevor Manuel, who was expected to study the proposals on his return from an overseas trip early next month.

Although Nkuhlu refused to divulge the content of the recommendations before the minister's decision, he said the proposals would "clear the air" in relations between the two nations which had threatened to degenerate sharply.

On claims that SA had been dragging its feet on considering the Zimbabwean request, he said SA's response had to form part of the restructuring plan recently unveiled by Manuel to enhance SA's international competitiveness.

Observers speculated that the preferences would not be at the pre-1992 scale because of the state of SA's clothing and textiles industries.

SA withdrew preferences on textiles and clothing to protect its own industries in 1992, almost nullifying the essence of the agreement.

After requests by Zimbabwean President Robert Mugabe, SA agreed to consider the request for the reinstatement of the pre-1992 preferences.

Zimbabwean industrialists claimed the cancellation of the preferential measures had led to closures of several firms, and last week claims of retaliatory sanctions were flying around the media.

Last year, SA enjoyed a surplus of more than R1,3bn in its trade with Zimbabwe, SA's largest trading partner outside of the five-member nation Customs Union in the southern Africa region.

BD 7/7/95

SA trade with India booms

WM (BM) 7-13/7/95 (74)

Indian economic involvement in South Africa has mushroomed. Reg Rumney reports

THE purchase by Indian brewery United Breweries Investments (UB) of a 30 percent stake in National Sorghum Breweries — reportedly for R70-million — is the most visible sign of the growing economic co-operation between South Africa and India.

UB had previously bought Mabula Game Lodge in the Northern Transvaal.

Trade and business delegations from India have been streaming in since 1993, according to India's Deputy Consul General in South Africa, TP Seetharam.

Despite the presence of the Indian community in South Africa, the country is something of an unknown quantity to Indian investors. "There is a lot of interest, much of it exploratory. There is an information gap because of a lack of contact for four decades," says Seetharam.

Several major business chambers have visited South Africa, and have met counterparts in national and regional chambers such as the South African Chamber of Business, the National African Federated Chambers of Commerce as well as localised forums of Indian businessmen in Durban and Cape Town. Interest ranges from pure trade to investment from, and in, Indian business. In South Africa, the Indexpo '94 exhibition at Nasrec, in which 300 Indian companies took part, attracted 50 000 visitors.

As India continues with the liberalisation policy started in 1990, it is encouraging investment overseas. Barriers to capital outflows have been scrapped, along with other restrictions on business. This has paid off, says Seetharam. Foreign exchange reserves have increased by $20-billion in the past year.

One major Indian conglomerate, Tuta, already has motor assembly operations in Southern Africa, making small trucks, and Seetharam says it has registered a company in South Africa.

For potential Indian investors, Seetharam indicates decisions will be shaped by the special role the five or six major conglomerates play in the South African economy. Certainly, the UB investment will be watched to see how NBS fares in competition with natural monopoly South African Breweries. But some Indian firms may want to take advantage of the dominance of the conglomerates by entering into partnerships.

Opportunities for investment from South Africa abound as India opens up its once protected economy to the outside world. With around 900-million people, India is a vast market, with a legal system which won't be unfamiliar to South Africa, and with English as the language of business. On top of this there are various investment incentives, such as Export Processing Zones where wholly owned firms are tax exempt.

Individual South African firms and individuals, rather than trade delegations, have visited India, says Seetharam.

Where India ranks in the world

	Rank	% Share in the world
Area	7	2,5
Population	2	16,2
Arable land	2	12,2
Cement	5	4,0
Nitrogenous fertilisers	4	8,5
Electricity generated	9	2,4
Hard coal production	4	6,7
Iron ore	5	6,8
Bauxite	5	4,4
Manganese ore	6	5,9

There are opportunites, for example, for private sector investment in the building of toll roads, and guarantees are being given of a return on investment in the power sector.

South African investment in the mining sector is a natural development, and India has resources which Seetharam says could be more efficiently mined. De Beers is looking at a diamond mine, he says, and the Chamber of Mines has sent a delegation to India to look at coal mining.

The extent of general economic involvement is best reflected in the trade figures. Trade has grown dramatically since 1990, off a low base.

In 1994, imports from India totalled R406-million; exports to India from South Africa totalled around R488-million.

Exports from South Africa tend to be raw materials: imports from India tend to be manufactured goods.

Despite the myriad delegations, the trade balance is favourable to South Africa. Seetharam adds that it is even more favourable if exports of gold through London and diamonds through the Central Selling Organisation are added in. India is a big buyer of small diamonds. This is not surprising since gems and jewellery are the biggest export category, with an 18 percent share of all exports at $3 991-million in 1992-93. Pearls, precious and semi-precious stones rank third, with an 11 percent share of imports at $2 641-million in that period.

Economic involvement doesn't stop at trade and investment. India's Housing and Development Corporation is to help in encouraging and training communities to get involved in low-cost housing, Seetharam says, the idea being that housing is not a product which governments deliver but a process which government starts.

Another area in which he says South Africa can learn some policy lessons from India is in small- and medium-scale enterprises (SMEs) — and he emphasises that this is not restricted to low-tech or informal sector operations. Many goods now produced by big companies can be outsourced to small companies. Moreover, such goods are not restricted to the local market. Seetharam says around 45 percent of Indian export earnings come from goods made by SMEs. Indian companies and agencies can help South Africa stimulate the small business sector.

CT (MR) 7/7/95 (74) (5000)

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"The EU is the only GSP benefactor that discriminates against South Africa."

SA steps up the pressure on EU

Debra Percival (74)

BD 10/7/95

BRUSSELS — SA is putting pressure on 15 European Union foreign ministers to approve, before their summer holidays, the revised list of products eligible for reduced tariffs under the Generalised System of Preferences (GSP).

The ministers meet on July 17 for the last time before the August recess and SA negotiators are anxious the list be rubber stamped then.

The revised system for SA farm produce for the remaining six months of the year should have been implemented on July 1, but was delayed because of an EC wrangle over the number of items on the GSP list.

SA's EU ambassador, Neil van Heerden, hopes the GSP will enable SA to cash in on the lucrative European fruit market. But EU diplomats are predicting the list will be trimmed down when it is put up for approval by member states.

If the list is not approved on July 17, subsequent approval in September would mean the system would have just three months to run before the EU's new system for all developing countries comes on stream on January 1 next year.

But EU commissioneer for African, Caribbean and Pacific states Joao de Deus Pinheiro, stressing the importance of a good deal for SA, hinted last week that the EU's old system might be rolled over if EU member states quarrelled over its content.

● See Page 3

SA to seek 'special place' in EU trade

BD 10/7/95 (74)

Nicola Jenvey

DURBAN — Business should be camped at the doorstep of trade and industry to indicate how products could be included in a trade agreement to be negotiated between SA and the European Union, Deputy-President Thabo Mbeki said at the weekend.

Speaking at a Nedcor dinner held in his honour, Mbeki said negotiations would begin this week on how the EU could recognise "a special economic place" for SA.

This could mean an agreement "as close as possible" to the Lomé convention, from which SA was excluded.

Mbeki admitted that SA's cost structure meant certain European goods were cheaper to produce, but was confident the labour legislation issues "would be resolved" and this situation revised.

Reviewing the first year of democracy, Mbeki said that SA people must recognise the achievements made before critising the failures — including solving the KwaZulu-Natal violence.

"It is a learning curve... we must act together to solve the problems," he said. Redressing KwaZulu-Natal's historical "cinderella province" problem was essential, regardless of party politics. Denying the region scarce resources and forcing underdevelopment relative to the rest of SA had added to political instability.

Government had also inherited constraints, tying up 91% of the budget in servicing SA debt and paying public service salaries.

"This is money taken away from housing and water projects and cannot continue. However, would adding another 50 000 public servants to the unemployment pool have a positive, negative or neutral effect on social stability?" Mbeki asked.

Balancing the racial and gender mix of the public service could also pose a problem, he said, when the size had to decrease or stay constant.

Addressing the same dinner, Housing Minister Sankie Mthembi-Nkondo said business and government must work in partnership when explaining to the poor why they paid more for their houses.

"The challenge to the banking sector involves housing the nation while protecting their stakeholders. Government also has stakeholders — the taxpayers — and finding a balance to this extraordinary situation does not mean returning to the rule book," Mthembi-Nkondo said.

She said a Cabinet proposal to be made within weeks would meet with "full private sector approval".

SA warns Zimbabwe on trade war

(157) (148) CT 10/7/95 (74)

By Emelia Sithole

REUTER

Victoria Falls — South Africa has cautioned Zimbabwe against retaliatory tariffs in response to Pretoria's punitive duties on textile and clothing imports.

South Africa's high commissioner to Zimbabwe, Kingsley Mamabolo, told a conference of Zimbabwean business leaders on Friday that private industries from the two countries should instead press their governments to reach an early trade pact.

"On the issue of lowering import tariffs by South Africa, despite the anger on the part of Zimbabwe, it would not be advisable to call for a retaliatory tariff regime.

"It will end up in a long, drawn-out process of tariffs and counter tariffs," he told the Confederation of Zimbabwe Industries. "We need to find a way forward.

"It would also help the governments if business organisations — here and in South Africa — took up the issue. In that way we will be able to put pressure on the governments to take the necessary decisions on lifting tariffs.

"We are inevitably bound towards trading with each other and not fighting each other," he said.

Mamabolo's remarks followed calls by several Zimbabwean business leaders for retaliatory measures against South Africa which tripled the import duty on Zimbabwean textiles and clothing to more than 90 percent three years ago.

The increase was after the expiry of a 1964 preferential trade agreement between the two countries which has, in turn, led to the collapse of a number of Zimbabwean companies which depended on exporting to South Africa.

The chief executive of clothing retailers Truworths of Zimbabwe, Jonee Blanchfield, urged Harare to adopt a "counter strategy" if a new trade agreement was not reached soon.

"If South Africans do not want a trade war, then there must be a compromise," she said.

The Zimbabwean minister of industry and commerce, Herbert Murerwa, told the conference that his government would soon take measures to protect the country's industry from South Africa's "unfair trading advantage".

CT (BR) 10/7/95

Apec progresses to free trade

CT (BR) 10/9/95 (74)

By Velisarios Kattoulas

FROM REUTER

Sapporo — A meeting of Pacific Rim trade officials ended in Japan on Friday with delegates calling it a small step towards improving free trade and investment in the region.

"There are some issues on which we have moved forward more than we expected and others on which we have lagged behind a little," a senior Japanese delegate said. He was one of more than 300 officials in the Asia-Pacific Economic Co-operation (Apec) trade forum, representing half the world's economy, who met in Sapporo for three days to hammer out a framework for implementing last year's Bogor Declaration.

The conference called for free trade among Apec's 18 members by 2020, but did not outline how that might be achieved.

Warning against over-optimism, the Japanese official said the meeting might make it possible for Apec officials to unveil the first series of concrete liberalisation steps when they meet in Osaka in November.

The head of the American delegation, Sandra Kristoff, said she was also pleased with the progress made at the meeting.

SA warns Zimbabwe on trade war

(884) (177) CT 10/7/95 (74)

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CT (BR) 10/7/95

Hong Kong labels SA 'a priority'

John Dludlu

(T4) BD 11/7/95

THE Hong Kong Trade Development Council, a quasi-government trade promotion body, had identified SA as one of the priority markets to develop as a trading partner, Kessel Feinstein marketing director Pamela Grayman said yesterday.

Interviewed from Johannesburg, Grayman said the council, which would open an SA office next month, had launched a promotional campaign, including trade fairs in Johannesburg, Durban and Cape Town. The Johannesburg exhibition opened at the Braamfontein Recreation Centre yesterday.

She said Hong Kong had a two-way trade strategy aimed at promoting imports from selected countries, including SA.

Grayman, who will head the local office as senior marketing consultant, said SA imports from Hong Kong grew to $671m last year from 1993's $608m, while SA exports dipped to $496m from $582m in the same period.

She said that of the $496m worth of items exported to Hong Kong, about $133m worth were re-exported to mainland China.

In the first four months of this year, Hong Kong sold to SA products worth $234m, a 43% rise compared with the comparable period last year. At the same time it bought SA products worth $165m, representing a 21% improvement on the previous year.

The SA office, to be run by Kessel Feinstein, would be used as a base from which to re-export imports from Hong Kong to the southern Africa region.

Early this year the Hong Kong government sent a mission headed by its UK representative to investigate the establishment of an office in SA.

SA trade barriers 'threaten region'

020 11/7/95 (74)

HARARE — The 15-month-old democratic SA, which countries in the region expected would attract investment to the subcontinent, is now being seen as a threat, particularly by Zimbabwe.

Fears of SA dominating trade in the region were expressed at the annual congress of the Confederation of Zimbabwean Industries held in Victoria Falls.

According to reports, trade imbalances and protectionist tariffs imposed by SA dominated discussions which were supposed to focus on the cost of money in Zimbabwe.

Zimbabwean industrialists are particularly impatient with SA's delay in concluding a new trade agreement to replace a 1964 one which favoured Pretoria.

Zimbabwe is unhappy that trade between the two countries is skewed in favour of SA. According to figures from the congress, SA exports goods worth about Z$4bn a year, against Zimbabwe's Z$1bn.

In highly emotional discussions, some industrialists called for a reciprocal trade war against SA which they charged did not take Zimbabwe as a trading partner, but a market.

A leading clothing chain store MD, Jonee Blanchfield, said SA's aggressive protectionist policies lacked vision and were now the biggest threat to Zimbabwe's economy.

Regionally, Zimbabwe has signed free trading agreements with Malawi and Namibia, and is about to conclude similar pacts with Mauritius and Zambia. — Sapa-AFP.

Safto members tested on private company scheme

(74)

John Dludlu 30/12/7/95

THE SA Foreign Trade Organisation (Safto) would detail a debenture offer to members this week following a recent decision to convert the organisation into a private company, CEO Len van Zyl said last night.

In an interview shortly after a special meeting to test members' feelings about the move to become a wholly owned subsidiary of the Industrial Development Corporation (IDC), Van Zyl said the meeting had endorsed a resolution to invite members to take Safto debentures at R15 000 each.

"The suggestion (for the debenture offer) was well received, and as a result, we'll be sending full legal details of the offer to our members."

An earlier survey indicated that more than 50 of Safto's top 100 blue chip members would back a debenture offer.

Safto, previously a non-profit organisation which depended on a mixture of financing instruments, including membership fees, interest-bearing debt and government grants, has nearly 2 000 firms registered as members.

Van Zyl, who with his management team would retain his position in the new dispensation, was optimistic the debenture offer would get the backing of more than 80 of Safto's top 100 members.

"Those small exporters who cannot afford the R15 000 required for debentures will continue as ordinary Safto members," Van Zyl said.

At yesterday's meeting, the members also rubber-stamped the decision to become part of the IDC, a Sandton-based parastatal.

The IDC and Safto have indicated there will be no further staff rationalisation in the immediate future. A restructuring programme has already trimmed Safto's staff 20%.

5 WORKERS BEAR THE BRUNT OF MEXICO'S CRISIS WHILE THE WORLD TAKES NOTE

Omist Dave Mohr injected a note of realism into the economic outlook recently by pointing to the revealing example of South Africa's share of total exports from developing countries.

That share continued to drift down during the early 1990s despite the demise of sanctions.

It should come as no surprise that the annualised growth rate of more than six percent achieved in the second half of last year, as a successful election spurred business and consumer confidence, has fizzled out.

The forecast growth rate for this year is a welcome, but still modest, real or adjusted-for-inflation three percent, as measured by gross domestic product. That is by no means enough.

Chairman of the giant Anglo American Corporation conglomerate Julian Ogilvie Thompson sketched the economic challenge in his recent annual chairman's statement.

Not only must the rate of economic growth increase above the rate of population growth of around 2,5 percent a year, but it must be done in ways which gradually absorb the large pool of those already jobless as well as new entrants to the job market.

"Indications are that the current upturn has also yet to make serious inroads into the number of new job seekers coming on to the market, let alone reduce the existing pool of the unemployed."

The problem can be shown by reference to the rate of labour absorption achieved in past phases of economic growth.

If the capacity of the economy to absorb labour in an upswing remains the same as it was in the 1980s and early 1990s, a growth that the number of employees in the formal sector would increase by the year 2000 from just under eight million now to only about 8,5-million. A five percent growth rate would increase formal employment to only around nine million.

Ogilvie Thompson says flexible labour markets, further deregulation and encouragement of small business could increase labour absorption by 30 to 40 percent. If so, a five percent growth rate could increase the number in formal employment to perhaps 10-million.

Ogilvie Thompson's remarks coincide with the moderate approach to labour now being advocated by no less a free-market oriented organisation than the World Bank (see page B5).

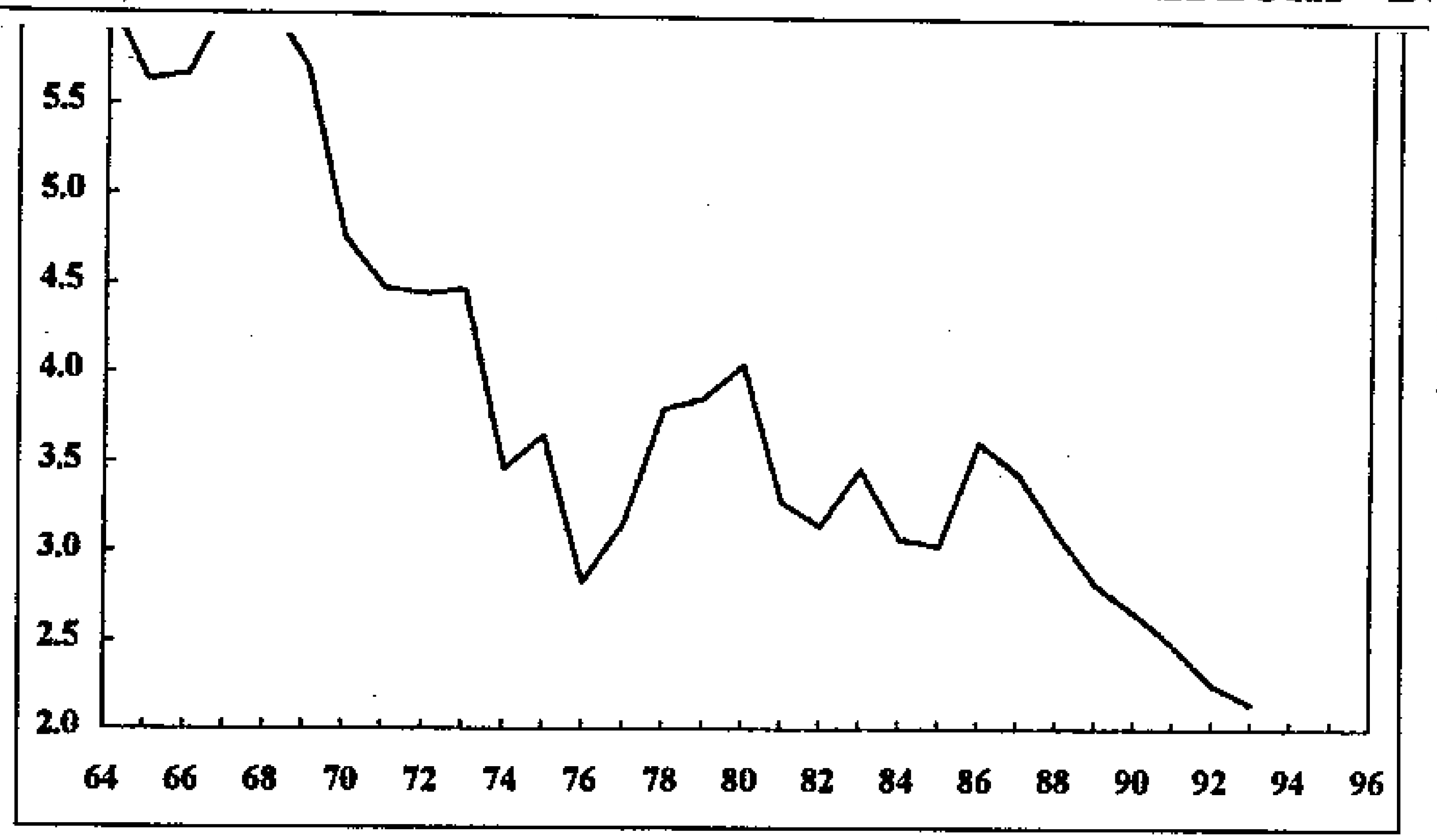
In South Africa the union movement has been pushing for less flexibility, through its proposed amendments to the draft labour bill, specifically the insistence on compulsory centralised bargaining.

The other problem that has popped up has been the re-emergence, for the first time since PW Botha's finger-wagging Rubicon speech, of a deficit on the current account of the balance of payments.

That was followed by big surpluses, as growth was curtailed through the remainder of the 1980s to keep imports in check, so that export revenue could finance the continuous capital outflow.

Export surpluses have easily been turned into import surpluses.

Without the barrier of sanctions and the need to run a siege economy, South Africa's export performance can now be seen for what it is. For two months this year so far the trade balance has been in the red as the value of imports outpaced exports. Moreover, imports rose 28 percent from R60-million in 1993 to R76-million in 1994: exports rose only around 11 percent to R89-million. The pattern looks set to continue this year.



Not a pretty picture for a country wanting strong, export-led growth

The result is a deficit on the current account of the balance of payments, estimated by First National Bank economists at R10-billion, or two percent of GDP, balanced by a capital account R15-billion in the black. Nedcor forecasts a deficit of R8-billion.

A reason for hope here is that, according to Nedcor economist Kevin Lings, the deterioration in the trade balance last year was mostly linked to the revival in fixed investment spending.

In the absence of higher national savings, First National reckons annual foreign capital inflow of $4-billion, or three percent of GDP, may be necessary for some years. While this itself is not a dangerous proposition, such foreign funding should be used to strengthen the economic structure through productive investment. FNB notes limited reason for optimism that favourable structural changes are being achieved.

The good news is that the nature of the problems economists and businessmen now contemplate has changed. After the unbanning of the ANC, business fears centred on nationalisation and a populist explosion of government spending.

Government spending remains a problem, but it is a mediocre economic performance and an apparent reluctance by some ANC politicians to be seen to embrace too openly market-friendly, rather than espousing anti-business, policies which cause most concern.

A case in point is Telecommunications Minister Pallo Jordan, who ruled out competition with State monopoly Telkom this week, as well as privatisation. In Telkom's own annual report its management admits to preparing itself for competition, perhaps showing more realism.

time, effective intervention by the Fed and the Bank of Japan, the dollar firmed marginally.

Interpreting the Fed's action as a guarantee that it will not let the US economy slip into recession — with more cuts to come this year — American equities scaled new heights. The Dow Jones Industrial average pierced the 4 700 mark, with a 2% gain on the week making 23% since the end-January 1995 low.

Japan's investors went into a euphoric spin, driving the Nikkei Dow 225 up 14,5% from the 1995 nadir touched just a week earlier.

European markets were more muted. In London the FT-SE 100 lifted a net 3%, after some profit-taking, while Continental equities, as measured by the FT Eurotrack 100 index, almost matched the performance, and the Morgan Stanley emerging markets index added 4%.

What appeared to finally tip the Fed's hand was the 0,2% decline in May in the index of leading indicators. It was the fourth successive fall, a phenomenon last seen at the start of the 1991 recession.

Against that, however, new home sales were up 20%, the biggest improvement for three years, and consumer spending rose 0,6% in real terms after its 0,3% drop in April. Truck and car sales also revved up, climbing from an annualised 13,9m units in April to 14,8m in June. But this was chiefly due to hefty discounting (cash rebates of US$1 000 and more) as the industry tried to cut its inventory from 78 days' supply to the more normal 60 days.

The employment figures were also illusory. While 215 000 new jobs were created in June, against a loss of 46 000 the previous month, most of them were temporary summer recruitments in the leisure and catering sector. Manufacturers actually shed 40 000 workers as industrial output stagnated.

With many economists forecasting a quarter of negative growth later this year as bloated inventories are run down, the Fed is expected to notch interest rates back further. Salomon Brothers is looking for a drop to 5% in overnight rates, maintaining the inflation-adjusted cost at around 2%.

Japan's admission that its recovery is nonexistent — galloping deflation could see nominal output drop by nearly 1% — is likely to see the 1% discount rate cut again, possibly by as much as 75 basis points, to lay a foundation for growth next year. ■

FOREIGN TRADE BREAKDOWN

The capex factor

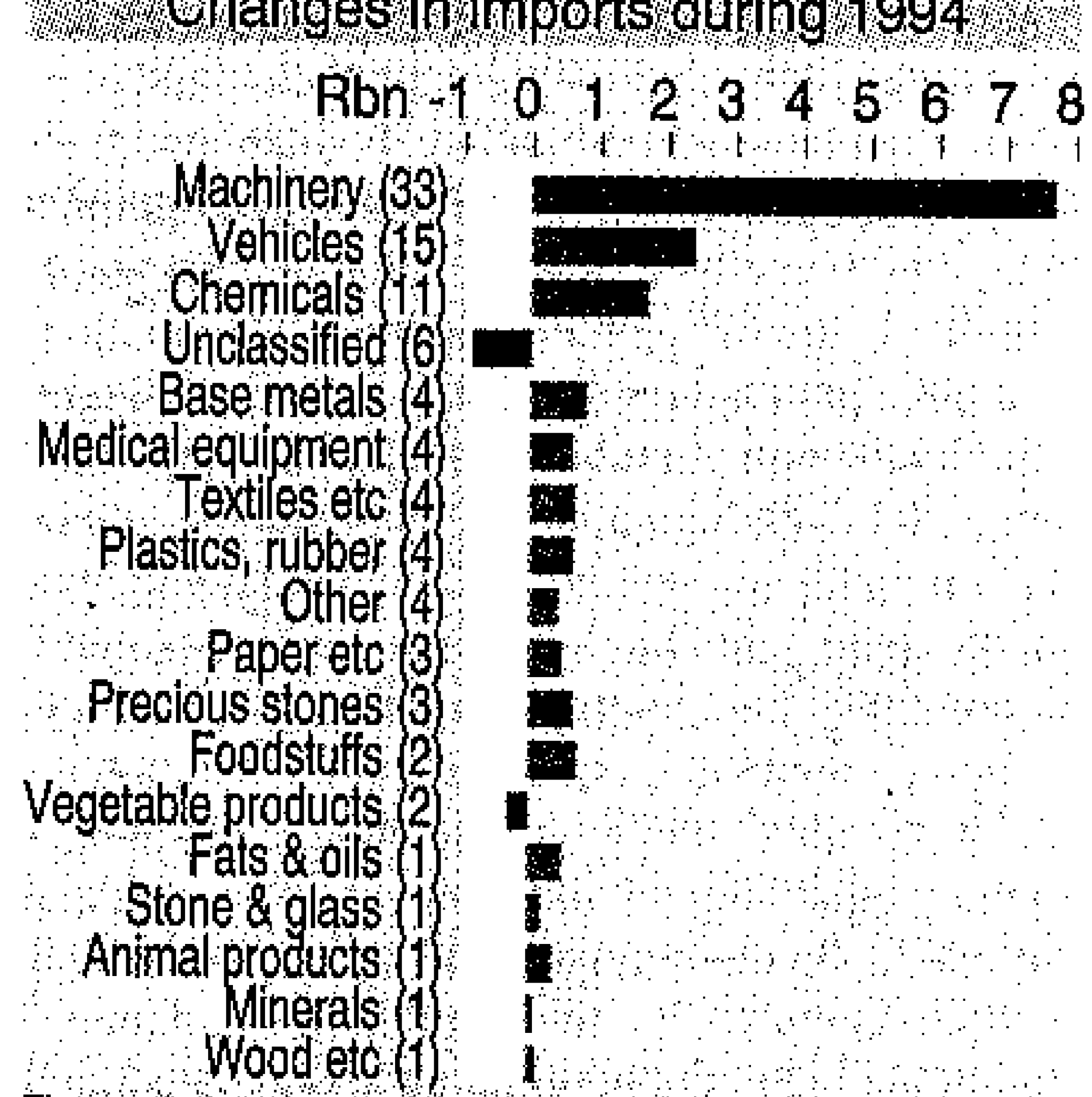
(74)

FM 14/7/95

Relatively tight monetary policy in the period leading into the economic upswing may have kept demand for consumer imports in check once the recovery took off, says Nedcor Economic Unit's Kevin Lings.

CAPITAL GOODS WEIGHT THE IMPORT BILL

Changes in imports during 1994



Figures in brackets refer to that category's % of total imports

Major increases in machinery and equipment imports

Components	Rm
Computer equipment and parts	915
Metal rolling mills	742
Telecommunications & transmission apparatus	784
Electrical apparatus for telephones	462
Machinery for making pulp	264
Machinery for ore sorting and separating	261
Printing machinery	191
Mechanical shovels	195
Injection moulding machines	175
Electrical circuit apparatus	156
Electrical transformers	109
Voltage regulators	101
Machinery for sealing and labelling bottles	100

SOURCE: NEDCOR ECONOMIC UNIT

His analysis of Customs & Excise figures for 1994 shows the increase in consumer demand for final goods was less dramatic than in previous recoveries and more than 40% of the increase in imports "can be specifically identified as capital goods, while maintenance related imports have also shown a considerable rise."

Lings points out imports intended for capital projects will eventually work their way through to the country's export generating capacity.

The trade account deteriorated to R13,6bn in 1994, from R21,7bn the previous year. This was because of a 28,1% rise in imports, from R59bn in 1993 to an adjusted R75,6bn in 1994. Exports rose only 10,6% from R80,7bn to R89,2bn.

Lings's estimate for imports is R3,9bn less than that provided by the Commissioner for Customs & Excise in the recently released *Monthly Abstract of Trade Statistics*. Lings says the difference results from "a massive error in the Customs data in the category for brake linings. The error was carried through to the country breakdown of imports, resulting in the value of imports from the US being overstated by R3,9bn."

He has also reduced the Customs estimate for exports by about R775m. He says there was "an overstatement in the recording of exports of flat-rolled steel products. This error was also carried through to the country breakdown of exports to Thailand."

Most categories of imports increased during the year, with only vegetable products and unclassified goods showing a decrease.

The three largest categories of imports — machinery & equipment, vehicles and chemicals — together represent about 59% of the total. And these show the largest increase — a combined R11,7bn or 35,9%, in nominal terms, during 1994.

The biggest increase came in machinery & equipment — R7,7bn (see graph). A further breakdown into component parts shows the biggest increase was in computer equipment and parts — R915m (see table).

Lings suggests much of the increase can be linked to various capital projects such as Columbus Steel, Alusaf, the cellular telephone network, Eskom's electrification programme as well as developments by Consol, Sappi and banks.

Imports, excluding the three largest categories, rose only 18,4%. Substantial changes include:

- ❑ Animal products, which rose by 90,1% or R335m, comprising mainly frozen meat;
- ❑ Animal fats & oil, up 82,2% or R461m, mostly sunflower seed oil; and
- ❑ Foodstuffs, up 68,1% or R678m, including prepared and preserved meat, alcoholic beverages and animal feed.

The poor performance of exports "is explained by the fact that precious metals and mineral products experienced extremely poor nominal growth and even declined in real terms.

"Unclassified exports — comprising mainly gold which grew by only 7,4% and platinum group metals which grew 10,8% — represent 36% of total exports.

"Mineral exports, mainly coal and iron, manganese, copper and chrome ore declined by 8,7% during 1994."

Lings points out the customs data show the main factor behind the decline is a drop in coal exports of R646m or 12,3%. "However, statistics supplied by the Chamber of Mines and the Minerals Bureau indicate that coal exports increased by R272m during the year. The discrepancy may flow from a timing or valuation problem.

"But data supplied by Portnet indicates that, in volume terms, coal exports increased by about 1 Mt during the year and, though international coal prices averaged 5% less in dollar terms in 1994 than in 1993, they rose by 4,3% in rand terms.

"The weight of evidence suggests an under-recording by Customs." ■

Britain to push for SA preference

Linda Ensor

(74)

LONDON — Britain will be supporting full generalised system of preferences (GSP) for SA agricultural products when the matter is discussed by the European Parliament's council of ministers, but it appears increasingly unlikely that any decision will be taken before September.

Brian Bibby of the agriculture ministry's trade policy division said yesterday that Britain's view was that SA should be accorded the full range of agricultural preferences available under the GSP scheme.

In terms of a proposal hammered out by the European Commission, SA would get only 66% of the package, an increase on the previous 24%.

Bibby said Britain would also be pushing for the decision to be taken as quickly as possible, but he did not think the council would be in a position to take a final decision this month. With the summer recess, this would mean a postponement to September. "This would be bad news for SA exporters," said a spokesman for the SA embassy in Brussels.

Various sources said there was a range of opinion within European member states, varying from full support, support for the limited increase proposed by the EC, and outright opposition to any further concessions being granted.

Countries such as France, Spain and Italy are particularly sensitive about the import of SA agricultural products.

BD 14/7/94

But they did not believe these objections would be stated baldly — the argument rather being that as the whole GSP would come under review next year, there was little point in granting SA increased access for only a limited period. However, SA embassies throughout Europe have been canvassing for support.

JOBS

Namibia's EPZ project sets a working example

ST(BT) 16/7/95

(74)

Trevor Manuel, South Africa's Trade and Industry Minister, and Hidipo Hamutenya, his Namibian counterpart, both want to create jobs. **KEVIN DAVIE** looks at two vastly different approaches.

BOTH South Africa and Namibia have an unemployment problem. Both need to earn foreign exchange. Both need investment. Both offer tax breaks to investors.

And both are currently backing major projects on the west coast. The state-owned Industrial Development Corporation is putting up R750-million for a 50% stake in Saldanha Steel, its joint venture with Iscor at Saldanha Bay.

Saldanha Steel qualifies for the Section 37 E tax allowance, estimated to amount to a R1-billion interest-free loan for the developers.

Further up the coast Namibia offers tax concessions in the form of an export processing zone, or EPZ, at Walvis Bay. There, investors will pay no tax, no import duty, get duty-free access to the European Union through the Lomé Convention and have 75% of training costs paid for by the government.

Hidipo Hamutenya, Namibia's Industry Minister, speaks of a $40-million loan from the World Bank to pay for the training costs. Based on the success of EPZs elsewhere — and the number of companies which have committed themselves to setting up in Walvis Bay — Mr Hamutenya says he expects to create 50 000 jobs within the next five years.

Here the two proposed developments part company: Saldanha Steel, with its peak funding requirement of R4,7-billion, will create 600 jobs.

The state's R750-million investment in Saldanha Steel will produce jobs at R6-million each. Mr Hamutenya, in contrast, expects to train workers at at about R5 000 each.

Anthony Ginsberg, of Los Angeles-based Ginsberg Globe Communications, who has been advising Namibia and is a specialist on EPZs, says the comparison "hits the nail on the head" as to why South Africa cannot create jobs.

"The government is not providing incentives to employ people. Its incentives favour capital-intensive investment which employs hardly any labour."

SA-born Mr Ginsberg suggests that if the government put the R750-million it intends investing in Saldanha Steel into paying training costs in EPZs, 150 000 workers could get training.

While the tariff reforms initiated by Trevor Manuel, South Africa's Trade and Industry Minister, are desirable, this will not in itself turn SA industry into a competitive player internationally.

Mr Ginsberg says the SA market is too small to attract world-class players aimed at penetrating the domestic market. Rather, companies such as Reebok could set up, employing say 3 000 workers, to export 90% of its product to foreign markets. The remaining 10% will be for the domestic market and subject to all duties.

He says that if the government "thinks the unemployment problem is going to be solved by organised business and labour in Nedlac, then it better wake up."

While EPZs typically offer zero corporate tax to compete for capital against 150 EPZs worldwide, the government still scores from personal taxes and VAT and from higher economic growth which in time can be used to lower corporate taxes in the domestic economy.

A number of East Asian countries have used EPZs for this purpose, in time restructuring entire economies from inward and protected to outward and competitive.

Mr Ginsberg says he was surprised to note a complacency among business and political leaders in South Africa.

"They're happy for the economy to grow at 3%, but this growth will not cut unemployment. The government and business should be actively targeting at least 5% to 6% annual growth.

"Unions think that EPZs are a synonym for sweat shops. But if you look at EPZs in countries such as Singapore and Mauritius, in many cases they are better regulated than outside the EPZ."

□ The IDC's Carel van der Merwe says capital intensive and labour intensive go together.

The IDC established Alusaf in Richard's Bay in 1970. "Three other plants followed in the next four years. The four plants employed less than 7 000 people. Richards Bay had a population of 8 000 people. Today it is a flourishing metropolis with 170 000 people. Saldanha will show a similar development."

Mr van der Merwe says "to have industrial developments you have to create wealth. Labour-intensive industry and services follow."

ONE GOAL, TWO MINDS . . . Namibia's Industry Minister Hidipo Hamutenya and South Africa's Trevor Manue

'Old systems, underpaid officials help smugglers'

CLAIRE BISSEKER
STAFF REPORTER

CT 12/7/95 (74)

CUSTOMS and Excise let smuggled goods slip through their fingers with outdated systems and low-paid officials who were easily bribed, it was claimed yesterday.

This claim by a full-time customs detective was supported by retailers, who said about 75% of electronic consumer goods were smuggled into the country through the "leaky" customs net.

Stax buyer Mr Mike Davidson said the SA audio industry had lost up to 40% of its business to smuggled goods over the past two years.

He said although the scrapping of the 40% surcharge on audio equipment on October 1 would allow retailers to reduce their prices, it would not reduce smuggling. The real solution was to "beef up" customs.

The detective, who did not wish to be named, said customs lacked the staff to check more than a small percentage of containers.

Outmoded control and computer systems also created loopholes and low-paid inspectors were offered bribes of up to R20 000 to ignore specific containers, he said.

Customs and Excise could not be reached for comment.

Action by Zimbabwe 'could cause trade war'

BD 17/7/95 (74)

John Dludlu

A PROTRACTED trade war could erupt in southern Africa if Zimbabwe imposed punitive and discriminatory tariffs on SA products in retaliation for SA not reinstating the pre-1992 trade preferences, trade analysts warned last week.

The warning followed calls by Zimbabwean industrialists to take retaliatory action against SA for allegedly dragging its feet in responding to Zimbabwean requests for the reinstatement of tariff preferences on clothing and textiles. SA withdrew the preferences in 1992.

Webber Wentzel international trade partner Leora Blumberg said: "There does not seem to be any basis for a legal action for Zimbabwe."

She said that preferences, while desirable, did not impose legal obligation on the benefactor nation, and therefore Zimbabwe could not, legally speaking, argue breach of agreement of trading rules. "It seems that Zimbabwe is asking for special treatment. But they do not have a right to demand it."

Under the provisions of the General Agreement on Tariffs and Trade (GATT) — the predecessor to the current World Trade Organisation (WTO) — signatory nations could offer preferences to developing countries. "This does not seem to be the case in the Zimbabwean/SA situation."

A Johannesburg trade analyst pointed out that slapping discriminatory tariffs on SA exports to Zimbabwe could form a basis for a WTO complaint by SA, thereby sparking a protracted trade wrangle.

Trade observers said the Zimbabwean complaints could be a negotiating tactic to pressurise SA into reinstating the preferences. "It is an extreme (negotiating) tactic though, because all it does is to embarass SA, especially the president (Nelson Mandela)," one provincial government source said.

Last week, trade and industry department consultant on southern Africa relations Mfundo Nkuhlu said a technical study on trade flows on Zimbabwean clothing and textiles had been completed, and a proposal — reinstating the pre-1992 preferences, albeit at a limited scale — had been tabled to Trade and Industry Minister Trevor Manuel for consideration.

Zimbabwean firms have complained that the withdrawal of the preferences has threatened to wipe out the country's suffering clothing and textile industries.

An analyst attributed the Zimbabwean textile headaches to the country's trade generosity, and warned that SA would be well-advised not to follow suit.

Trade focus for Indian Rim bloc

(74) Star 19/7/95

LIKE South Africa, India is committed to an Indian Ocean Rim trading bloc. India, however, is wary over military capability, reports Sidharth Bhatia of Independent Foreign Service.

New Delhi – The idea of an Indian Ocean Rim, which is rapidly finding a response in several littoral states, is also fast catching on in India.

But observers here are expressing fears that the introduction of security issues may hinder or even derail the concept before it takes off.

Many analysts who have been closely monitoring the progress of the Rim, say that it should remain confined to trade to begin with and then move to other issues of mutual interest – the environment and terrorism among them.

"The questions of security arrangements should be left alone at this juncture," said one independent observer from a key think-tank.

"Any mention of defence related subjects will automatically throw up bilateral problems which can make the Indian Ocean Rim a non-starter."

Chief among the concerns, at least at the Indian end, is that any move to bring in issues of bilateral concerns will invariably focus on Indo-Pakistan relations which are at a nadir now.

They point to the virtual failure of the South Asian Association of Regional Co-operation, a grouping of seven nations, where the Pakistanis lose no opportunity to mention Kashmir.

"Considering that Pakistan's one-point foreign policy programme is to talk about Kashmir at every available international forum, can you expect them not to use a platform such as Indian Ocean bloc?" ask analysts.

Pakistan was not one of the key participants at the International Forum on the Indian Ocean Region held in Perth last month, but the issue of security did crop up at a session, much to the chagrin of some participants, notably the Indians.

Sources here indicate that many other countries, including South Africa, were averse to giving a security dimension to the notion at this incipient stage.

Indeed, India is banking on South Africa to lend support to its determination that trade and not defence will drive the grouping. Analysts hope that this will effectively silence Australia, the third influential corner of the triumvirate which is driving the Rim concept.

It is noteworthy that India is not only concerned about its awkward relationship with Pakistan being a hindrance to security matters, but that it has a nuclear power of uncertain intentions, China, right on its doorstep too.

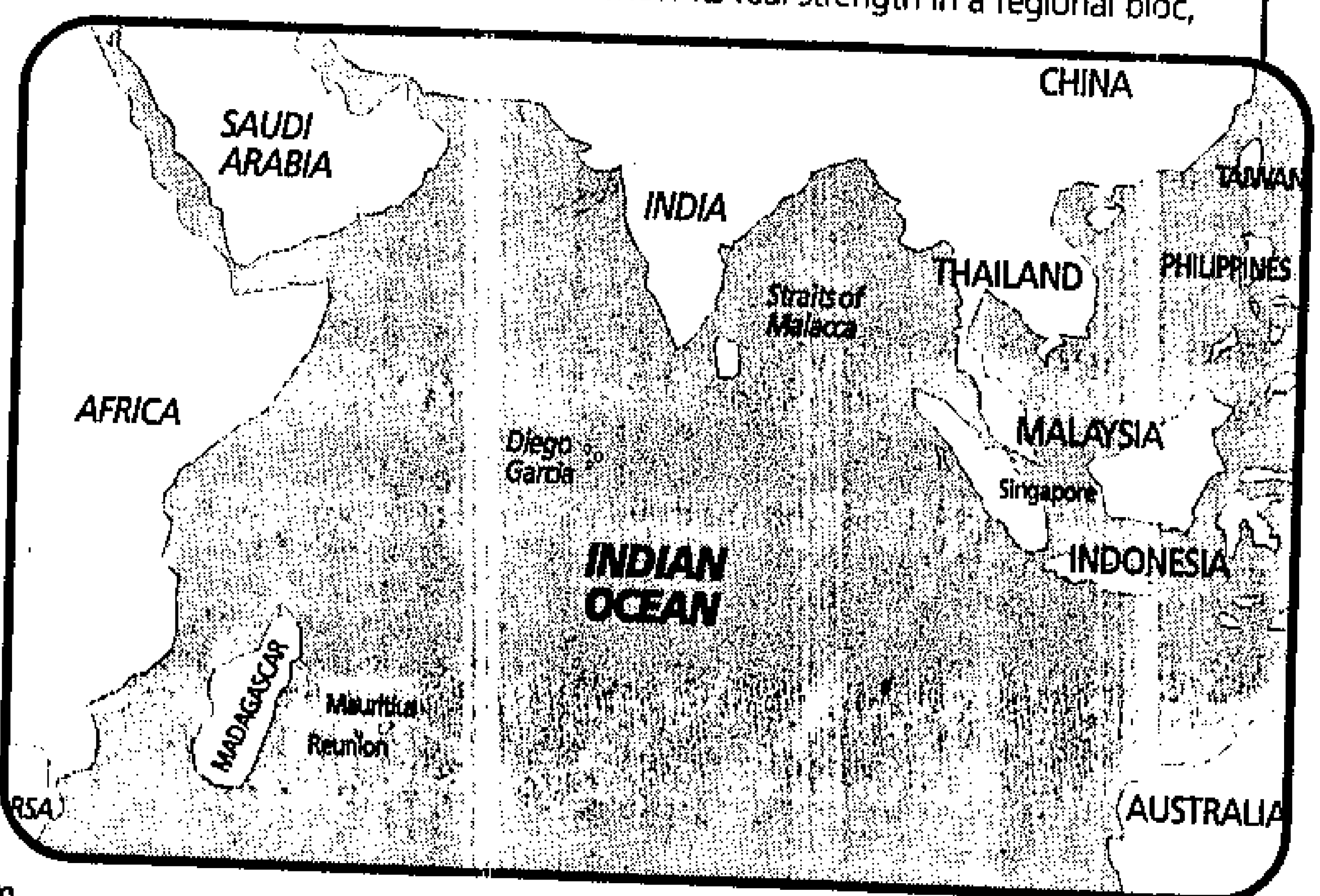
India is to host a conference on the Indian Ocean Rim concept later in the year and in all likelihood, though there will be some representation from the armed forces, there will be no special attention devoted to defence.

The Indian government has already roped in influential sections of Indian business and the conference will probably be hosted by an apex chamber of commerce.

This is not to say that there are no votaries of the defence argument in India. Many commentators have long argued that India, being a strong naval power, must increase its presence beyond its immediate border.

India already has two aircraft carriers and a large flotilla whose sea-going adventures have taken them as far as Maldives in the past. With the country surrounded on three sides by the sea, the argument that the navy should be strengthened even further has a certain logic and even potency.

As a dominant military power and as one of the largest economies in the Indian Ocean region and number seven in the world, India must show its real strength in a regional bloc, goes the argument.



Moreover, with the Non-Aligned Movement having lost much of its relevance in the post-Cold War world, India is not part of any organisation where it can demonstrate its full potential and status. In these circumstances, the Indian Ocean Rim is an appropriate platform for the country to capitalise on its naval strength, some analysts argue.

But these hawks are unlikely to prevail. The Indian government is quite clear that it will not push the defence card and there is genuine appreciation in key official circles that India, like many other countries, can take full advantage of the very significant intra-trade opportunities from an association of Indian Ocean countries.

Trade within the countries bordering the Indian Ocean accounts for barely 2 percent of world trade and studies have shown that it can increase by leaps and bounds. Shipping lines and telecommunications between the member countries could shoot up exponentially and bring with it tremendous opportunity for everyone.

With most other countries, including South Africa, also ready to go along with that line, it appears most likely that, for the moment at least, trade will remain the top priority on the agenda of the Indian Ocean Rim group.

Warning on Zim-SA pact delay

(74) CT 19/7/95

HARARE: Delays in negotiating a trade pact between Zimbabwe and South Africa could sour political ties, analysts warned yesterday.

The main trade sticking point is the SA customs duty of 90% on textile and clothing imports.

"Political relations between President Nelson Mandela and (Zimbabwean President Robert) Mugabe are good at the moment, but they could be soured by this trade war," said Professor Anthony Hawkins, head of business studies at the University of Zimbabwe.

Zimbabwe, threatening to impose retaliatory tariffs on SA goods flooding local shops, said talks have been dragging on for too long, resulting in the collapse of dozens of local firms which survived on the lucrative SA market. — Reuter

Six priority areas laid out in SA-EU negotiations

(74) CT(BR) 19/7/95

BY JOHN FRASER

INDEPENDENT NEWS SERVICE

The European Union and South Africa have set out six priority areas for negotiations on a new post-apartheid relationship.

This followed the first meeting in Brussels yesterday between the two sides since the launch of negotiations last month.

The main goal for South Africa was improved access for exports to the European market, though negotiations would also cover a whole range of other issues.

South Africa was seeking the closest possible link-in with the Lomé convention — the European Union treaty with 70 African, Caribbean and Pacific states.

It was agreed at yesterday's talks that meetings would be held monthly, with most encounters in Brussels, but some in South Africa.

Three main headings for the negotiations were drawn up, with six key topics.

The headings were South Africa's new relationship with Lomé, trade relations, and non-trade issues which would include aid and political co-operation.

The six main topics to be covered were general issues: institutional links and political dialogue; trade; economic co-operation; co-operation in other areas such as culture, the environment and transport; European Union aid for the reconstruction and development programme; and other financial assistance via the European Investment Bank and joint ventures.

Trade pact troubles set to sour relations

(74) BD 19/7/95

HARARE — Delays in negotiating a trade pact between Zimbabwe and neighbouring SA could sour political ties, diplomats and trade analysts said yesterday.

The main sticking point is a SA customs duty of 90% on textile and clothing imports, which analysts said could harm the warm relations made possible by President Nelson Mandela's accession to power in May last year.

"Political relations between Mandela and (Zimbabwean President Robert) Mugabe are good at the moment, but they could be soured by this trade war between the textile and clothing sectors of their countries," said University of Zimbabwe professor in business studies Anthony Hawkins.

Zimbabwe has threatened to impose retaliatory tariffs on SA goods flooding local shops in response to what it sees as punitive duties Pretoria slapped on textiles and clothing imports three years ago.

Zimbabweans say negotiations have been dragging on for too long, resulting in the collapse of dozens of local firms which survived on the lucrative SA market.

Clothing retailer Truworths Zimbabwe CE Jonee Blanchfield said SA's clothing and textile industrialists were not "acting in the true spirit of the Mandela/Mugabe understanding".

She said Mandela's Cabinet colleagues had shown a lack of vision by not urgently easing the stringent tariffs.

Zimbabwean Industry and Commerce Minister Herbert Murerwa said delays in reaching a new trade agreement with SA had caused enormous difficulties for Zimbabwean firms. "The government has a responsibility to protect our own industries in the face of what amounts to unfair trading advantage by SA," the minister said.

A Western diplomat said there was a feeling SA had not been acting like a "big African brother" after Zimbabwe harboured guerrillas of Mandela's ANC during the armed struggle against white rule.

"Many think it is payback time. But it looks as if SA is preoccupied with its own domestic problems and Zimbabwe's economic problems are at the bottom of its priorities," the diplomat said.

SA has cautioned Zimbabwe against retaliatory tariffs. "It (a trade war) will end up in a long, drawn-out process of tariffs and counter tariffs," said SA's high commissioner to Zimbabwe, Kingsley Mamabolo. — Reuter.

SA, India agree on joint strategy

(74) BD 20/7/95

Stephane Bothma

PRETORIA — SA and India will foster a special relationship by joining forces to work out joint strategies at international economic forums like the World Trade Organisation and the UN.

This was one of the decisions taken at the first meeting of the SA-India joint commission yesterday which came about after the signing of a "special agreement" earlier this year in India.

After the meeting, SA deputy Foreign Affairs Minister Aziz Pahad and Indian Minister of State for External Affairs Salman Khurshid issued a joint statement on proposals agreed to by the five subcommittees of the commission. These included:

☐ The expeditious conclusion of the double taxation avoidance agreement and the promotion and protection of investment agreements in order to facilitate trade and investment between the countries;

☐ The scrapping or reduction in the near future of various trade facilitation measures such as tariff or non-tariff barriers;

☐ The conclusion of an agreement for the exchange of convicted prisoners which would serve to address some of the concerns of affected families;

☐ Closer co-operation to combat international terrorism, organised crime, drug trafficking and drug-related crimes;

☐ Defence co-operation;

☐ The provision by India of training facilities for SA diplomats; and

☐ The promotion of joint ventures in the mining, food processing, ports, power generation, electronics and engineering sectors.

Khurshid said Indian investment worth R100m had already been made in SA and more investments were in the pipeline.

"Indian businesses also look to SA as a major hub for the transhipment of goods to other countries in Africa and to Latin America. This would serve to greatly expand surface transport in the region as a whole."

In the area of technical co-operation, 60% of India's funds under the Indian technical and economic co-operation programme were earmarked for Africa.

Khurshid identified science and technology as another important area for co-operation.

To promote technical and economic co-operation, two CSIR delegations would visit India to identify specific areas of co-operation in the small and medium enterprises sector and to prepare the ground for a visit to India by Trade and Industry Minister Trevor Manual later this year.

Cape looks to Hong Kong

ET(BR) 20/7/95 (74)

By Françoise Botha

Cape companies have shown the strongest interest in trade relations with Hong Kong, says Kessel Feinstein, bilateral trade consultants for the Hong Kong Trade Development Council.

Pamela Grayman, national marketing director of Kessel Feinstein said: "The figures show that the responses from the Cape far exceed those from Johannesburg and Durban. Cape responses stand at 912 compared to 750 and 682 from Johannesburg and Durban respectively, and the Cape expo is not finished yet."

Speaking at the council's exhibition in Cape Town, which has provided a platform for business contacts in the region, traders said that Cape-based businesses had shown significant interest.

During the first four months of this year, imports from Hong Kong have increased 43 percent, and South African exports to Hong Kong are up 21 percent.

Stephen Wong, senior deputy manager of the council said: "We recognise South Africa as a gateway to sub-Saharan Africa and presently the council is looking at establishing a base in South Africa".

LOMÉ (74) FM 21/7/95

Down but not out

Trade & Industry Minister Trevor Manuel appears to have accepted the European Union (EU)'s invitation to conclude a long-term bilateral Free Trade Agreement after unsuccessfully trying to gain full membership of the Lomé Convention.

Manuel, nevertheless, stresses that SA will seek a 10-year grace period. He says: "SA's objective is to negotiate a comprehensive trade and co-operation agreement with the EU for the duration of the next 15 years at least. During the first 10 years the agreement should, in our view, contain features which are as close as possible to the Lomé Convention to support the current transition under way in SA and southern Africa as a whole."

Trade benefits

At issue are the extensive aid and trade benefits that Lomé accords developing countries. Lomé members — the African, Caribbean and Pacific (ACP) countries — are given virtual duty-free, unilateral access to the EU's estimated US$7 000bn annual markets. It is a privilege Manuel believes would greatly enhance SA's export drive. The EU, however, believes SA's economy is too developed to qualify for these benefits and that granting SA special access to EU markets could be detrimental to other ACP member states.

But Manuel stresses that allowing EU goods immediate duty-free access to SA would put many of our uncompetitive industries out of business, causing substantial unemployment.

So when EU and SA officials begin technical negotiations in September, the Department of Trade & Industry is likely to seek a staggered or assymetrical phasing in of mutual benefits that could require the EU to reduce its duties faster than SA would be expected to.

For example, SA could take 10 years — the maximum allowed by Gatt — to eliminate duties for EU exports while the EU might agree to scrap duties in two years. Manuel suggests that the time frames for each sector must be determined according to detailed impact studies.

He has also asked the EU to observe certain principles in the forthcoming negotiations. These include:

- Fair trade — removing the effects of international discrimination resulting from SA's apartheid isolation (SA goods, particularly agricultural goods, are liable for far higher duties on EU markets than goods sourced from other countries);
- The advancement and nonimpediment of the current restructuring and democratisation of the SA Customs Union. The agreement should take cognisance of the development of a protocol for trade and industrial integration being developed in southern Africa (SA's partners in the customs union are all Lomé members);
- Negotiators should seek an agreement that increases the number of sustainable jobs and raises the standard of living in SA and southern Africa; and
- Negotiations should lead to the fastest possible implementation of agreements.

A Free Trade Agreement won't bar SA from the other benefits available under Lomé. SA will in fact become a Lomé member, though exclusion of the preferential trade benefits will make this membership qualified.

The available benefits include greater regional co-operation, participation in tenders for EU-funded projects and assistance for regional projects. In addition, SA exports used in ACP countries' manufactured goods which qualify for duty-free import into the EU would also escape duty. ■

'Disappointing' decision on exports to EU

(74)

Linda Ensor

BD 21/7/95

LONDON — There would be no amendment to the existing tariffs on SA agricultural products entering the European Union before September at the earliest, SA ambassador in Brussels Neil van Heerden said yesterday.

Representatives on the Council of Ministers' Generalised System of Preferences' (GSP) working group who met this week failed to reach a decision. The matter was held over to September when work would resume after the summer recess.

Some representatives had apparently not had the opportunity to study the European Commission proposal to increase participation of SA agricultural products in the GSP package from the present 24% to 66%.

Van Heerden expressed disappointment at the turn of events. SA had hoped improved access would become effective soon, and that it would get 100% of the GSP package.

He understood that southern European states who felt threatened by SA were blocking improved access.

Van Heerden noted that the full GSP product list excluded the vast proportion of SA agricultural products, for example apples, deciduous and citrus fruit.

SA companies rush in where western rivals fear to trade

(74)

ST (BT) 23/7/95

By ZILLA EFRAT

SA COMPANIES, no longer the pariahs of Africa, have been rapidly boosting their economic penetration of the continent.

Increasingly, in what is being described as the new Great Trek, they are taking over from European and US corporations disillusioned with conditions such as poverty and corruption.

In recent times, several SA companies have succeeded in almost covering the continent from Cape Town to Cairo.

In the past 18 months, for example, Protea Hotels, Africa's biggest hotel management group, has taken over from a British rival in Malawi eight hotels, a tour operator and an airport catering operation.

Recently, it also won a contract to manage what was Botswana's Sheraton Hotel from the US chain of that name. And, against stiff international competition, Protea won contracts to run a resort in Egypt and four hotels in Tanzania.

The factors helping Protea grow are enjoyed by many other SA groups. African businessmen, it appears, find SA companies less threatening to deal with than US and European multinationals and like the fact that their headquarters are nearby.

In other moves, Multichoice has become Africa's biggest provider of pay TV channels over the past two years. From South Africa, it broadcasts to Egypt and 40 African countries in between. And, its influence will grow with the imminent launch of the PanAmSat 4 satellite.

Also increasingly dominating the African scene is SA Breweries, which is involved in Tanzania, Angola, Zimbabwe, Botswana, Zambia and the Canary Islands.

Standard Bank has become the most widely spread banking group in Africa and operates in 14 African countries outside of South Africa after buying ANZ Grindlay's African business in 1992. It recently acquired Barclays plc's Lesotho operation and Meridien BIAO's Tanzanian operations.

SA mining companies are also increasingly looking at opportunities across Africa.

For example, JCI's exploration arm is negotiating with the Ghanaian government over the privatisation of the Prestea gold mine. Its coal division has also entered into an agreement to rehabilitate Zambia's Maamba Colleries.

Nick Segal, JCI's executive director, says unlike some of their foreign counterparts, most SA mining companies are reasonably comfortable operating in the difficult conditions encountered in many parts of Africa.

They find it easy to establish good relationships with government departments and agencies across the continent.

State-owned SA organisations are also spreading their wings. Eskom is rehabilitating power grids in several countries and plans to integrate them with South Africa's electricity network.

SA Railways is upgrading ports in Mozambique and SA Airways is increasingly boosting its ties with other African airlines. It is, for example, involved in Alliance, a joint venture between itself, Air Tanzania and Uganda Airlines.

However, says Martin Smith, the director of Safto's Africa Business Development Group, because of foreign exchange controls, SA companies are losing out to their European rivals when it comes to Africa's huge privatisation drive. As a result, SA companies' biggest area of dominance remains intra-African trade.

"The trade glass wall has been lifted but the investment glass wall is still there," says Mr Smith.

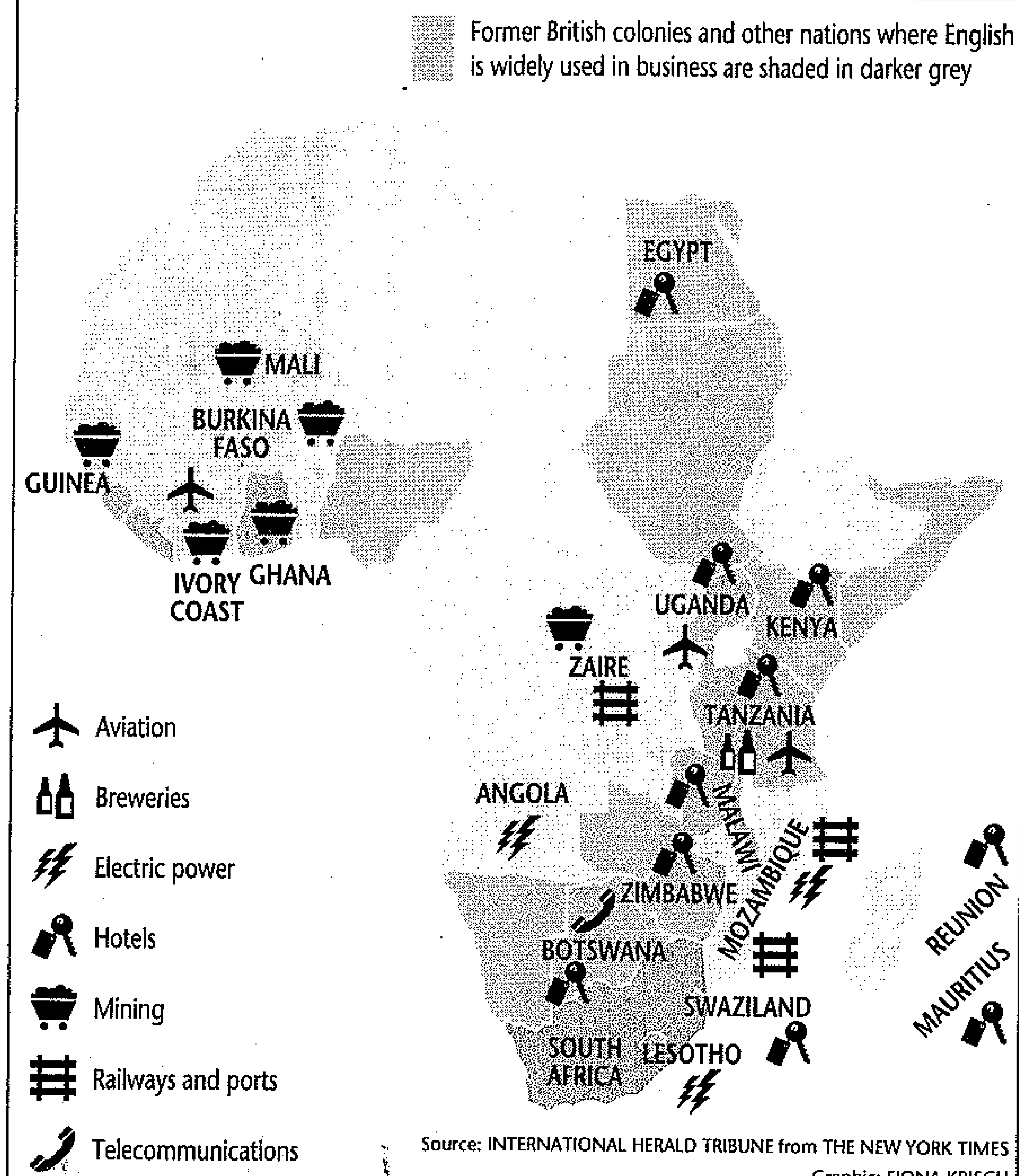
South Africa's exports to Africa grew more than five-fold between 1987 and 1994. Despite payment problems, Africa is South Africa's second largest export market after its traditional stronghold, Europe.

Paarl wines are now served in Burundi's smart restaurants, Cape apples are sold by market women in Ghana and SA technicians are setting up cellular phone networks in several African capitals.

While SA companies often fill the gaps left in Africa by foreign companies, multinationals are increasingly seeing South Africa as the stepping stone to the continent. Many have moved their African headquarters to Johannesburg and others have given control of the sub-Saharan African region to their SA operations.

Many foreign companies have opened their first African office in South Africa with a view to using it as a launch pad northwards. For some, like the Coca-Cola Company, a return to South Africa has re-energised the way they look at the continent, putting Africa back on their agendas.

Major investment projects in other African nations by South African businesses since the end of apartheid



Source: INTERNATIONAL HERALD TRIBUNE from THE NEW YORK TIMES
Graphic: FIONA KRISCH

Federation opposes deal with Zimbabwe

87 74

CT(BR) 24/7/95

By Shirley Jones

Staff Writer

The South African Textile Federation (Texfed) is again trying to protect the industry from cheap imports. This time it refuses to restructure trade agreements between South Africa and Zimbabwe.

It maintains that re-opening local markets to assist in the reconstruction of the Zimbabwean textile industry would have dire consequences for local manufacturers.

Zimbabwean mills fell on hard times when, under the country's economic structural adjustment programme, incentives dried up, external tariffs were cut drastically and the cotton subsidy was suddenly withdrawn.

Texfed voiced concern that poor or non-existent customs control along South Africa's vast borders with Zimbabwe, Botswana and Namibia could open the way for imports or re-labelled goods from the east.

"Trevor Manuel, minister of trade and industry, has expressed grave concern about member states flouting rules of origin in their exports to South Africa by re-labelling textiles and clothing originating in China, Pakistan and India. Although Zimbabwe maintains quantitative import controls on clothing, these seem to exist on paper only because Zimbabwean businessmen complain of huge volumes of second-hand clothing coming in from the Far East," the federation said in a statement.

Texfed refuses to be placated by trade figures showing that 71 to 82 percent of Zimbabwean textile exports go to countries other than South Africa and its customs union partners. It points out that the present slack in Zimbabwe's production capacity could easily be devoted to an onslaught on South African markets.

In addition, Texfed is concerned by the import penetration potential locked up in the preferential trade agreements between Zimbabwe, Botswana and Namibia as this could create opportunities for goods to be routed to South Africa via these partners.

Tariffs on textile imports into South Africa were increased sharply in May 1992 to protect the local industry from an avalanche of cheap imports from the Far East.

Before this date, the South African duty on clothing imports was 30 percent. Under the preferential trade agreement, imports from Zimbabwe were accorded an absolute preference of 15 percent, amounting to a relative preference of 50 percent.

The Department of Trade and Industry is not convinced that compliance with the Zimbabwean request will have the dire consequences Texfed predicts.

These conflicting views will be aired at a meeting between members of the textile industry and the department in Pretoria next week.

Top firms 'snub SA in favour of China'

Marcia Klein (74) BD 24/7/95

THE world's major multinationals have set their sights on China as the emerging market of choice for investment and have little or no interest in southern Africa, according to an Ernst & Young International survey just published.

It showed China remained "the single highest priority for all investor regions", with 57% of all companies considering it their top investment priority.

Political instability and relatively lower growth expectations were the main factors behind current low levels of investment in southern Africa, which hardly featured in terms of future investment priority.

Japanese and UK companies surveyed showed no interest in southern Africa, while US and Western European companies showed very little.

Ernst & Young said investment in emerging markets would "continue to take an increasing share of multinationals' resources". There was a strong correlation "between the level of interest of investors in any given emerging market and the level of current and projected economic growth in that economy". The most important factor in attracting inward investment was being able to offer predictability or known risk levels to the investor.

While economic factors drove decisions to invest, political factors were the major stumbling blocks. Political instability was seen as the major investment barrier, followed by legal infrastructure, bureaucracy, exchange controls, inflation and local taxation. Countries wishing to lure investors had to improve political and currency stability, commercial infrastructure and simplify regulatory and tax structures.

The main attraction for investors was growth potential. Potential rate of return and local market demand — not low production costs — were the primary motivation for entering countries. Other important factors were strategic business location and pre-empting competitors. Low-cost labour and access to raw materi-

Continued on Page 2

Priority emerging markets

	US 59	Japan 47	UK 33	West Europe 45
Asia	66%	77%	76%	69%
Latin America	54%	9%	24%	29%
central/east Europe	14%	4%	21%	16%
SA	5%			7%

Graphic: KAREN MOOLMAN Source: ERNST & YOUNG

China (74B) BD 24/7/95

Continued from Page 1

als were not high priorities.

The relaxation of investment restrictions in India had led to more interest in that market. Apart from China, only Indonesia, India and Mexico were mentioned by more than 10% of companies surveyed.

Asia accounted for the greatest level of current investment activity, followed "at some distance" by Latin America and central and eastern Europe. "China and the southeast Asian countries are the principal investment priorities of nearly three quarters of respondents, Japan in particular."

US companies were the most likely to invest in Latin America, while west European and UK companies were the most likely investors in central and eastern Europe. US companies had been the least active in emerging markets and UK companies the most active.

Joint ventures and setting up new subsidiaries were the most common forms of investment. In China, two-thirds of investments were in the form of joint ventures. In southern Africa there was a high level of investment in new subsidiaries.

Concern over customs data

74

Mungo Soggot

ECONOMISTS yesterday expressed concern that a dire shortage of customs and excise staff could be resulting in twisted monthly trade figures affecting their analysis.

The Sunday Independent reported that about 20 customs and excise inspectors were filling what were meant to be 300 posts, and that even some of those employees remaining were bound for better pay in the private sector.

BD 25/7/95

One economist said the main concern was that incorrect data could be distorting analysis of SA's increasingly large deficit on the current account of the balance of payments.

The deficit is expected to widen to between R8bn and R12bn this year.

She said unscrupulous importers could be taking advantage of the lack of inspectors and could be importing capital goods as consumer goods, which generally had lower tariffs.

Most economists are sanguine about the deficit, arguing that the imports boom which has caused the deficit consists mostly of capital goods — which will add to the economy's growth potential.

Nedcor reported that about 40% of last year's imports growth appeared to consist of capital goods.

Nedcor economist Kevin Lings said there appeared to have been an increasing number of substantial errors in official statistics in recent years.

Lings said that in general analysts had increasingly to turn to other sources of information to supplement official statistics. For example, they made use of the private Retail Liaison Committee's statistics, which often differed from the Central Statistics Bureau's retail figures.

Customs and Excise commissioner Daan Colesky could not be reached for comment.

Reject SA request, EU is urged by Zimbabwe

(74)

BD 27/7/95

Martin Rushmere

HARARE — Zimbabwe has raised the temperature in the argument with SA over the delay in signing a new trade agreement by asking the European Union to reject SA's application for duty free entry unless Pretoria gives Zimbabwe the same preference.

Zimtrade — the equivalent of Safto — has limited its plans for retaliation to an informal approach to the European Commission.

"We are convinced SA is inventing reasons for not signing a new agreement," said Zimtrade export director Mike Humphrey.

"But we do not want to provoke an all-out confrontation. We have not approached individual countries in Europe, and any official approach would have to be made by our government."

He said that although Britain and Germany wanted SA to be given duty free status, the Mediterranean countries were unhappy because of competition from fruit and vegetables, and these would be targets of any stronger lobbying.

Although Zimtrade is a quasi-official body and does not make policy, its recommendations are often followed by government.

Govt to table supply-side measures

John Dludlu (74) BD 27/7/95

GOVERNMENT representatives at the National Economic, Development and Labour Council (Nedlac) are expected to table proposals on supply-side measures at today's trade and industry meeting.

Nedlac sources said government had worked closely with the Industrial Development Corporation to prepare the long-awaited proposals.

Nedlac media liaison officer Lomin Saayman said that by late yesterday no documentation had been submitted to Nedlac by government.

Saayman said the chamber would also receive a report back from the executive council on a proposal to set up an investment promotion agency.

Government could also table its response to the proposal to link trade to social clauses.

Labour wanted SA's trade partners to uphold rights for workers and to agree to a ban on child labour and all forms of discrimination.

Business was expected to respond to government proposals on the small business development strategy.

A source said business broadly supported the proposals, but cautioned against the establishment of a huge administrative machinery. "The business view is that support must be on sectoral basis. We are against blanket support for small business."

A progress report on the liquid fuels task force would be tabled. Nedlac was expected to discuss the walk-out of oil companies following the Arthur Andersen report into Sasol's tariff protection.

It is understood the oil firms, represented by the SA Petroleum Industry Association, are to approach members of government.

Nedlac's development chamber would receive a report from government on the reconstruction and development strategy regarding disabled people, and would discuss a status report on community policing.

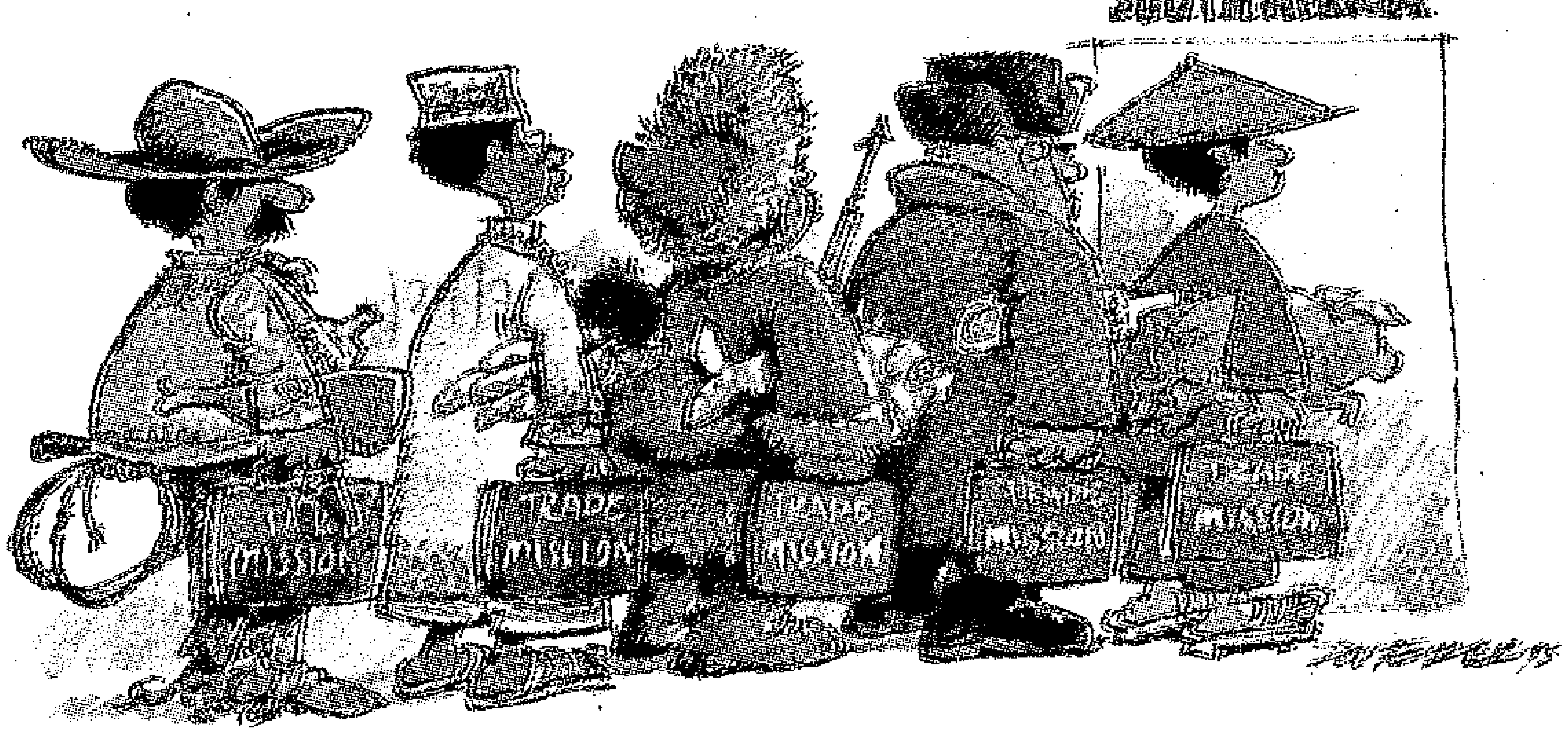
Nominations would be made to the task group on exchange controls in the public finance and monetary chamber, Saayman said.

SA must harness interest from abroad

DIPLOMATIC VIEW

This country's international entrepreneurs cannot afford to be slipshod

BY JEAN-JACQUES CORNISH



The honeymoon is not yet over for South Africa. But are we making the most of it?

Business people are checking in — either by inquiring at embassies or actually visiting — from all over the world to see if the political miracle in this country might translate into some opportunity for them.

In the past two months I have mentioned important trade missions pending from Hong Kong and Italy. Trade sources confirm this is only the tip of the iceberg.

There is more interest from the rest of Europe — the Spaniards were here last week — and from the Americas and Asia.

We were promised that democracy would open a window of opportunity for us. Well over a year after President Mandela's inauguration, it is still wide open.

We appear to be getting the benefits of the fresh air — new ideas, new friendships and the like. This is all very healthy and cheerful. But if we do not make greater use of these opportunities now, we could well be disappointed when, as inevitably it must, that window starts to close.

Lately I have detected a note of caution from South African envoys more concerned with the bottom line than with merely maintaining South Africa's standing as "flavour of the month".

This first cheery wave of business visitors have largely been here for a look-see, they say. And while this is all very well — tourist dollars are as welcome as any — they have not done much more than find some new customers. And this, it hardly needs saying , stops far short of the investment we are trying to attract.

Some of our missions abroad are injecting a harder business note into dealing with commercial inquiries. In Rome I know they have devised a questionnaire asking specific and detailed questions about their intentions in South Africa.

This is not meant to put a damper on those wishing to see the sights, experience a piece of the magic and do a little business. But it will better enable our representatives to tell the people back home when a serious player plans to drift into town.

Surely that is as much as one can expect from our trade officials abroad.

The rest has to be the responsibility of our business people right here in South Africa. They have to sell themselves to prospective investors and partners. There might well be an argument for giving these people some support here. But that has to be settled domestically. Our envoys can't do that job.

They have their work cut out trying to understand and interpret the various ways of doing business in their countries of posting and identifying key players to their client base — the taxpayers — back home.

Sometimes this is much harder than we appreciate. In Tunis this year, for example, a diplomat explained the frustrations that arose from what was to all intents and purposes, a piece of economic good news. The Tunisian president, Ben Ali, told the business community in that this nation of skillful traders, it would be a good idea to do business with South Africa.

Responding eagerly to this, several Tunisian businesses contacted the embassy to make the necessary connections. Embassy staff in turn spent weeks supplying names and making introductions. Within weeks, however, they were faced by puzzled Tunisians asking why there had been no takers?

Of course the diplomats explained there was not much they could do in the follow-up department. If the various South African businesses had no immediate need or capacity to do business with this north African country, that was their own affair.

But how to explain to the Tunisians why they had not even been afforded the courtesy of a reply, let alone an explanation?

Actually, it is much more than a question of good manners — it is the image we create. Serious outward looking business people simply do not behave that way. And if there is one thing we have to show the world it is that we are very serious indeed about doing business.

We already face a number of generally perceived disadvantages: the third world component of the country lagging behind the rest of the economy, and the less-than-impressive work ethic of an increasingly militant, under-skilled and relatively expensive workforce.

The impression of a slipshod entrepreneur class could be the fatal "third strike" against us.

It is not enough merely to be able to show off a beautiful country dripping with opportunity and hospitable people.

We are going to have to show a lot more hard-nosed efficiency if we are to establish the sort of profitable, lasting relationships this country so desperately needs.

(74) CT (BR) 27/7/95

Know the minefield that is trade with the US

(74) BD 27/7/95

HARRY SCHWARZ

THERE is an outcry in the US about the duties imposed by SA on the import of washing machines.

There are complaints about intellectual property law, and sanctions under the infamous section 301, which have recently been held over Japan and China, are threatened.

SA is on a watch list. General system of preferences (GSP) status has been taken away from certain SA products. Countervailing duties have been imposed on some SA products and threatened against others. The purpose of this article is not to debate the merits and demerits of a particular issue, but rather to point out that while the US does much to promote its exports and seek open markets everywhere, it protects its own markets for many goods with a web of restraints.

The market in the US is large and potential for the SA exporter is great, but he needs to be aware of a minefield through which he must tread warily if he is not to encounter problems which might cause him to abandon attempts to enter one of the world's most challenging but very rewarding markets, which might, after entry, cause pain. Do not try to export a peanut to the US.

Since 1934 the US has had programmes which it describes as "designed to increase or stabilise domestic peanut prices". There is what the US itself describes as "a severely limited quota on imports" as well as support for domestic prices and a growers' percentage quota. The 1991-92 published figures show that total world imports of peanuts or ground nuts to the US were 0,04% of the US production, but exports by the US were about 20% of US production. Groundnuts or peanuts were once a major crop in Africa. The import quota is justified on the grounds that it is "necessary for the price support programme to work without large costs to the US treasury". It is interesting that a US Trade Commission investigation found that the US consumer would not only pay less for peanuts but would consume more (about 90-million kilograms). At the lower price, consumer savings were estimated at $337m. This example is quoted not because we will earn vast foreign exchange from peanut exports, but as one taken from the November 1993 report of the US International Trade Commission into the economic effects of significant US import restraints. This is but one example of how it may have been difficult for the US to export car parts to Japan, and also how difficult it is to import many things into the US.

The simultaneous liberalisation of all significant restraints as at 1991 would have had economic welfare gains for the US of $18,9bn. This is real money. Imagine what this would mean in competitive terms in a Utopian era of complete free trade.

No doubt US adherence to the Marrakesh agreement and its consequent membership of the World Trade Organisation (WTO) will have beneficial effects for exports to the US in the longer term. The restraints in the US relate to a number of issues, the most obvious of which are tariffs, but there are many non-tariff barriers. Quotas are one of them. There are also a number of voluntary restraint agreements (VRAs). The quantitative restrictions, whether compulsory or VRAs, have covered many fields such as machine tools, steel and a number of agricultural products. One must not assume that the GSP status we obtained renders us immune. There was an almost immediate objection by a US manufacturer to the use of the status by an SA exporter of bed springs. Most of us never knew we even exported this product. Now some SA products have been removed from the GSP preference list.

While SA seeks to encourage exports and has given a variety of incentives, these can cause problems, as our exporters of ferrochrome and other products have found. Objections can result in expensive proceedings in terms of which countervailing duties are applied.

The US has its own export incentive schemes. They are somewhat different to SA's. There are free trade zones allowing for duty-free importation if the products to be made are for export. There are export services, eg in market research, trade opportunity programmes, support for trade missions, particular assistance to small businesses, including loans and revolving credits and bank guarantees. The agriculture department has specific export enhancement programmes which include subsidies to enable exportation at world prices. SA producers have experienced what it is like to compete against turkey and chicken imports from the US.

The Export-Import Bank provides a variety of services including guarantees for working capital, loans and guarantees. The Overseas Private Investment Corporation is another agency to be included.

What is the lesson from all this? The WTO will change the world trade scenario but it will take some years to do so. Most countries grant assistance of one kind or another to encourage exports. We should, as is being done, review our incentives in the light of world conditions. Many markets of the world are available to us. The US is only one of these, but one of the most attractive — provided the potential exporter investigates and plans so as not to fall foul of regulations applying to that market. Failure to do this can result in frustration, as well as highly expensive litigation. The US market can be attractive and lucrative, but look before you leap into it.

□ **Schwarz is former ambassador to the US.**

LETTERS

COMPANIES GAUTENG **NEWS** GOVERNMENT ECONOMICS

Kenya joins protest over SA trade

(74) CT (BR) 28/7/95

By Joe Khamisi
Independent Foreign Service

Nairobi — Kenya has joined Zimbabwe in protests against what it sees as unfair trade practices by South Africa.

"We want South Africa to open her market to facilitate closer trade links with the rest of the region," Kirugi Mukindia, Kenya's trade and industry minister, said in Nairobi this week.

He was speaking at a meeting with Lucas Tavaya, the Zimbabwean high commissioner to Kenya, in which the two countries reviewed their trade ties.

Both officials accused South Africa of imposing high tariff rates and controls and of offering subsidies to its exports, thus giving them an "added advantage to dominate the regions".

Tavaya said if South Africa remained adamant in its position, his government could react.

He said Harare was seriously considering imposing rigid tariffs but hoped that ongoing talks with South Africa would avert the crisis.

The Kenyan minister said his country was closely monitoring the situation. "We must have a level playing ground and these unfair trading practices must stop," he said.

Kenya and Zimbabwe are junior partners in trade relations with South Africa.

Figures released by the Confederation of Zimbabwe Industries show that South African exports to Zimbabwe are worth \$500 000 yearly while Zimbabwean goods to South Africa are worth only \$125 000.

On the other hand, South Africa sold R614 million worth of goods to Kenya last year while it bought only about R26 million of Kenyan goods.

During the confederation's recent annual congress in Victoria Falls, Zimbabwean industrialists expressed their disappointment at South Africa's delay in concluding a new trade agreement to replace the 1964 agreement which favoured South Africa.

Zimbabweans complained that trade between the two countries was heavily skewed in favour of South Africa.

Kenyan manufacturers have often complained that official red-tape was preventing their goods from being accepted in South Africa. At the same time, they cite the massive flooding of South African goods now dominating supermarket shelves.

"Kenyans must be more aggressive in their promotions in South Africa," said one South African electronics executive. "Their goods must also be of very high standards otherwise they will be unacceptable."

'SA ports are all profitable'

Nicola Jenvey (74) (251)

BD 28/7/95

DURBAN — ALL SA ports were operating profitably and it was not necessary for Durban and Richards Bay to subsidise other harbours, Portnet media and advertising manager Pieter Smit said yesterday.

He said comments by KwaZulu-Natal economic affairs portfolio chairman Alex Hamilton that the province's ports were subsidising those of other provinces were unfounded.

Revenue derived from ports around the country was accounted for in Transnet. Transnet was a registered company with the state as sole shareholder and Portnet as one of its divisions.

Smit disagreed with Hamilton's allegation that KwaZulu-Natal was getting little or no benefit from Durban and Richards Bay.

More than 50% of Portnet's 1995/96 capital expenditure budget, amounting to R251,6m, had been allocated for upgrading the two KwaZulu-Natal ports.

However, Hamilton said the decision to upgradeDurban and Richards Bay harbours could not be decided at provincial level. Capital expenditure in the ports was at Portnet's discretion.

BULLETIN BOARD

EU relief for SA farmers kept on hold

(74) (88) Star 29/7/95

By DALE LAUTENBACH
FOREIGN EDITOR

The grinding wheels of Europe's bureaucracy and the protectionism of some member states have left South African farmers out in the cold for another couple of months.

In a bitterly worded statement from Brussels yesterday, South African ambassador to the European Union, Neil van Heerden, announced that tariff relief for South Africa's agricultural products under the EU's Generalised System of Preferences (GSP) was still on hold.

"It is a great disappointment, in the light of continued expressions of support for the new South Africa, that the European Commission's proposal for improved South African participation in the GSP for agricultural products was not considered before the summer break," said Van Heerden.

In short, the improved tariffs, originally supposed to come into effect in July, will not be implemented until September at the earliest.

Van Heerden blamed not only EU bureaucracy but the "attitude of certain member states" to South Africa.

It is well established that a number of EU members, particularly those with a strong farming lobby, are not keen to see SA products in Europe under favourable terms.

"This sets a negative tone when we are embarking on negotiations to establish a new relationship with the Union," said Van Heerden.

"There are misconceptions concerning the South African agricultural industry which also do not take account of the potential for a constructive partnership between Europe and South African producers," he said.

But even if the ministers had approved the commission's proposal before heading out of Brussels, the package would still have fallen far short of what Van Heerden would consider fair.

"The commission's proposal entails a selective extension to South Africa of the existing agricultural GSP package which covers only 24% of standard GSP," said Van Heerden, noting that Brazil, Mexico and Argentina were all beneficiaries of non-selective standard packages.

'Club Med' countries block way to Europe

(74) ST 30/7/95

By CHERILYN IRETON in London and DEBRA PERCIVAL in Brussels

STRONG WORDS ... Neil van Heerden is unhappy with Brussels' indecision on South Africa

FRANCE, Italy and Spain are believed to be obstructing South Africa's path to getting its agricultural goods and products into Europe on more favourable terms.

A strongly worded statement from Neil van Heerden, South Africa's ambassador to the European Union, exposed the difficulty in getting a better deal for farm produce entering Europe this year.

He said it was a great disappointment, especially in the light of continued expressions of support for the new South Africa, that the European Commission's proposal for benefits under the Generalised Scheme of Preferences had not been considered by the 15 ambassadors to the EU before their summer break.

Without pointing fingers, he said the attitude of certain member states set a negative tone.

Diplomatic sources in Brussels identified the three so-called Club Med nations, themselves agricultural exporters, as obstructing attempts to allow South African products and agricultural produce into Europe on preferential terms usually given to developing nations.

Although the GSP proposals being considered are an interim measure, it means that the earliest possible date that the benefits will apply is early October. They may then be applied retroactively, but it wipes out the possibility of any exporters preparing, shipping or marketing their produce in time to exploit the 1995 benefits, which should have been in place by July 1 according to a pledge given by the EU ministers in December.

With Brussels virtually at a standstill, it was impossible to get the French and Italian representatives to comment. But a representative for Spain, which currently holds the presidency of the EU, said time had been a problem in getting the GSP proposal considered.

He admitted that some delegations were afraid that if they handed South Africa too favourable a GSP package now, it would raise Pretoria's ambitions in bilateral and free trade talks.

The EU's entire GSP system is being overhauled in January and the new agreement comes on steam in 1997.

The interim GSP proposal for South Africa, filed by the European Commission at the beginning of the month, said South Africa should benefit from 66 percent of the preferential access to the EU market.

The EU's legislative process means the 15 Brussels-based ambassadors to the EU must look at each piece of legislation before it is approved. They are expected to water down the 66 percent proposal because of the strong lobby of agricultural exporting nations who fear competition from South Africa.

Mr van Heerden said there were misconceptions concerning the agricultural industry which did not take account of the potential for a partnership between European and South African producers.

He was referring in part to the seasonal differences between the north and south which should remove the threat of direct competition.

Côte d'Ivoire hopes to expand trade with SA

CT(BR) 1/8/95 (74)

STAFF WRITER

Côte d'Ivoire has brought a powerful delegation to South Africa intent on expanding trade links between the two countries.

Last year South Africa's exports to Côte d'Ivoire totalled R59 million and its imports from the west African country were R69 million.

Paul Yao Akoto, the ambassador of Côte d'Ivoire to South Africa, said his country hoped to established a model, balanced partnership with South Africa, because "South Africa is well endowed with natural resources and a reliable banking system".

Among the products Côte d'Ivoire wanted to source from South Africa were pharmaceuticals, medical equipment and supplies, building material, roof tiles, crockery, cutlery, clothing and radios.

It was seeking joint ventures in agricultural research, transport, public works, building, and laboratory chemicals and equipment.

ciprocal undertaking from SA, to open its own market to European imports in future.

Outspan International MD John Stanbury says decidous fruit and soft citrus exports are heavily levied, with EU tariffs of 20%-25%. "Most other citrus products are subject to 3%-4% tariffs, providing exports reach Europe outside their own production season. If exports fall within their season, the tariff rises to 20%."

Stanbury says SA horticultural exporters pay an annualised £50m in tariffs to the EU. "Lomé Convention beneficiary countries (African, Caribbean and Pacific nations), on the other hand, pay zero tariffs on most products." ■

CIVIL ENGINEERING

Trickling trend

FM 4/8/95

The civil engineering industry is suffering a downturn in order books. When calculations are completed, it is expected that tender awards to the industry will be as much as R1bn lower than in the first half of 1994.

Reviewing the state of the industry half way through the year, the SA Federation of Civil Engineering Contractors (Safcec) says tender activity is as low as ever previously recorded. "The stream of contract awards has dwindled to a mere trickle — below the danger level of R80m a week."

On the face of it, this stands in sharp contrast to views reported in the *FM* (*Economy* July 28). Broker Frankel Pollak research head Mike Brown said then that two further capital investment waves were taking shape. But this doesn't sit well with Safcec comments such as "all indicators are now declining compared to the last quarter of 1994," and "a further worrying trend is the cancellation of a large number of prospective contracts that did go out to tender."

LTA MD Colin Campbell says a common error is to confuse projections for capital projects with anticipated demand for civil engineering work. "The two aren't necessarily the same," he says. Brown agrees. "Later capital investment phases are likely to concentrate on equipment enhancement, expanding productive capacity and information technology. These aren't at all associated with civil engineering."

Campbell confirms, however, that some projects which were expected to materialise are conspicuously absent. These include water purification projects and major sewage disposal works, all of which are usually sufficiently large to impact substantially on the industry. Other sources say bottlenecking between central and provincial governments is becoming apparent.

Brown says this hiatus should be seen purely as a growth pause. "Considering the extent to which the economy is already becoming overheated — even with growth at a modest 3% or so — it can probably be argued this pause is needed. The economy is now in a long, hard slog."

One of the more obvious problems is that many of the privately funded projects have either been completed or are reaching finalisation. These include Anglo's Namakwa Sands mine, the Columbus Stainless Steel development and Gencor's massive Alusaf expansion at Hillside. Still in the pipeline are Tongaat's Hulett aluminium mill and its R600m greenfields expansion for a new starch and glucose mill at Meyerton.

Campbell confirms the industry is in the throes of a downturn "but I don't expect it to be any worse than similar conditions in the past." The message for those heavily tied into the industry is of a period of belt-tightening. One way round their difficulty may be to lobby government intensively since it is clear many potential contracts are trapped in layers of bureaucracy. ■

TAKING STRAIN

The strong demand for new vehicles is raising motor industry capacity utilisation to the highest level for years and placing strain on local components producers.

Figures from the National Association of Automobile Manufacturers (Naamsa) show that average capacity utilisation by SA car manufacturers in the second quarter of this year rose to more than 89%, up from the first quarter's 83% and well ahead of last year's overall 69,7% and the 73,5% of 1993.

The improvement for commercial vehicles was more striking. For light commercials, a second quarter 85% outshone the 69% of 1994 and 67% of 1993. Medium commercial capacity utilisation was 87%, as against 55,5% and 55%; for heavy commercials, it was 81,5% against 58% and 47%. Naamsa says this was despite most manufacturers reporting shortages of locally produced components. "Certain sectors of the local component supplier industry continue to experience capacity problems."

It adds that industrial action and other difficulties at ports have also created problems in sourcing imported components.

RUGBY UNION

Playing for keeps

He's used to getting his own way in the rugby world, but can SA Rugby Football Union (Sarfu) boss Louis Luyt be quite so confident about the immediate future?

This time round, Luyt is faced with two challenges with the outcome hard to predict. One is the Cape Town Supreme Court action instituted by M-Net against Luyt and Sarfu, asking the court to prevent the exclusive 10-year, R2bn TV deal with Australian media mogul Rupert Murdoch from taking effect in SA.

M-Net is asking to be allowed to enter into its own negotiations with Sarfu and Luyt for local telecasting of provincial and international rugby matches played in SA from 1996 onwards.

The second threat to Luyt's ambitions is the retaliatory move by Murdoch's fellow-Australian *bête noir*, Kerry Packer, whose representatives have approached dozens of SA's top rugby players to feature in his own, competing series of internationally televised matches.

When Luyt signed his deal with Murdoch, the die appeared to be cast. But contracting parties should have expected that other powerful media figures would also swoop on what has become a major televised sports prize — the growing global interest in international rugby matches. This week, Luyt admitted that rugby was facing a "major crisis," following the Packer move.

M-Net attorney Pieter Conradie says the motion application could be adjudicated by mid-September. M-Net's court application asks for an order that Sarfu is "not entitled in law to dispose of the television rights under its control until it has accorded M-Net the opportunity to bid for those rights;" and that "any act or undertaking given or made by Sarfu in breach of its obligations to M-Net is of no force or effect in law."

An affidavit by M-Net Supersport GM Russell MacMillan states that broadcasting of sports events is integral to M-Net's market ability and its growth, with international rugby now receiving particular priority, following the "unprecedented popularity" of the World Cup. ■

AIRLINES

Reluctant Virgin

British tycoon Richard Branson appears to have put the prospect of a regular SA service by Virgin Airlines on the backburner.

Spokesman William Whitehorn says Virgin won't start flying until it is allocated six weekly slots to fly out of London's Heathrow Airport. The airline now holds three winter slots and Whitehorn says no decision will be taken until after the allocation of summer slots in October. If Branson doesn't get the three extra he wants, and doesn't start using those he has by May, he could lose them.

However, if he gets the summer allocation, Virgin may start flying before May

Safto urges companies to exhibit

CT (BR) 7/8/95 (74)

BY MAGGIE ROWLEY

If South African companies want a chance of securing a slice of the Gulf market, worth $60 billion a year, then they must exhibit in the South African pavilion at the Middle East World Trade Fair in Dubai early next year.

This was the message from David Graham, the general manager of Safto, when he announced details of the trade fair to be held from February 25 to March 2.

The multi-sector fair is expected to attract up to 2 000 exhibitors from 25 countries. In all, about 90 South African exhibitors are expected to participate.

Graham said that Dubai was a well-proven entry point for South African manufacturers targeting the Gulf and Middle East.

"South African exports to the Gulf have grown from virtually nothing in 1991 to about R700 million last year."

Successful

Safto, he said, had stimulated this growth by organising two highly successful country exhibitions over the past four years.

"This is just a start. There is tremendous potential for growth in virtually all sectors and President Nelson Mandela himself has urged South African companies to focus on the Gulf region."

Graham said Safto believed the Middle East World Trade Fair offered a unique opportunity to Cape companies wanting to enter this market for the first time.

He said he expected Cape companies in the clothing and footwear, food, beverage, tourism, construction and engineering sectors to be among the first to sign up for the exhibition.

Participation is on a first-come, first-served basis, and, due to shipping deadlines, the cut-off date to sign up would no doubt be around November, says Safto spokesman Mario Angelucci.

Manufacturers agree to state trade policy

(74) ([illegible]) ARG 12/8/95

DURBAN. — Garment manufacturers have given qualified approval to the Government programme to bring trade policy for the sector in line with international requirements.

Clothing Federation of SA president Sadek Vahed says the four-year phasing out of minimum specific duties will help curb prices of apparel for people less well-off by keeping down the production costs of smaller manufacturers.

On the drawback side, he says his organisation will continue "at the highest" level to try to persuade the authorities to reverse the decision not to include "value added" (manufactured) goods under the duty credit certificate (DCC) export promotion system.

He said in response to Minister of Trade and Industry Trevor Manuel's release last week of the long-term plan for the sector that this was the industry's biggest disappointment.

Failure to extend the DCC system would keep South African apparel makers out of the growing "offshore contracting" business, where retailers and manufacturers in one country supplied fabric to producers in another to make into clothing and re-export to the country where the cloth originated.

This area of trade was expanding rapidly and held out the promise of job-creation, as well as foreign currency earning.

It cost the country nothing in tax terms, while no proof existed the DCC system contravened the World Trade Organisation's General Agreement on Tariffs and Trade (Gatt).

Mr Manuel said DCC would be phased out over three years from September 1.

AUCTION NEWS

Calls to uphold labour rights

John Dludlu (420) BD 14/8/95 (406) (74) (132)

SOUTHERN African countries using special investment incentives which contravened labour and human rights could risk termination of their preferential trade links with SA, it emerged at the weekend.

Trade unionist Lionel October, spokesman for the labour constituency at the National Economic, Development and Labour Council, said labour hoped to strike an agreement with its government and business counterparts to have all SA partners in preferential trade agreements agree to uphold social rights.

These included rights to join unions, rights to collective bargaining, and a ban on child labour as well as all forms of discrimination.

October felt a new bilateral agreement with Zimbabwe should include these four clauses.

October felt a revamped customs union agreement, currently being thrashed out, should also have social clauses in it.

Agreement on the social clauses has been delayed by government's failure to table its response to the labour proposal.

Iran, SA sign trade pact

(74)

CT 16/8/95

ANTHONY JOHNSON

SOUTH AFRICA yesterday brushed aside calls by the US to isolate Iran, by signing an agreement paving the way for joint ventures, trade and technological co-operation with the oil-rich state.

The two governments said they were poised to clinch a lucrative deal to store 15 million barrels of Iranian oil at the vast Saldanha tank farm — a move expected to boost the local economy and save taxpayers at least R50m a year.

The countries also plan to launch joint oil marketing and selling ventures to Southern Africa and South America and to operate as bridgeheads or gateways for trade to Africa and central Asia.

The burgeoning bilateral ties between South Africa and Iran were underlined by yesterday's signing of a joint commission by Foreign Minister Mr Alfred Nzo and his Iranian counterpart, Dr Ali Akbar Velayati.

Dr Velayati said: "We can be used as a gateway for South Africa to gain access to central Asia and the republics of the former Soviet Union and in return South Africa can act as a gateway for us to extend our co-operation with Southern Africa and beyond."

SA and Iran recently upgraded relations to ambassadorial level, despite pressure from the US to impose sanctions against Iran, which the Americans accuse of seeking weapons of mass destruction and sponsoring international terrorism.

Plan could reshape regional trade pacts

(74)

John Dludlu

BD 16/8/95

SOUTHERN African and other bilateral trading arrangements could undergo a major shake-up if a proposal by negotiators in the five-nation customs union came into effect, trade sources said recently.

Trade and Industry Minister Trevor Manuel's spokesman Ismail Lagardien said negotiators at the talks to review the customs union agreement had agreed on the need to set up a consultative mechanism to review and forge consensus on bilateral trade agreements between customs union partners and third countries.

A senior government source said if the mechanism, still to be discussed at ministerial level, was approved, a series of agreements would come under review, putting those accords in conflict with certain provisions of the agreement.

Durban-based Natal University economist and southern African regional trade expert Gavin Maasdorp said this provision could lead to fresh scrutiny of the Zimbabwe/Namibian preferential trade agreement — known to have adversely affected Swaziland and SA sugar industries.

Although the current customs union agreement has a clause requiring members to consult on bilateral arrangements, Namibia entered into the sugar trade accord with Zimbabwe without consulting the Swaziland Sugar Association and SA producers.

The talks between SA and the European Union towards a bilateral trade and cooperation accord would have to involve the mooted mechanism when it came into operation.

On the positive note, however, Maasdorp felt the mechanism could give a green light to Swaziland, Lesotho and Namibia — partners in the customs union agreement — to participate in the cross-border initiative, a group of 14 countries seeking to create a free trade area between southern and eastern Africa regions by 1998. The initiative excludes two other customs union members, SA and Botswana.

"As members of the customs union, Swaziland, Namibia and Lesotho have expressed interest in participating in the initiative, but cannot reciprocate by dropping tariffs until they've the permission from the union," Maasdorp said.

However, the planned mechanism could cause further delays in the renewal of the lapsed Zimbabwe/SA bilateral.

Rand Afrikaans University director for Institute of American Studies Carl Nofke expressed hope that the planned mechanism did not become a "breaking device" in the region, which could reap enormous benefits through co-operation in such fields as water and energy.

Now comes the horse-trading (74) FM 18/8/95

The Department of Trade & Industry (DTI) and European Union officials are set to commence negotiations next month to conclude a bilateral free trade agreement. The outcome, however, is far from predictable.

Trade & Industry Minister Trevor Manuel has indicated that SA will seek a long-term bilateral agreement that is likely to run for 15 years. He has also indicated that SA will seek a 10-year grace period that will accord SA trade benefits that are as close as possible to those available under the Lomé Convention.

The largest aid accord available internationally, Lomé offers benefits in a multi-faceted package that includes aid grants, economic co-operation and development packages and unilateral, duty-free access for developing countries to the EU's estimated US$7 trillion market.

Though the EU has already promised SA ECU500m ($675m) in aid over the next five years, and is happy to allow SA qualified membership to Lomé, it has steadfastly refused to grant SA goods unilateral duty-free access to its markets. It doesn't believe SA's economy is sufficiently underdeveloped. Put differently, it fears that SA exports would swamp produce from other Lomé members — African, Caribbean and Pacific (ACP) countries. The EU claims that SA exports to the EU are already worth more than half of the combined exports of Lomé members.

Manuel, however, stresses that allowing EU goods immediate reciprocal duty-free access to SA would put many uncompetitive SA industries out of business, causing unemployment and economic hardship. Says Manuel: "A grace period is thus necessary to support the current transition underway in SA and southern Africa as a whole."

In practical terms, then, the DTI is likely to seek a staggered or asymmetrical phasing in of mutual benefits that would require the EU to reduce its duties faster than SA would be expected to. For example, SA could take 10 years — the maximum allowed by Gatt — to eliminate duties while the EU could agree to scrap duties over a two-year period.

Manuel stresses that the time frames for each sector should be determined according to detailed impact studies.

At issue, of course, is improved access for SA's agricultural goods. The DTI's Faisal Ismail says that though 77% of SA exports to the EU are already duty-free, agricultural goods are noticeably excluded.

The DTI is particularly concerned that agricultural goods receive less favourable treatment from the EU than produce from countries that are more developed than SA. SA pays an 8% EU tariff on avocados whereas Mexico pays only 6% and Israel pays no tariffs. For melons, SA pays an 11% tariff while Turkey, Venezuela and Costa Rica pay nothing. For fresh flowers, SA pays a 15% tariff compared with Israel's 2,1%. Colombian flowers are landed in the EU duty-free. Greece has also successfully maintained an EU-sanctioned moratorium that keeps SA citrus out of Greece because it claims the fruit could be diseased — a concern which, however, disappears when supplies of Greek produce run low.

Brooks

But despite the opposition from EU members, Lomé member states recently unanimously voted in favour of SA membership.

Sceptics though, fear that certain key EU products will always be protected regardless of Lomé or any agreement. This is particularly true for agricultural goods. Free trade agreements between the EU and Poland, Hungary and the former Czechoslovakia exclude so-called "sensitive products" such as textiles, clothing, iron and steel, footwear and chemicals and agricultural goods. The EU frequently imposes nontariff barriers that include strict local content requirements of 60% for Central and Eastern European countries.

The EU has, however, publicly stated that there could be as few as 20 "sensitive products" that require special treatment — suggesting that these products would be precluded from interim unilateral access. Gatt also requires that all trade has to be included in a Free Trade Agreement.

Another major concern for the DTI is that SA is presently unable to conclude a Free Trade Agreement without the consent of its partners in the SA Customs Union — an arrangement that is also being renegotiated. Excluding SA from Lomé could also jeopardise SA's reconstruction and development plans, particularly since its partners in the union are Lomé members. Competition Board chairman Pierre Brooks suggests that the EU might be willing to allow interim unilateral access for products that are needed to advance the RDP.

"Such an arrangement might allow fewer concessions to developed sectors." But implementing such a policy may prove impractical since special access to EU markets for developed goods could arguably have direct spinoffs for nonexporting sectors that are vital to the RDP.

Not surprisingly Manuel has asked the EU to observe certain principles in the forthcoming negotiations. These include:

- Fair trade — removing the effects of SA's apartheid isolation;
- The advancement and nonimpediment of the current restructuring and democratisation of the SA Customs Union;
- Negotiators should strive to achieve — as their principal objective — an agreement that increases the number of sustainable jobs in SA and southern Africa; and
- Negotiations should also lead to the fastest implementation of the agreement.

The EU could seek some sort of assurance that benefits will filter through to the underdeveloped and developing sectors. Says Brooks: "Of course, this type of thinking is difficult to implement. Competition policy can facilitate the correct environment in which small- and medium-sized business can flourish, but it can't create new players.

"Still, big business sometimes makes use of smaller entities in its dealings, ensuring some spillover of benefits."

Whatever the outcome of the upcoming negotiations, qualified membership to Lomé will pay dividends for SA. Specific benefits will include greater regional co-operation and assistance and participation in tenders for EU-funded projects.

Risk rating

SA exports will also qualify for "accumulation of origin status" which means SA exports to ACP countries will be eligible for inclusion in goods manufactured in those countries and exported to the EU duty-free. This means SA will indirectly be able to export more intermediate goods — effectively duty-free — to the EU.

But an agreement that associates SA too closely with full Lomé membership might not be beneficial in the long term. Lomé members include some of the world's poorest nations, a classification that could hamper SA's access to capital markets and make foreign investors question the country's risk rating.

It could also delay the urgency for manufacturers to become more competitive through upgrading skills and equipment and re-engineering outdated business practices.

The DTI's ultimate objective needs to be the fostering of an internationally competitive and independent economy that has little need of hand-outs.

INTERNATIONAL

SA to discuss better EU trade deal

ET (BR) 21/8/95 (74)

By John Fraser
INDEPENDENT FOREIGN SERVICE

Brussels — South Africa has embarked on a deeply ambitious negotiation to win better access for its exports to the European market.

Teams of negotiators have been assembled on both sides. They are ready to pour over tiny points of detail about avocado tariffs, litchi quotas, levels of industrial exports, and European Union aid.

However, a visitor to Brussels could be forgiven for wondering why there is so little sign of life.

The Moroccans are in town to negotiate a fisheries accord and the odd union commissioner can be spotted in casual attire sneaking in to his or her office. But, otherwise, August is the month when Europe is closed.

This must be rather frustrating for Neil van Heerden, South Africa's ambassador to Europe.

Data

They have at their fingertips every fact and figure you need to know about South Africa's relations with the union, as well as an armoury of extra data that only a nit-picking Eurocrat would demand.

Van Heerden is a veteran negotiator, capable of chewing up and spitting out anything the Eurocrats throw at him. Instead, he is like a general without an enemy, scanning the horizon for a foe who will not leave the beaches and holiday villas for at least another week.

It is likely, sources say, that the next round of talks will not be in sleepy Brussels but in South Africa.

This will enable the union's trade and aid experts to stock up on air miles as well as free hotel soaps, sewing kits, shower caps and shoe polishing cloths.

It will also enable the South African side to show at first hand the conditions in which the majority of the country still live.

That, after all, is what these negotiations are all about.

The Western world, of which the union still believes itself to be the leader, wants South Africa to succeed. However fine the RDP may be, it will take massive resources to transform the lives of South Africa's poor and huddled masses.

The country needs aid from Europe, but it also needs to earn more from trade with Europe — and that is why trade access is at the centre of the negotiations with the union.

Concessions

There is an urgent need for an agreement between Pretoria and Brussels. But you would not guess it if you wandered the deserted corridors of the union's headquarters in Brussels this month.

Meanwhile, short-term concessions for South Africa's farm exports to Europe were proposed by union officials last month, but still have to be agreed to by union governments. Some nations say the proposals are too generous, and will hit their farmers. Others, however, claim that being nice to South Africa at this stage would send the wrong signal, as long-term trade negotiations begin.

Nothing is happening on this issue as no meetings of union ministers or ambassadors are scheduled until next month.

This means that the concessions, which will only run until the end of this year, will come too late to be of any real benefit.

The deeper message will not be lost on the Pretoria authorities.

In theory, everyone in Europe wants to help South Africa. In practice, self-interest is never very far below the surface.

JOBLESS WOES *Kenneth Clark, the finance minister, has cause for concern over July's jobless figures*

SA is springboard for trade

CT(BR) 22/8/95 (74)

By Derek Tommey

Hong Kong businessmen see the South African market as a springboard for trade with the rest of southern Africa and the African continent, said Dr Victor Fung, chairman of the Hong Kong Trade Development Council, in Johannesburg last night.

He was speaking at the opening of the council's Johannesburg office.

Fung said that in the medium to long term, the businessmen also saw South Africa as a possible springboard for the sale of their goods to the American and European markets, as South Africa had trade preferences with these countries.

South Africa and Hong Kong already had important trade links. Last year two-way trade between the two countries amounted to $1,1 billion.

He looked forward to further developing bilateral trade. "We feel there are tremendous opportunities for South African businessmen in Hong Kong which also gives them a launching pad into the rest of the Asian market and especially China."

The Hong Kong Trade Development Council could act as an intermediary for South African businessmen. It had a worldwide network of 50 offices and the names of 400 000 people who were ready to trade.

SA denies dumping on Kenyan markets

BY JOE KHAMISI
INDEPENDENT FOREIGN SERVICE

CT (PR) 22/8/95 (74)

Nairobi — South Africa has denied claims it is dumping sub-standard goods on Kenyan markets.

"These allegations have been proved to be untrue," Dries Venter, South Africa's high commissioner to Kenya, said.

In an interview with the weekly East African Chronicle, the envoy called the allegations "extremely serious".

South Africa and some Asian countries have often been accused by Kenyan manufacturers of unfair practices.

Late last month, Kirugi M'Mukindia, Kenya's commerce and industry minister, called on South Africa to create a "level playing ground" in its trade relations with Kenya.

However, Venter denied South Africa was dumping.

"There should be no reason why locally produced Kenyan products are not able to stand up to imported products which have to be loaded with transport costs, import and excise duties," he said.

The envoy said South African products had an advantage over other imports because of the country's close proximity to Kenya, short lead times and the ability to source smaller orders in comparison to other competitors.

He admitted South Africa had a favourable export compensation scheme and offered subsidies to exporters.

However, he pointed out that the general export incentive scheme began in 1981 to favour exporters to countries other than the customs union and would be phased out completely by the end of 1997.

This, he said, was in line with the general agreement on tariffs and trade (Gatt).

Venter said it would take decades before South Africa could offer aid to less advantaged African countries.

At present all efforts were being directed through the RDP "to spread equitable development to every corner of our country".

Competitive goods 'SA's major challenge'

CT 23/8/95 (74)

SPECIAL CORRESPONDENT

SUN CITY: Deputy President Thabo Mbeki yesterday challenged South Africans to produce modern and sophisticated manufactured goods and provide services that can compete with the best in the world.

Addressing the first South Africa-Malaysian Business Forum here in the North West Province, Mr Mbeki said to overcome the challenge required new investment systems, trained workers, good marketing, ease of market entry for competitors and a willingness to take risks, especially in the context of the globalisation of the world economy.

"South Africans should free themselves from the tyranny of continuously declining commodity prices, break loose from the mesmerising glamour of diamonds, gold and platinum and gain enough confidence that they can produce modern and sophisticated manufactured goods and provide services that can compete with the best in the world," he said.

He said there were two features of economic reality in SA, which were both a challenge and an opportunity.

"One is the great gender-based imbalance in wealth, income and opportunity which existed in the country." The other feature of SA's socio-economic reality, he explained, was the country's continued relationship with the developed north as an exporter of raw materials and food products and an importer.

Mr Mbeki revealed that there had been a rapid growth of trade between SA and Malaysia, even though the balance of trade was not in SA's favour. He encouraged the 260 visiting Malaysian businessmen to enter into joint ventures with local black business people.

"I'm informed that your investments have already generated half-a-billion dollars worth of additional investments in our economy. These are significant achievements," he said.

SA set to reach tariff deal with Zimbabwe

ARG 24/8/95 ~~26~~ (74)

□ *Clothing and textile imports discussed*

PRETORIA. — South Africa and Zimbabwe expect to reach agreement on tariffs for clothing and textile trade by October, a South African government official said.

Officials from the two countries held talks in Pretoria over South Africa's 90 percent tariff on imported clothing, which Zimbabwe's producers complain is too high.

The two countries agreed in the talks to submit proposals on clothing and textile tariffs and a follow-up meeting would be held within the next two weeks to discuss additional details submitted by Zimbabwe, said Mfundo Nkuhlu, a Department of Trade and Industry consultant on regional trade relations.

"It will have to be approved by the minister, but we decided that we would have a mutual agreement by the end of October.

"The meeting essentially agreed to recommend proposals on differential (tariff) access of clothing and textile exports that would be close to the situation that prevailed in 1992," he said.

Mr Nkuhlu said Zimbabwean officials wanted to discuss other trade issues and there would be talks on these towards the end of the year.

Zimbabwe wanted South Africa to restore preferential tariffs on clothing and textiles from the country, which were in place until 1992.

"Zimbabwe had preferential access into the South African market over other most favoured nation (MFN) products. What happened is the tariff in 1992 went up steeply, particularly for the clothing and textile sector, which diminished the preference margin enjoyed by Zimbabwe.

"Their request was they feel we should return to that situation," Mr Nkuhlu said. — Reuter.

SA and Harare to agree on tariffs

CT (BR) 24/8/95 (74)

FROM REUTER

South Africa and Zimbabwe expected to reach agreement on tariffs for clothing and textile trade by October, a South African government official said yesterday.

Officials from the countries held talks in Pretoria on Tuesday over South Africa's 90 percent tariff on imported clothing, which Zimbabwe's producers said is too high.

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"Zimbabwe had preferential access to the South African market.

"In 1992 the tariff went up steeply, particularly for the clothing and textile sector, which diminished the preference margin enjoyed by Zimbabwe," Nkuhlu said.

Hong Kong, SA forge trade links

Sowetan 24/8/95 (74)

By Mzimkulu Malunga

HONG Kong and Johannesburg may be thousands of kilometres apart, but this week the two cities came together – in spirit.

The bond was brought about when Gauteng premier Tokyo Sexwale and HKTDC's chairman Dr Victor Fung opened the Hong Kong Trade Development Council's office in Johannesburg.

The HKTDC has acted as a catalyst in Hong Kong's success that saw it become the fifth largest trading area in the world.

More trade

Fung says the office is not only a vote of confidence in South Africa by Hong Kong, but could revolutionise trade relations between the two countries.

Since it will be linked to a data base that has access to more than 400 000 businesses in Hong Kong, the office will help South African businessmen identify potential clients and partners in one of the vibrant parts of "Asia Pacific" – as the region's inhabitants prefer to call their area.

SA imports welcome

While trade between the two countries is in Hong Kong's favour at present, Fung stresses that the territory will welcome South African imports.

Gauteng premier Tokyo Sexwale

The emphasis, he says, is on a two-way trade relationship between South Africa and Hong Kong.

Like many other countries that do business with this country, Hong Kong wants to use South Africa as a launch-pad from which to sell its goods to other parts of Africa.

For his part Sexwale says in future South Africa's exports to Hong Kong should not be confined to base metals as it is the case at present.

FOREIGN TRADE (74)

SA vs the world

FM 25/8/93

Germany is our largest supplier. As R4,9bn of imports poured into SA from that country in the first four months of 1995, it increased its dominance with growth of more than 40% over the same period in 1994.

Figures supplied by Customs & Excise show growth in imports from the other main trading partners in the period was strong but did not match this. Imports from Japan rose 37% to R3,2bn, the US 31% to R3,4bn and the UK 29% to R3,2bn.

Off a much smaller base, imports from France rose 73% to R1,2bn and from Italy

... figures show strongest growth in exports to the US — 25,4% to R1,4bn.

This was followed by exports to Germany, up 24% to R1,4bn, the UK, 16% to R2,1bn, and Japan, 13% to R1,5bn.

As a whole, Africa is SA's fifth-ranking trading partner. It is also the main recipient of exports, receiving more than North and South America combined. And it is now the only region with which SA has a substantial trade surplus — R2,6bn in the four months. Exports grew nearly 52% to R3,4bn.

Categories depend on the trading partners. The main export to Africa is machinery & electrical equipment, a significant proportion consisting of re-exports; to the UK and Switzerland the category which includes diamonds, and to Japan and the US base metals. The biggest categories of exports to Germany are, surprisingly, machinery & equipment and "miscellaneous manufactured items."

Figures supplied by the Johannesburg German Chamber of Commerce show the largest category in the first three months was semi-finished products, valued at DM214m. Chamber spokesman Herbert Weicke says: "This includes gold for manufacturing, worth DM48,3m."

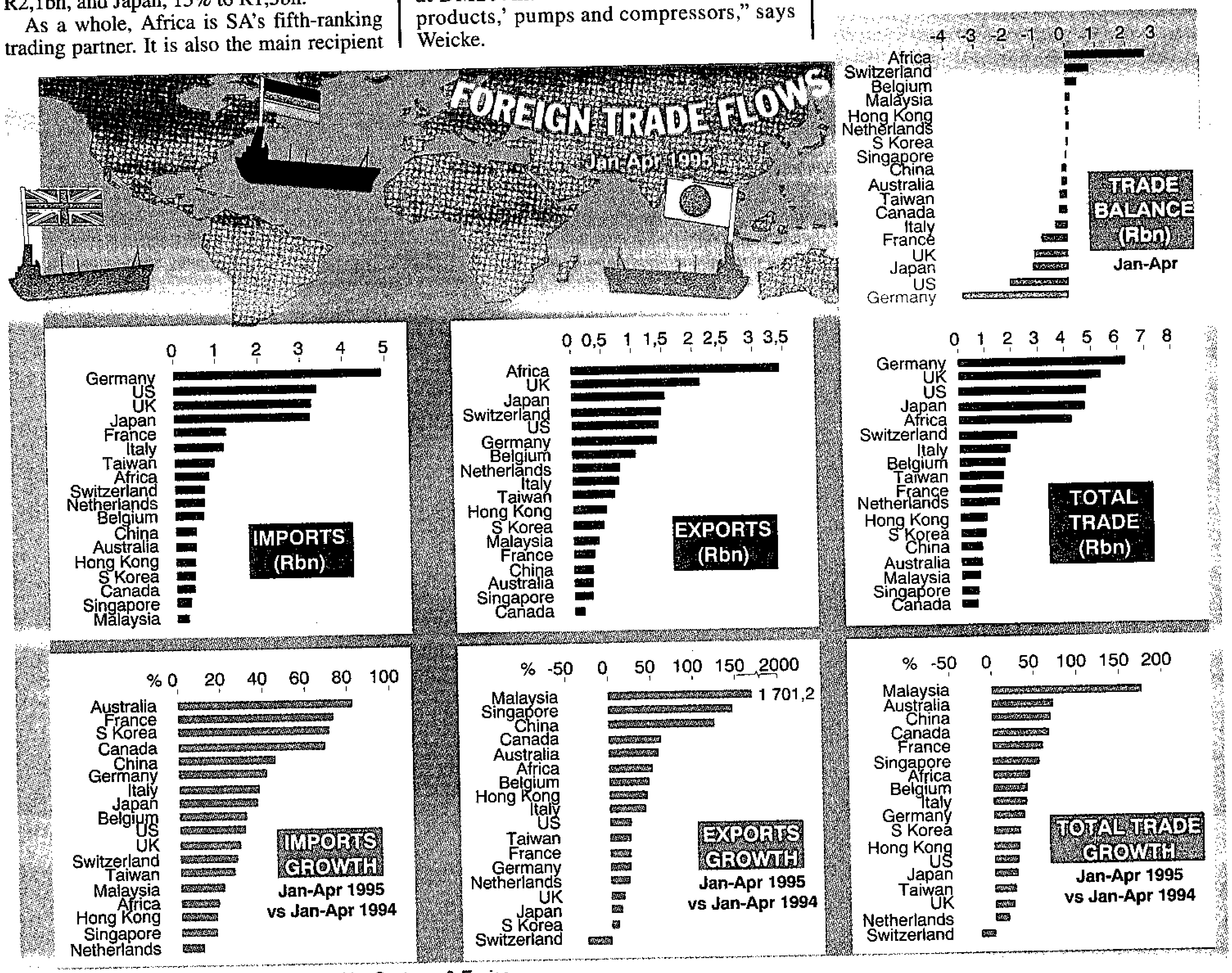
The second category is finished products at DM207m. "This includes 'other steel products,' pumps and compressors," says Weicke.

The strongest growth in total trade involved countries with the smallest bases. Malaysia topped the list with growth of 177% to nearly R700m. Most of the rise came in exports, which grew 1 700% — off a tiny base but growing rapidly.

Nedcor Economic Unit's Kevin Lings points out: "Exports to Malaysia in 1993 totalled R27m, increasing to R343m in 1994. In the first four months of 1995 exports amounted to R422m, exceeding the total for 1994."

The extent of the distortion in trading patterns, created by the failure to include gold in the country breakdown, can be seen in the category breakdown. It shows that more than R9bn of the R30,5bn in export revenue in the period came from category 22. This is described as "other unclassified" and is made up mainly of gold.

With such a large percentage of exports eliminated from the country breakdown, the trade balance derived from Customs & Excise figures is misleading. ■



Calculations based on figures supplied by Customs & Excise

HEALTH CARE

(85) FM 25/8/95

In search of a national system

The *FM* assembles a group of experts to debate aspects of the Broomberg/Shisana report

The Broomberg/Shisana Committee proposals for a national primary health-care system are mostly sound. Chapter 8 of the report, however, proposes stringent regulations that could threaten the existence of the private health-care sector.

Debating these issues are committee co-chairman Dr Jonathan Broomberg, the Medical Association of SA's Gavin Dempster, Pharmaceutical Manufacturers Association president Mike Norris, Wits economics professor Duncan Reekie, The National Association of Private Hospitals' Dr Annette Van der Merwe, Pride Group director Neville Koopowitz, Momentum Health MD Adrian Gore, AMA's Roly Buys, health consultant Tony Leveton and Alex van den Heever of the Wits Centre for Health Policy.

Asking the questions is the *FM*'s Mirryéna Deeb.

***FM:* Chapter 8 was compiled without any input from stakeholders and says that consultation must still take place. When and how will this happen?**

Broomberg: Stakeholders will be approached soon to begin the negotiation process. The aim is to have legislation before parliament by February. Government is keen to end the consultation/submission process — which has gone on since before the Melamet Commission — and begin negotiations around the proposals in Chapter 8.

***FM:* Fears are that the proposed mandatory health insurance for a defined hospital benefit package (core package) for employees would increase labour costs and unemployment. It could also discourage membership of schemes as members realise they are paying for a public benefit that they are unlikely to use while paying for the same cover through their schemes.**

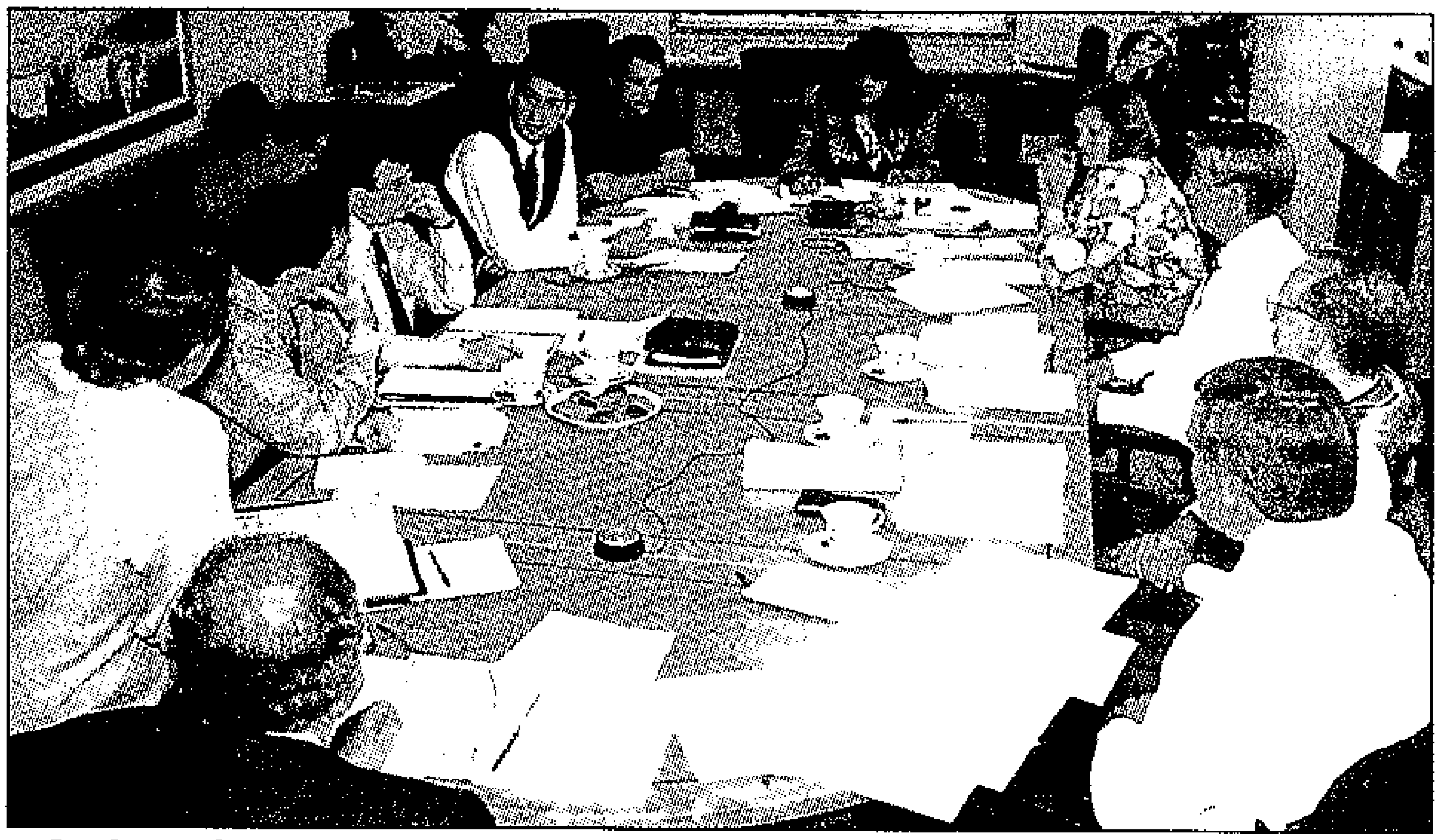
Broomberg: The proposal does not explicitly require that those covered be treated in a public hospital, only that the costs of that treatment must be covered, should they use a public hospital. Cover for the core package must therefore be seen as a type of floor or minimum cover rather than a ceiling.

This is important since the proposal would let people cover themselves for more than the core package — something that can be negotiated at shop floor or industry level between employers and employees.

I don't think the proposal amounts to double taxation because it's not obvious that it's a service people would pay for and not use. Certainly, till now, government policy has been to refer anyone with private health cover away from public hospitals. Implicit in our proposal is a dramatic reversal of that policy.

Simply, our aim is to encourage public hospitals to start competing for paying patients. This would provide a revenue-generating mechanism and go along with another proposal that seeks to allow hospitals to retain revenues at local levels. This, we believe, would also have strongly positive governance implications since to attract paying patients, hospitals would have to improve standards of service.

***FM:* What about cost recovery?**



Clockwise (from centre)... *the* FM*'s Deeb, Van der Merwe, Dempster, Reekie, Norris, Leveton, Buys, Gore, Koopowitz, Broomberg, Van den Heever*

Broomberg: The Department of Health intends imposing a rigorous cost-recovery user-charge system at State hospitals which will mean that employees who don't have private health insurance coverage and cannot afford private hospitals will face potentially large bills from public hospitals. Our intention, therefore, is that all employees should pool the risk through the proposed mandatory cover that will bring in about 1,5m new members and their dependants.

These new members, we believe, will continue to use public hospitals but will become paying patients. Increased labour costs would not necessarily follow since, in the long term, there could be savings for patients who opt to use an improved and cheaper public hospital.

Buys: Do you have the managerial capacity and expertise to manage these hospitals, given that provincial hospitals have, for a few years, been charging paying patients private-sector rates and marking up drugs (purchased on State tender at dramatically reduced rates) by up to 100% — practices that yield private hospitals large profits but can't seem to do the same for provincial hospitals? Are we not going to be paying inappropriate rates at State hospitals for three to four years simply because there is no efficient management?

Broomberg: The mechanism of public-sector hospital pricing has been inappropriate and often arbitrary. A problem is the absence of incentives for State hospitals to make profits since profits seldom remain in the health treasury — they go back to central treasury.

Certainly, there are deficits in management capacity. But if a system develops that allows public hospitals to overprice themselves without delivering the goods, competition from private hospitals will ensure that patients vote with their feet. Our aim, therefore, is to introduce market mechanisms into the public financing of hospitals so that hospitals are forced to improve their management. But this entails giving State hospitals the freedom and autonomy to implement change. For example, to pay good pay packages to get competent managers from the private sector.

Van der Merwe: Is it necessary or politically desirable to make cover for a core package of hospital services compulsory, given that your proposed beefed-up cost recovery for public facilities would create a strong incentive for employers to enlist employees as members of a State fund if they wish to avoid large State hospital bills?

Broomberg: Strong incentives may be preferable to legislation. A major problem, however, is that while the proposed core package seeks to cover employees now without cover, we also need mechanisms that allow risk sharing, cost subsidisation between richer and poorer people and the old and the young. I fail to see how such a risk pooling mechanism could be achieved without some form of mandatory arrangement. The system may well be phased in.

Reekie: I am concerned that your proposed "employer-linked" mandatory cover could lead to increased unemployment as employers become unable or unwilling to meet the increased labour costs — a consideration that saw the defeat of the Clinton health proposals. If a system of national registration is to take place, there can be no reason why the individual rather than the employer should be mandated to take cover for the core package. Such a system could be funded through general taxation and reverse taxation for the poor and unemployed such as tax vouchers.

Broomberg: Even with an individual mandate, costs will have to be shared between employees and employers to lessen the burden. I believe an employer mandate, together with the other proposals, would bring down private-sector expenditure.

Van den Heever: This is true because, even where prices, costs and charges are the same for both public and private hospitals, the public sector will be considerably less likely to overservice — a problem that burdens private medical schemes. At issue is who can reduce overall health expenditure rather than merely contain individual costs.

Koopowitz: Of course, managed health-care principles and practices in the private sector specifically seek to prevent overservicing and are also geared towards reducing overall health expenditure.

Gore: It seems strange that the proposed primary health-care system will be funded on a capitation (fixed annual fee per person) system while the mandatory hospitalisation package is potentially costed on a fee for service basis. Surely this creates perverse incentives for primary health-care providers to profit by referring as many people to the secondary and tertiary care covered by the mandatory package — a move that will rapidly overburden the mandatory package?

Broomberg: This is a potential problem, but the answer lies in the nature of the referral mechanism between primary care providers and hospitals. A hierarchical structure will heavily penalise patients for bypassing the appropriate levels of care.

Leveton: If we have a community rated population (no differential premiums or contributions based on sex, age or claims patterns and income-related contributions) who enjoy the same core hospital benefits, who carries the risk — the administrator/insurer or the provider, who is actually the public sector in this case?

Broomberg: Some of the risk should be borne by the administrator in a competitive environment. Some risk will also be borne by the hospital system and ultimately the State, which bears the risk for the unemployed and indigent by providing high quality, free care.

BROOMBERG:

"Stakeholders will be approached soon"

Van der Merwe: If you attract private patients to State hospitals and those patients don't pay the full cost of care, you are actually taking money away from indigent patients. This means that accurate costing of the core package is essential. On this score, I believe your calculations at R400 per person per annum are unrealistic. This amount would only cover one hospital day. Even if you look at the 1992 Gauteng (then Transvaal) management report, the cost per patient per day exceeded R400 then.

Broomberg: I think it is on average lower than R400. We are not talking only about the Johannesburg Hospital but all hospitals, including rural community hospitals and regional hospitals. In any event, we are probably talking about marginal cost recovery and one day per patient per year, which you infer, is probably generous.

Van der Merwe: Without costing on the basis of an average you will end up attracting money away from the indigent.

***FM:* The concern is that the equalisation fund for the core hospitalisation package — that would effectively take money from some schemes and redistribute it to others according to the risk profile of each scheme's members — would reward inefficient management and penalise schemes or administrators who make savings.**

Broomberg: The equalisation fund applies only to the core package which amounts to a low percentage of total annual private health insurance costs.

Leveton: The equalisation fund creates tremendous job opportunities for niche marketers. Simply — if somebody else will carry my bad risk as an administrator then the equalisation fund is a great business. For example, I would start a fund and recruit every pensioner I could find, knowing that another administrator, whose scheme has a young profile, will bear my costs.

Broomberg: The fund shouldn't make it profitable for you to deal only with pensioners. It should just equalise the cost of dealing with a pensioner relative to a 25-year-old. If the system does create arbitrage opportunities, then it is faulty and we need to rethink the proposal.

Buys: Should there not rather be a reward for administrators who manage their hospital days down, not just through price and benefit structures but through utilisation?

Broomberg: There should be objective risk factors, based perhaps on demographics — not experience of schemes — that would allow you to have risk categories. This should be coupled to other proposals to put administrators at some risk for overall expenditure of schemes, which means they get rewarded if they contain utilisation and penalised if overall utilisation increases. This would apply to all benefits.

***FM:* Turning to the proposed regulations for the full benefit package offered by medical schemes, the committee proposes that "schemes may not exclude any individual on the basis of his/her health risk. There should be open enrolment, guaranteed renewal and transferability of membership between schemes."**

Gore: The proposals are workable for the mandatory package only, because benefits beyond the mandatory package are chosen voluntarily. As soon as people have choice, proposals such as guaranteed membership and enforced community rating cannot work. While they may be desirable from a social perspective, they are not sustainable financially. For example, people would buy cover only when they are sick. Innovation in the market would also be stifled. Any scheme that offered superior benefits would attract mainly the sick and ultimately fail. This would remove the private sector's ability to adequately fund health care and alleviate the State's burden.

Koopowitz: These proposals would mean a return to the highly regulated and financially bankrupt pre-1989 scenario. Since deregulation has begun, we have seen innovative schemes that have managed to contain costs and have been widely welcomed by employers and employees. Since the sustainability of private-sector financing is vital, my concern is to ensure that private-sector financing remains competitive and operates on a free market basis.

Broomberg: I don't believe the changes since 1994 have been helpful — they have merely bailed out the system. There is an invisible slide in the quality of cover. Innovation has simply led to the proliferation of schemes offering fewer benefits that have

EXPORT ZONES (74)

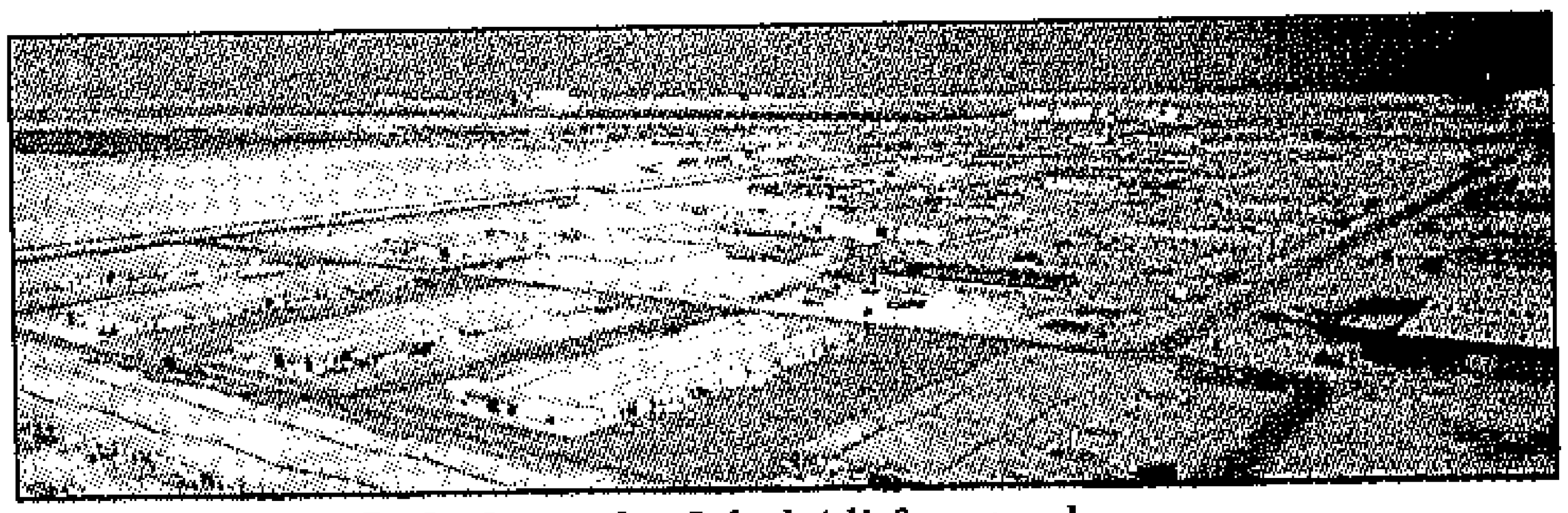
Out of the laager

FM 25/8/95

Free trade areas encourage foreign investment, stimulate exports, increase foreign exchange earnings, create jobs and encourage productivity. "For SA, they would enable the rapid building of competitive advantages while the industrial sector is given time to acclimatise to the harshest effects of global competition," claims the author of a comprehensive study of export promotion mechanisms, Terry Markman.

The study, commissioned by the National Special Economic Zone Forum — a cross-section of local government, semi-State corporations and business formed last year — says free trade areas have proliferated internationally over the past 25 years as the pace of economic globalisation has increased.

"Most of the models comprised one form or another of export processing zones (EPZs) which are distinctive in being entirely fenced off to promote the policing of customs regulations. Examples are found in Thailand, Taiwan, South Korea and the Dominican Republic."



Dubai . . . *the Jebel Ali free trade zone*

Put simply, EPZs — usually located near a port or industrial area — allow the import of raw materials and components duty- and tax-free. These materials are then used in a manufacturing process and the final product is exported — at a competitive international price because of lower input costs. Of course, if the final product enters the local market, the relevant duties and taxes are added so there are no distortions to the economy or any prejudice to local business.

Special attractions for foreign investors usually include tax holidays of up to 25 years and exemptions from tariffs and duties. For the State, the value of foreign earnings, experts argue, would far outstrip traditional duties and taxes it could collect on unprocessed or unfinished imports. Foreign investment would also make the most of the potential for job creation.

Though these mechanisms present real advantages, they traditionally tend to rein in labour rights, for example the right to strike, and so aren't popular with unions. In SA, this opposition has put a Department of Trade & Industry proposal to establish such zones on the backburner.

Seifsa economist Michael Mcdonald, however, believes these concerns could be addressed through some imaginative deal-making with labour. "In return for acceptable wage levels, a commitment to better training, decent conditions of employment and an agreement to arbitrate on alleged unfair labour practices, employers might be able to negotiate an agreement to no strikes, slowdowns or stayaways. EPZ employers should not look at trade unions as possible adversaries but as partners in a joint venture that should benefit everyone."

Big business also has its problems with EPZs. They argue that the tax holidays that usually characterise free trade areas amount to unfair competition to established business. Markman suggests a solution could be establishing Export Processing Units (EPUs), another popular variation where a single firm operates as an EPZ. Countries employing EPUs include Mexico, Singapore and Mauritius, where unemployment ran at 40% before EPUs were introduced. Today Mauritius imports labour. "The advantage of EPUs is that they build on the potential of the country's entire manufacturing sector. They also avoid allegations of unfair competition operating against existing industry."

Less frequent models are free ports (Dubai), special economic zones, free trade zones and customs privileged facilities.

Markman also recommends an Export Facilitating Organisation for SA. He says this could build on most of the advantages of the other models and shift the cost of managing services from the State to the private sector.

He concludes: "There is no need to delay the implementation of free trade areas until an industrial policy is in place. Free trade areas are simply a device of industrial and economic policy which must have, as an element, the promotion of exports." ■

Picture: DOUG PITHEY, Staff Photographer.

☐ **MONEY MATTERS:** Malaysian Prime Minister Mohamad talks business in Cape Town this week.

Indian Ocean trade club may prove irresistible

(74)

DAVID BREIER
Political Staff

ARG 26/8/95

IN the harsh realities of the modern world, a country is liable to have sand kicked in its face unless it is a member of a strong trade club — and South Africa is now well on its way to joining a club that includes some real giants.

The impulse towards setting up an Indian Ocean Rim (IOR) trading bloc has now become irresistible, international experts report after the inaugural meeting earlier this year on Mauritius to set up an IOR core group.

While sceptics might scoff at the IOR's power to challenge the financial muscle of the mighty blocs in Europe, the Pacific Rim and North America, the fledgling IOR is no pushover, researchers Gwyn Campbell and Mario Scerri report in the SA Journal of International Affairs.

As well as South Africa, this core group includes:

■ India with a current population of 900 million of whom 70 million — more than the population of Britain — are classified as "middle class". The Indian population is growing by 18 million a year and will exceed a billion by the year 2000.

The number of trained personnel in India is exceeded only by the US and Russia "so that it offers prospective investors a work force geared to meet the technological challenges of the 21st century," according to the researchers.

And India's $250 billion (about R880 billion) economy is growing at a healthy rate of 4 percent a year.

■ Australia which has become a "world class competitor" with an economy that grew 5,6 percent last year compared to South Africa's 2,3 percent. Inflation in Australia was only 2,5 percent compared to South Africa's 9 percent — one of our better years.

But the problem with Australia is that it has been seen as a competitor for South Africa — taking our place as a wool and coal exporter during apartheid isolation, and it is now a competitor in gold as well.

The writers therefor urge caution for South Africa before it drops its trade barriers with the land of Oz. "Should they be swifty and unilaterally reduced, Australia would gain most of the benefits accruing from enlarged economies of scale," they point out.

■ Mauritius is not to be scoffed at either. It may be a small volcanic island, but it has now become one of the world's leading clothing exporters.

Other countries who formed the IOR core group were Singapore, one of the Asian economic "tigers" which also has a foot in the Indian Ocean, as well as oil rich Oman and African neighbour Kenya.

The writers note that the IOR would include four of the seven countries that form the core of the East Asian economic miracle — Singapore as well as Malaysia, Thailand and Indonesia. It would also include many African countries and middle-east states with land or water commucations to the Indian Ocean.

The IOR market has a population estimated at between 25 percent and 31 percent of the global population.

An Indian Ocean trade bloc is the only way for many developing countries in the southern hemisphere to avoid economic marginalisation in a world increasingly dominated by powerful trading blocs, the writers believe.

They point out that a reduction of French influence in the Indian Ocean islands if they joined an IOR, could open the way for considerable South African exports to these islands.

Membership of a powerful IOR grouping would also give countries like South Africa leverage against the big world trading blocs in Europe, East Asia and North Amarica, and with institutions like the International Monetary Fund and World Bank.

The agenda for future meetings to set up the IOR has been set out. The steps to a full Indian Ocean economic union are:

■ First, bilateral agreements focussing on tariff reduction and joint ventures.

■ Second, a free trade area with IOR members retaining tariff protection against outsiders.

■ Third, a customs union in which all trade barriers between IOR members are removed and common external barriers are erected.

■ Fourth, a common market with a free flow of goods, labour and capital in the IOR.

■ Fifth, a fully-fledged Indian Ocean economic union in which all member countries adopt common economic policies.

always effectively claim to have a monopoly of force throughout their territorial jurisdictions. In some countries, rivals to the national government have been able to establish an effective monopoly of force over significant territories and populations for extended periods—for example, Biafra in Nigeria and Katanga in the Congo (now Zaire). In other countries—such as Chad and Uganda—some of the territories have not been under the continuous control of one permanent political organization, and a condition of anarchy has existed. Furthermore, the governments of many Black African countries do not effectively control all of the important public activities within their jurisdictions; in some, government is perilously uncertain, so that important laws and regulations cannot be enforced with confidence and are not always complied with. If the persistence of a state were primarily the result of empirical statehood, some sub-Saharan African countries would clearly not qualify as states some of the time. Yet it is evident that all of them persist as members of the international society of states; it is also evident that none of the claimant governments that have on occasion exercised *de facto* control over large territories and populations within the jurisdictions of existing states have yet succeeded in creating new states in these areas.

Definitions that give priority to the juridical rather than the empirical attributes of statehood are employed by international legal scholars and institutionally oriented international theorists. One such definition—which shares a number of characteristics with Weber's, but gives them a different emphasis—is that of Ian Brownlie, a British legal scholar. Following the Montevideo Convention on Rights and Duties of States, Brownlie describes the state as a legal person, recognized by international law, with the following attributes: (a) a defined territory, (b) a permanent population, (c) an effective government, and (d) independence, or the right "to enter into relations with other states."[3]

If the assumption of juridical statehood as a sociological given is a shortcoming of Weber's definition, a limitation of Brownlie's is the tendency to postulate that the empirical attributes of statehood—i.e., a permanent population and effective government—are as definite as the juridical attributes; they are not. What does it mean to say that a state consists, *inter alia*, of a permanent population and an effective government? Our research reveals that within sub-Saharan African states, these empirical properties have been highly variable, while the juridical components have been constant. Kenya's population has been more

[3] Brownlie, *Principles of Public International Law*, 3d ed. (Oxford: Clarendon Press, 1979), 73-76.

"permanent" and its goverment more "effective" than Uganda's; yet both states have survived as sovereign jurisdictions. Moreover, an exclusively legal approach cannot adequately deal with the empirical properties of statehood: "Once a state has been established, extensive civil strife or the breakdown of order through foreign invasion or natural disasters are not considered to affect personality."[4] In the formulation of concepts, empirical properties can be determined only by investigation, not by definition.[5] Although Brownlie recognizes the need to incorporate empirical criteria into a "working legal definition of statehood,"[6] he acknowledges (as do other scholars) that there is considerable difficulty in employing these criteria without specifying them concretely. Nonetheless, his definition enables us to undertake an analysis of the empirical as well as the juridical aspects of statehood—that is, a sociological-legal analysis.

Political scientists do not need to be convinced of the limitations of an exclusively legalistic approach to the state, which is usually summed up as "legal-formalism": an undue emphasis on abstract rules, leading to the neglect of concrete behavior and the social conditions that support or undermine legal rules.[7] What is more difficult is to convince a generation of political scientists whose theories and models were formulated in reaction to legal, institutional, and philosophical studies of the state, of the limitations of an exclusively sociological conception of statehood. However, if one assumes that the state is essentially an empirical phenomenon—as was suggested not only by Weber but also by David Easton in a systems approach that has been very influential—one cannot explain why some states manage to persist when important empirical conditions of statehood are absent, or are present only in a very qualified manner.[8] In sum, one cannot explain the persistence of some "states" by using a concept of the state that does not give sufficient attention to the juridical properties of statehood.

The Empirical State in Black Africa

Weber's and Brownlie's definitons of statehood provide a useful point of departure for examining empirical and juridical statehood in con-

[4] *Ibid*., 75.

[5] See Giovanni Sartori, "Guidelines for Concept Analysis," in Sartori, ed., *Social Science Concepts: A Systematic Analysis* (forthcoming).

[6] Brownlie (fn. 3), 75.

[7] See Harry Eckstein's brilliant critique, "On the 'Science' of the State," in "The State," *Daedalus*, Vol. 108 (Fall 1979), 1-20.

[8] Easton avoids the concept of the "state" in favor of that of the "political system"; see *The Political System: An Inquiry into the State of Political Science* (New York: Knopf, 1953), 90-124.

2

The African Colonial State and Its Political Legacy

Crawford Young

The Crisis in the Contemporary African State

Few would dispute the proposition that the African state today is beset with a profound crisis in the political, economic and social spheres. Countries that a few years ago were regarded as hopeful experiments in development are devastated. Mozambique, which grasped its independence more than a decade ago under the guidance of its remarkably effective liberation movement, the Frente de Libertaçao de Mozambique (FRELIMO), appeared poised to strike out on a new path of effective socialist construction. By 1984 it was forced to sign a humiliating nonaggression pact on terms dictated by South Africa, headlined by *Le Monde* as the "last hope of a ruined country."[1] Sudan, a decade earlier seen as the prospective "breadbasket" for the rich but arid oil states of the Middle East, has confronted bankruptcy, famine, renewal of the civil war in the south and a crisis of legitimacy at the center unresolved by the 1985 coup. Nigeria, whose innovative 1979 constitutional engineering and buoyant oil revenues rallied the hopes of many observers, by the mid-1980s evoked despair. The incorrigible venality of its ruling group, the reckless overcommitment of public resources to such projects as the new capital at Abuja and the corrosion of public institutions has transformed its political economy, concluded one of its shrewdest students, from nurture capitalism into pirate capitalism.[2] Berry brilliantly demonstrates the mechanisms by which the postcolonial state channels the energies and endeavors of civil society into "unproductive accumulation."[3]

State crisis has been even more severe in some countries. In Zaire Catholic bishops, in an angry 1981 pastoral letter, portrayed the state as nothing more than "organized pillage for the profit of the foreigner and his intermediaries."[4] Chazan, in her recent study of Ghana, concludes:

> By the early 1980s it was apparent that Ghana had forfeited its elementary ability to maintain internal or external order and to hold sway over its population. Although its existence as a *de jure* political entity on the international

Francophone Africa keen on further trade with SA

(74)

Edward West

BD 27/9/95

CAPE TOWN — Francophone African countries were looking for increased trade and investment with SA because the devaluation of the CFA Franc was making imports from Europe prohibitive.

This was said recently by Gerdes Africa president Sadikou Ayo Alao. Gerdes is a French acronym for the Study and Research Group on Democracy, Economic and Social Development in Africa.

The organisation, which is funded by European and US aid agencies and African businessmen, has a membership of about 3 000 professionals operating from 32 branches in central and western Africa.

Alao said the organisation was, for the first time, seeking to improve trade and investment between SA and Francophone Africa by providing potential trading partners with the necessary contacts and information free of charge on aspects such as favourable tax incentives and trading information.

In the past the organisation provided such services between Europe and Francophone Africa, but with the currency devaluation and SA's political transformation, SA was targeted as a possible new source of trade and investment.

Most Francophone countries were operating under IMF structural adjustment programmes and labour costs were low — specialised factory workers in Benin, earned about R500 a month.

As an example of some of the opportunities in Francophone Africa, Alao said a free economic zone was being opened up between Benin and Nigeria.

US delays decision on SA firms 'dumping' steel pipe

(74) BD 27/9/95

Simon Barber

THE commerce department is delaying a ruling on whether SA firms have been dumping steel pipe on the US market, citing the "novelty" of the case.

The US International Trade Commission found last June that there was a "reasonable indication" that imports of pipe made by Brollo and TOSA, both divisions of Robor Industrial Holdings, were "materially injuring" the US industry.

The department has the task of assessing the extent to which the subject imports are being traded at "less than fair value" and then calculating antidumping duties on that basis.

The six US firms petitioning for protection have asked for duties ranging between 108% and 128% on SA pipe. The petitioners claim that imports from SA and Romania have prevented them from raising prices in line with increases in their production costs.

SA became a target of US firms when it re-entered the US market in 1992 after the lifting of sanctions.

Trade body to discuss tariff fears

(74) Stou 26/8/95 (74) (2234)

By KURT SWART

Smaller countries' fears that the removal of trade tariffs would result in an unacceptable loss of revenue was a major stumbling block to a southern African common market, the Southern African Development Community noted this week.

At the SADC's 15th annual congress in Johannesburg, SADC industry and trade co-ordinator Dr Abraham Pallangyo of Tanzania said the 11 SADC member states had agreed to target a common market for the region. Another SADC responsibility – and the task of its newest member, South Africa – was to facilitate the promotion of regional investment.

"We have to create an investment climate for capital coming from outside the region. We have to bring to the understanding of the business community the kind of attractions available in various industries so that the business community can understand what trade opportunities there are and where to invest."

The SADC had developed an investment policy document providing information on the economies of each country and investment attractions. "We have a duty to promote our own trade region and we have agreed to develop a common market. The first step is to develop a free trade area. We are ... negotiating a protocol. It may take some time as it is not that simple a process," Pallangyo said.

The SADC hoped to have the protocol signed by next August.

"If you remove tariffs, the least developed countries will lose revenue. We have been directed to evaluate the possible impact, country by country, of the removal of tariffs. If, say, country A derives 25% of its total revenue from duties and we tell them to knock it off, it will mean a huge deficit for that country."

Neighbouring states fear that if trade barriers go, South African companies could weather the demands of international competition but that their economies would be in danger.

"But they will have more access to the member states ... We have to convince them that they may be able to generate enough export trade ... to compensate for loss of revenue."

The SADC was also investigating the support services and activities that complemented industry and trade.

"We hope to harmonise standards and methods of measurement to eventually eliminate one of the non-tariff barriers to trade so that products can flow across the borders without delays caused by technicalities."

Five member states – South Africa, Tanzania, Malawi and Zambia – had fully fledged bureaux of standards. "The other SADC member countries do not have bureaux. It is our job to encourage them to do this.

Another issue to be resolved was the rivalry between the SADC and the Common Market for East and Southern Africa (Comesa). All SADC states bar South Africa and Botswana are also members of Comesa. The SADC decided recently that its members should belong either to the SADC or Comesa, but not both. Comesa has called for a joint SADC-Comesa summit meeting to discuss the matter.

SADC governments 'have to learn to budget for drought'

By MICHAEL SPARKS

Food shortages precipitated by drought could partly be blamed on governments which had not made provision to buy food, according to Reggie Mugwara, food security sector co-ordinator for the Southern African Development Community (SADC).

He said this week governments also used these food shortages as an excuse for not dealing properly with bigger social problems through programmes to alleviate poverty.

In years of good rain, the 11 SADC countries were able to produce enough food to feed all the people in the region.

As drought was common, the SADC was working to establish a reserve fund of nearly R109-million in foreign currency from which countries could borrow to buy food.

However, they would have to pay back the money they borrowed from the fund.

"We hope this will create a culture of governments budgeting for food shortages resulting from drought. We want to move away from the situation where every time there is a drought, governments throw up their hands and call for donor assistance. The primary goal of any country should be to feed all its people," Mugwara said.

Caleb Brett predicts rise in imports, exports

CT(BR) 29/8/15 (74)

By Shirley Jones

STAFF WRITER

This year's performance by Caleb Brett, a marine surveyor, is a good barometer of import-export business at major South African ports.

The company, which provided qualitative and quantitative testing of bulk and liquid petrochemical and agricultural goods being moved into and out of South Africa, was something of a gatekeeper and was looking to significant growth, said Mike Riby-Smith, the managing director.

To mark the beginning of the upsurge, the company invested R3 million in a new laboratory as well as state-of-the-art technology at its Durban headquarters at the end of last year.

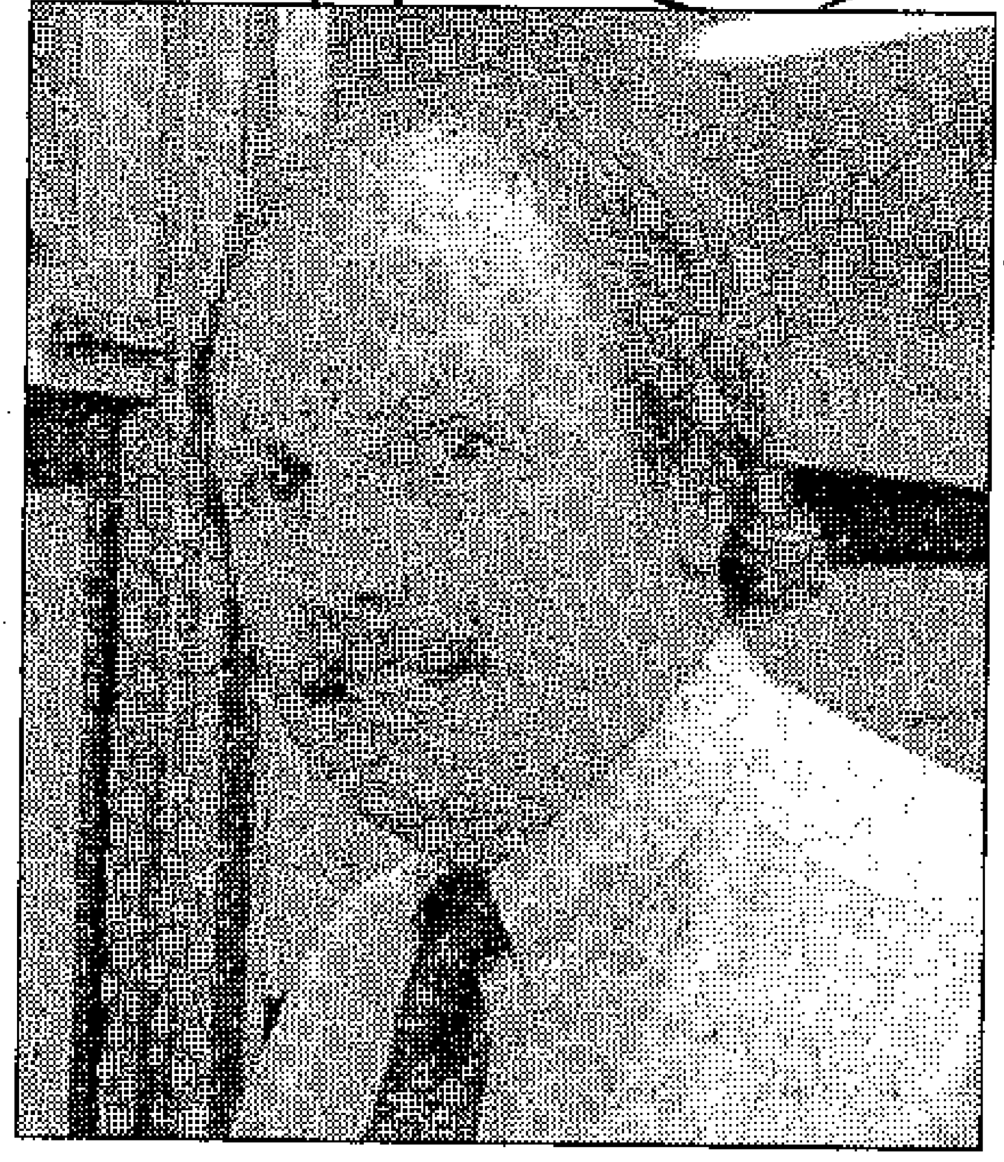
The opening of a Mombassa office followed in March this year. According to Riby-Smith, the company was surprised at the amount of business channelled via Kenya and Uganda.

As a result, Dar es Salaam is next on the list of likely new offices, as a major part of the crude-oil business goes through this port. However, Riby-Smith said this was a long-term plan as business was being handled through its Mombassa operation. Caleb Brett is also considering setting up an office in Madagascar.

He said the company's turnover to date this year was 30 percent above that of last year with Richards Bay contributing at least 10 percent of this growth.

He said the good news was that there had been a fall off of imported goods requiring testing and this had been more than offset by increasing exports.

Growth in the testing of agricultural goods, primarily vegetable oils and dry goods such as wheat and maize, had been mainly in imports because of drought.



GATEKEEPER *Mike Riby-Smith, the managing director of Caleb Brett*

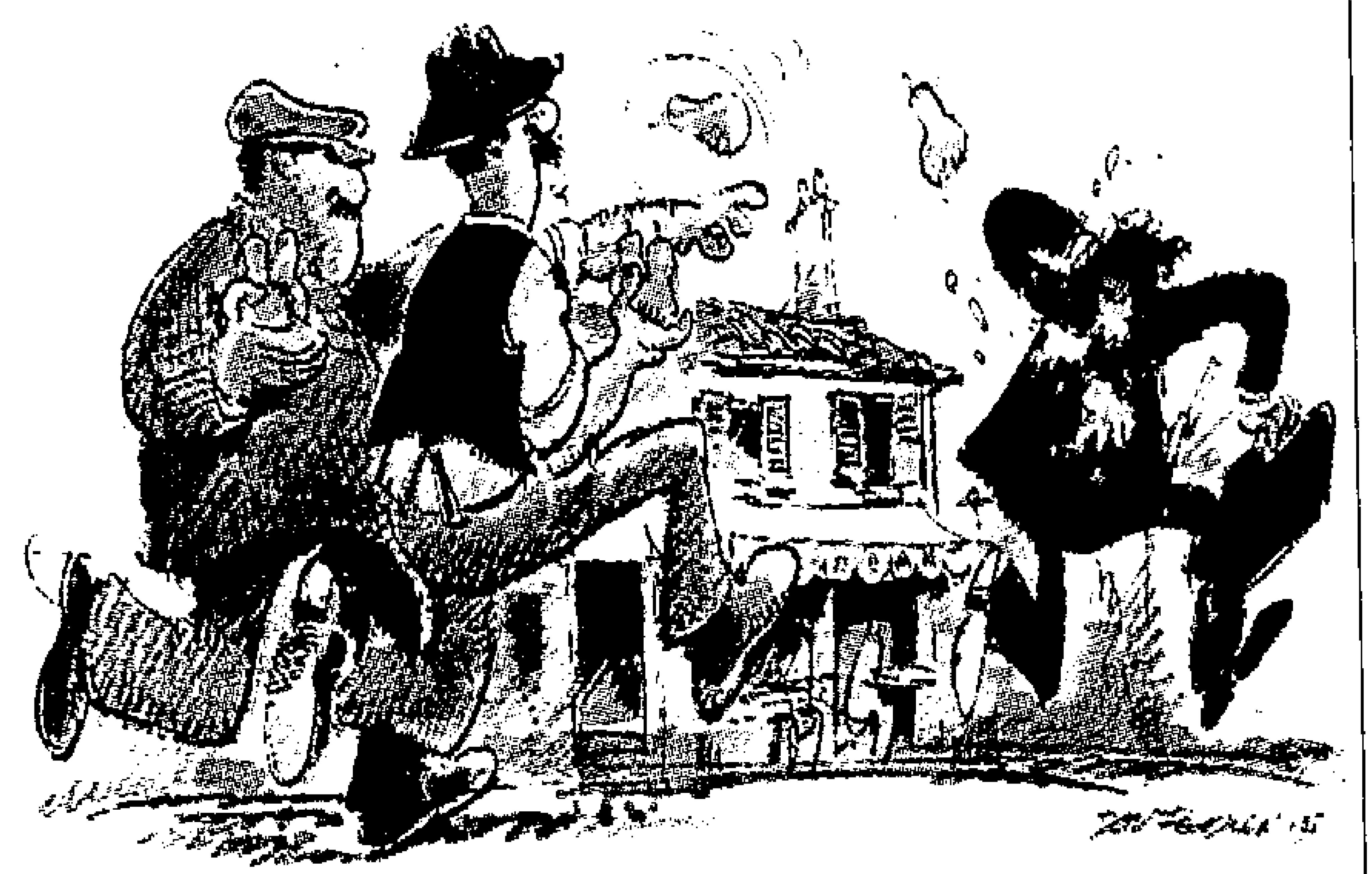
Riby-Smith said the company handled a high proportion of Zimbabwe-bound goods channelled through South African ports.

In contrast, over 60 percent of petrochemical goods evaluated by Caleb Brett were exports.

He laid much of the growth in chemical exports at Sasol's door. As the company moved away from petrochemical products and into the chemical sector there was almost unlimited growth potential, he said, particularly at Richards Bay.

Riby-Smith said there was also massive growth potential in the movement away from in-house testing.

In future, he said, companies would look to outsourcing testing services to concentrate on core business.



SA faces tough EU trade talks

CT(BR) 30/8/95 (74)

By John Fraser

Independent Foreign Service

Brussels — The long-awaited launch of proper European Union (EU)-South African negotiations — postponed because of the EU's August summer break — gets under way early next month.

South Africa's trade negotiators will be facing a very difficult battle in the coming months with the EU.

Earlier this month, there were reports that Philippe Vasseur, the French agriculture minister, was pelted with rotten pears by angry farmers.

Allegedly, this was because he was considered to be doing too little to keep out imports of pears and other fruit from South Africa.

There is nothing new in politicians being attacked with rotten fruit, rancid eggs, flour bombs or even smelly fish. Some would argue it is one of the very few effective ways to attract the attention of a minister.

However, the incident has alarmed South Africa's trade negotiators. This is not because they fear they will become the next targets for France's elite pear-lobbing brigade. It is because, once again, the brute force of Europe's farm lobby has been exposed.

The delegation of EU trade experts is due in South Africa early next month.

The agreement being sought between Europe and South Africa may cover everything from cultural ties to environmental co-operation and fishing. However, trade is the main area of contention and trade in agricultural products is the most sensitive sector.

The jet-setting Eurocrats will no doubt knock back several bottles of fine Cape wine and will eat the most succulent fruit, vegetables, meat and fish that Pretoria's top chefs can conjure up.

But what they will want to avoid is a surge in exports of such fine foods in a northerly direction.

The European farmers may not run Europe, but a cynic would argue that they come pretty close to doing so.

The Common Agricultural Policy is the very foundation of the EU and gobbles up more than half of the Brussels budget.

Fat-cat farmers in Europe are already reeling from the cutbacks which Europe must implement under the Gatt world trade accord.

Meanwhile, countries in eastern Europe and around the Mediterranean, the Mexicans, Chileans and the South Africans — are hammering on the door, demanding more trade access to the EU.

No wonder, then, that the farmers of Europe are beginning to lob pears at politicians.

The EU's fruit growers, canners, winemakers and jam producers are all worried that a trade deal which is kind to South Africa will be cruel to them.

South African negotiators have taken advantage of the European summer break to compile statistics and to consult South Africa's own agricultural sector.

They will base their strategy on the contention that fears about South Africa are based on myth.

They will argue that South Africa does not have a magical conveyor belt of food production, which can be speeded up at will.

They will claim that the South African climate is harsh, the terrain is hostile, production is finite and that there will be no agricultural avalanche on the day the EU lowers its defences.

It remains to be seen how effective this argument will be against the ruthless negotiators the EU is fielding.

Certainly South Africa's negotiators will be aware that all 15 EU nations — including the protectionist French and Spanish — need to be convinced before an accord can be concluded.

The Eurocrats who travel to South Africa for trade talks next month will be given a red carpet reception and the full VIP treatment.

But do not be fooled.

Behind the scenes, pulling the strings, are the farmers of Europe.

It is going to be a very tough negotiation, very tough indeed.

Final date set for trade talks with EU

(74) CT (BR) 30/8/95

By John Fraser

INDEPENDENT FOREIGN SERVICE

European and South African negotiators will cross swords for the first time when trade talks begin in earnest in Pretoria on 11 September.

The date of the first in-depth negotiation was announced in Brussels by Neil Pieter van Heerden, the South African ambassador to Belgium.

Due to fly back tonight, van Heerden will prepare colleagues for the encounter.

The talks are aimed at establishing a comprehensive relationship between the European Union and South Africa.

However, the most difficult negotiations will be on trade and in particular on trade in farm and agricultural products.

"There is a considerable store of goodwill towards South Africa and a wish to come to the support of South Africa and assist in the process of democratisation," said van Heerden.

"However, the bottom line is self-interest — and we are faced with very hard and very tough negotiations.

"A lot of time will be taken up with product-by-product discussions."

Van Heerden explained that there is considerable unease in the EU's southern-states about a potential surge in South African exports to the EU if a free-trade accord is agreed to by both sides.

"There is a perception in Europe that South Africa has the capacity to be a major exporter of agricultural products," van Heerden told a group of European journalists in Brussels.

"We hope in the negotiations to explode this myth."

He brandished a thick file of statistics which South African experts had assembled to prove their case.

"South African agriculture has some severe restrictions," he explained.

"Only 10 percent of the total land area is arable, we have irregular rainfall, generally poor soils, and we are far away from the European market. You name them; we have the disadvantages."

He added that South Africa hoped to convince the farmers of Europe that it could become a partner rather than a rival.

This is because high quality South African exports arrive during the European winter when European agriculture is not active.

"By supplying the market in winter we help to stimulate a year-round market.

"Of course, if there is a trade accord it will also open up a lot of opportunities for European agricultural exports to our market."

The negotiations between South Africa and the EU are expected to continue for several months, with meetings being held in both Brussels and Pretoria.

No final accord is expected before next year.

SA trade surplus as exports soar

CT(BR) 30/8/95 (74)

By Derek Tommey

Staff Writer

South Africa's trade balance swung into surplus of R1,08 billion in July as exports soared to a record R10,41 billion, following a revised June export figure of R8,4 billion.

In July last year exports were worth R8,33 billion.

Imports for July also reached record highs, rising to R9,33 billion from R8,63 billion in June and R9,05 billion in May.

The July trade balance follows a deficit of R230 million in June and a deficit of R130 million in May.

However, shipping movements at the ports had been disrupted by labour disputes in recent months and could have been responsible for some of the surge in July's exports, analysts said.

Exports in the first seven months of this year rose by 15,5 percent from R50,4 billion to R58,25 billion. But imports surged 39,6 percent from R40,3 billion to R56,4 billion resulting in the trade surplus falling from R10,15 billion in the first seven months of last year to R1,83 billion in the same period of this year. Ann Moore, the general manager of Safto, said non-gold exports soared in the first seven months by 35 percent. Exports of mineral products and base metals, two of the main contributors to South Africa's export earnings, showed sharp increases.

Exports of more value-added goods such as machinery, pulp, paper and chemicals were all significantly higher than last year.

The figures show that exports to Africa are running 60 percent ahead of last year, while imports from Africa are 34 percent higher.

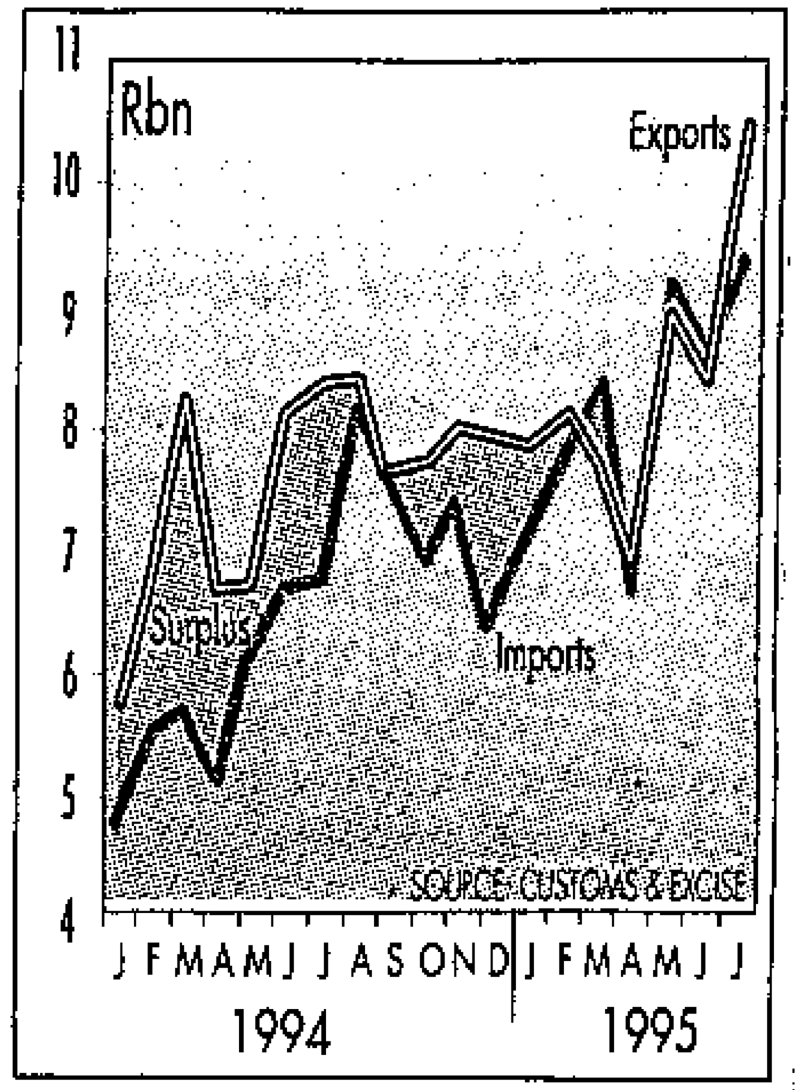
Positive economic data released yesterday failed to set the capital market alight, dealers said.

The government's R150 finished at 15,62 percent from Monday's 15,58 percent, and the benchmark Eskom 168 finished at 15,60 percent from 15,58 percent.

"Trade was thin, most of it coming from jobbers who bought some time ago," a dealer said.

Institutions remained on the sidelines throughout the day and expected the bull run to continue once they re-entered the market, he said. — Llewellyn Jones

Trade surplus



'SA market must open to Mozambican goods'

John Dludlu (74) BD 30/8/95

MOZAMBIQUE wanted to open its markets to SA imports and allow greater freedom of trade between the two countries, but expected SA to do the same, President Joachim Chissano said yesterday.

Addressing SA businessmen on investment opportunities in his country Chissano, in SA to attend the 15th annual meeting of the Southern African Development Community, called on SA to accelerate trade liberalisation.

He said discussions were under way to ease exchange controls to facilitate SA capital flows into Mozambique.

Chissano's statement comes months after Trade and Industry Minister Trevor Manuel's statements that exchange controls might be relaxed to allow SA firms to invest in the southern African region.

Chissano said his country would be the third largest market — with a population of 20-million — in southern Africa after SA and Tanzania within four years.

He also expressed concern at the long-running trade deficit enjoyed by SA in its trade with Mozambique.

SA companies were welcome to take advantage of investment opportunities in the mining and gas fields.

"The government already has advanced studies for the rehabilitation of the Moatize coal mine and for new opencast mines." Mining is one area that has attracted foreign direct investment for Mozambique, which is one of the world's poorest countries.

Priority areas for investment included expansion of national production capacity, development of Mozambican entrepreneurs, training of the country's labour force, and increasing and diversifying the country's export base.

Mozambique also offered an elaborate package of investment incentives. These included exemption from custom duties and circulation taxes on raw materials, intermediate goods and packaging for production of export goods, medicines, educational materials and foodstuffs.

Additional incentives were also being offered for investments located in less-developed provinces such as Niassa, Tete and Cabo Delgado.

Chissano said political stability was now an accomplished fact. "Peace is an irreversible reality in Mozambique."

written reasons later. ... The cost of the campaign for the Chris- ... tion and party propaganda".

MEC in 'last-ditch bid' to resolve dispute

Farouk Chothia

DURBAN — KwaZulu-Natal local government MEC Peter Miller said yesterday he would refer all boundary disputes in the province to the special electoral court for a ruling if attempts to find common ground with the demarcation board and the provincial local government committee failed.

Miller said he would make a "last-ditch" attempt to find agreement with the board at a meeting today. A new round of meetings with the committee would start tomorrow.

"If we cannot get concurrence, the whole lot will have to go to the court," Miller said.

There is still no agreement over the outer and inner boundaries of the Durban metropolis.

Outer boundaries of 12 transitional local councils have not been finalised either. Dispute is still raging over where tribal areas should be incorporated into local authorities. Affected towns include Port Shepstone and Empangeni.

Miller is pushing for a province-wide postponement of local government elections, but central government has not acquiesced.

Constitutional affairs ministry spokesman Izak Retief said Miller's request was being considered, but central government's "underlying philosophy" was that local authorities should be left to make decisions that affected them.

Senior ANC councillors in the Durban transitional metropolitan council broke ranks with the ANC provincial and national leadership this week to agree with the IFP and PAC that provinces should be given the option of having a blanket postponement. BD 31/8/95

Spy row erupts on campus

Farouk Chothia BD 31/8/95

DURBAN — A spy row has erupted at Durban-Westville University with claims that National Intelligence Agency operatives were spotted on the campus, and the office of Combined Staff Association president Prof Dhiru Soni was bugged.

Agency spokesman Willem Theron yesterday refused to confirm or deny that agency operatives had investigated the continuing conflict at the campus.

The association claimed two "apartheid apparatchiks" were seen on campus, claiming "investigations" were being done for the education ministry.

Ministry spokesman Lincoln Mali said the ministry had not initiated any investigation into the university crisis. It was waiting to be briefed by rector Marcus Balintulo before taking action on the "sensitive matter".

After a resolution by the university council, management agreed to call in counter-intelligence experts to do a "sweep" of offices on campus.

This led to a "highly sophisticated monitoring device" found in Soni's office at the weekend.

The university has been racked by conflict since last year with the Students' Representative Council and certain academics at loggerheads with the staff association.

Levy slapped on bills of entry

(74)

Business Day Reporter

BD 31/8/95

EVERY bill of entry for imports or exports has to now carry a R2 stamp as a training levy for the forwarding and clearing sector of the maritime industry.

The money will go into a trust established by proclamation in the Government Gazette by Labour Minister Tito Mboweni on August 11, to be known as the Maritime Industry Education, Training and Development Trust: Forwarding and Clearing Sector.

The levy became effective on Monday. The stamps are being sold by chambers of commerce in the major cities.

SA Association of Freight Forwarders executive director Alan Cowell said yesterday that the scheme had been widely publicised in the trade press.

Money would be used for all kinds of training in the sector. The plan was to establish courses at institutions such as technikons. If the institution could provide the training required, it would be accredited.

A Cape Town export agent estimated that between 500 and 2 000 bills of entry were used daily at Cape Town Airport alone.

TRADE (74) FM 1/9/95

Relief, maybe

The widening current account deficit took a turn for the worse with the release of corrected trade figures for June by Customs & Excise. The original release gave a trade surplus of R554m; it now appears there was a deficit of R227m.

Errors occurred in the export categories machinery & mechanical appliances and miscellaneous manufactured articles, with items overstated in both cases. Total exports that month have been revised down to R8,6bn from R9,2bn.

But the latest figures offer some hope (assuming Customs has not got it wrong again). In July, a surplus of R1,1bn was recorded.

The cumulative surplus for the year to July is R1,8bn based on exports of R58,3bn and imports of R56,4bn. The figure for exports is 16,7% higher than over the comparable period last year. The import figure is 40% higher.

The strongest growth in imports came from machinery, at R17,8bn, 94,1% higher than over the same period in 1994. Next was the item which includes vehicles, at R9,1bn (+52,7%), followed by chemical products at R5,9bn (+33,2%).

The poor performance in exports can be attributed to a decline in unclassified items, including gold and precious metals. These items brought in R16,3bn, 15,6% less than in the same period in 1994.

The greatest growth in exports came in the category machinery, at R3,1bn (94,1%), and the category chemical products, at R4,1bn (74%). ■

Labour an issue in SA-Zim trade deal

(74)

HARARE – South Africa has proposed that labour standards be included as a condition to future trade agreements between Zimbabwe and South Africa.

This new development has raised fears that talks to review the outdated 1964 trade pact between the two countries will be delayed.

Sowetan 1/9/95

Zimbabwe's industry and commerce secretary Mr Kelebert Nkomani said South Africa had raised the social clause issue during a meeting of trade officials of both countries last week in Pretoria.

"They indicated that they would like this clause included in future trade agreements," Nkomani said in a report on the outcome of the meeting prepared for Industry and Commerce Minister Dr Herbert Murerwa.

The social clause deals with labour standards, such as the use of child labour, prison labour and discrimination against women in the work place.

The issue was raised by some developed countries at the signing of the World Trade Organisation agreement in Marakesh, Morocco, last year.

The labour issue has been strongly resisted by many developing countries who feel developed countries are trying to put up barriers on exports at a time when the WTO is supposed to remove obstacles to free trade.

Nkomani said although negotiations to review the trade agreement with South Africa were taking long to complete, Zimbabwe would continue to push for the best possible terms in the technical working group meetings.

The step taken by South Africa on textiles and clothing should be acknowledged, although it did not represent the country's desired position in all cases.

South Africans had in principle offered preferential access for Zimbabwe exports into their market, at preferential rates as close as possible to the what prevailed before December 31, 1992. – *Sapa.*

(74)

FOREIGN TRADE FM 1/9/95

Chinese gateway

SA business can use Hong Kong as a conduit for goods destined for the booming markets of mainland China, says Hong Kong Trade Development Council chairman Victor Fung.

Apart from China, whose economy has been growing at 10% a year for the past decade, Fung says many business opportunities await exporters to Hong Kong — "the fifth largest trading entity in the world."

The council, a statutory body formed by the Hong Kong government in 1966 to promote two-way trade, investment and joint venture opportunities, recently opened an office in Johannesburg.

Fung says Hong Kong also wants to develop genuine trade with SA. Trade between the two countries has remained above the US$1bn mark for years and is increasing. To May this year, Hong Kong's exports to SA increased by 43% and SA's to the colony by 21%, compared with the same period last year. "But the enormous potential that exists has hardly been touched," Fung adds.

Hong Kong exports to SA include watches and clocks, textile yarn, fabrics and made-up articles. Its range of re-exports to SA — goods made elsewhere and value-added in Hong Kong — is much wider and includes clothing and accessories, footwear, electronic goods, telecommunications equipment, toys, games, sporting and travel goods and handbags.

SA's exports to Hong Kong are mainly iron, steel, coal, precious and semi-precious stones, plastic in primary form, fruit, nuts, paper and paperboard.

The council has offices in 34 countries and Fung says it sees SA as the gateway to sub-Saharan Africa. The reverse also applies. SA businessmen can trade profitably with Hong Kong and use it as a stepping stone into mainland China.

Most SA exports to China are channelled through the colony, which handles more than half of China's imports. Each day, 75 flights, 20 trains, 23 000 vehicles and 800 ships travel between Hong Kong and China.

Hong Kong Stock Exchange chairman Edgar Cheng discounts fears of the colony declining economically after it reverts to mainland China in 1997. He points out that China is already Hong Kong's largest investor and assets of the 2 000-plus Chinese enterprises registered there last year exceeded $25bn.

Cheng says that, in promoting Hong Kong as a supplier of goods, people overlook the fact that 80% of its GDP comes from the service industry and 20% of that from the financial sector, which has raised billions of dollars for infrastructural developments such as power stations, highways and container ports in other countries. ■

Staff hitch caused trade figure error

(74)

Business Editor

ARG 2/9/95

CUSTOMS and Excise staff have to process up to 200 000 import and export documents a month, which is why errors creep into the trade statistics, according to deputy commissioner Sarel du Plessis.

The department revised its estimate of the June trade balance from a surplus of R554 million to a deficit of R226 million, sparking an outcry from economists.

Mr Du Plessis said his staff had entered figures from 125 234 import bills and 67 312 export bills for June.

For Cape Town harbour alone, information from 18 515 documents had been entered.

There were 41 people in the department charged with the task, but six posts had not been filled and 10 employees were undergoing training, leaving 25 people to process more than 192 000 documents.

It was not surprising if errors crept in, he said.

"We are only human."

Mr du Plessis said another source of errors could be clearing agents, who supplied information on floppy disks, which was checked later from the documents.

Customs and Excise supplied preliminary, unaudited figures about three weeks after month end. But the audited figures were only available two months later.

"Of course, if we find mistakes ourselves, we publish revised figures immediately," Mr du Plessis said.

Port congestion threatens trade relations

(74) BD 4/9/95

Nicola Jenvey

DURBAN — SA port congestions delaying the arrival of container ships at foreign ports of call, building "an unreliable delivery reputation" for local container ships, pose a serious threat to future trade relations, Safmarine marketing manager Richard Warnes said at the weekend.

He said container ship schedules were being increasingly hampered by delays at ports and importers could not be guaranteed delivery on a particular date. Often their business was taken elsewhere.

Delays caused by nature, such as the south-easter preventing work in Cape Town, were either accommodated for in the ship's schedule or could be made up over the round trip.

However, once delays exceeded these built-in measures, captains were forced to make "internationally unpopular" decisions, which included omitting ports or only stopping at a particular port once during a voyage instead of a scheduled twice.

Unlike SA, ports elsewhere in the world operate as independent businesses. Capital generated remains within the port of call.

"Considering that the daily running costs of container ships amount to $35 000, remaining on schedule is paramount, but the decision to skip ports impacts on reliability and business prospects," Warnes said.

SA port congestion began when sanctions were lifted and the number of ships and containers passing through ports rose dramatically.

Portnet marketing manager Ronnie Holtshausen said Durban's container terminal had experienced "a record month" in August with more than 82 000 container movements.

Long-term planning to prevent port congestion in the future has included the construction of a R160m container terminal on Pier 1 to provide an additional holding capacity for 30 000 containers. It would be completed by the end of the year.

Lomé convention better for SA than free trade

Star 4/9/95 (74)

■ BY BRUCE CAMERON

On the eve of South Africa re-opening critical trade talks with the European Union, a research project has found that South Africa is at a significant disadvantage compared with competitor countries and that the Lomé convention that deals with poor countries' trade access may be preferred to the present direction of trade talks.

One of a number of key findings of the research project conducted by the Institute of Development Studies at the University of Sussex in Britain is that South Africa has worse access to markets of the European Union than a number of richer and more competitive countries.

The report suggests South Africa may be better off accessing European markets through the Lomé Convention, giving preferential treatment to 70 of the world's poorest nations, than through the proposed phasing down of tariffs leading to a free-trade zone between the EU and South Africa.

The report on the first phase of the study is likely to give South Africa much-needed ammunition as talks on trade access to the European Union re-open in Brussels this month.

The study, which focused on 45 of South Africa's most important exports to the EU, was undertaken at the request of South Africa and has been financed by the EU.

Of the items studied, it was found that South Africa has "better-than-most-favoured-nation" access for only 25 percent of the total items traded.

In most cases where preference exists "it is of modest proportions".

Even after the Generalised System of Preferences to which South African trade is currently subjected was extended to a range of agricultural products in July some of South Africa's competitors continued to enjoy more favourable access to the EU.

One of the problems highlighted by the study is that by giving South Africa better access, other countries may see a deterioration in their trade with the EU.

The present negotiations should be seen more as removing discrimination against South African products rather than being given preferential treatment against other countries, which in some cases are richer and more competitive.

"Most of the countries that compete with South Africa on the largest number of products have a higher human-development index rating than South Africa. Over half of them have better terms of access to the European market," the study said.

The study found that although the scope of the proposed free trade agreement with the EU was not clear, it appeared from other EU bilateral agreements that most of the 45 items studied would be covered either by Lomé or the free trade agreement.

"The Lomé Convention has rather better coverage. A principal attraction of Lomé is that its carte blanche approach, which provides duty-free access to all industrial products, is more suited to the rapidly evolving state of South Africa's economy," it said.

Research shows Lomé better for SA than free trade agreement

CT (MR) 4/9/95 (74)

Bruce Cameron
Political Editor

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SA keen to copy Tunisia's EU deal

CT (BR) 5/9/95 (74)

By John Fraser
Independent Foreign Service

Brussels — It is not often that all eyes in the South African embassy to the European Union (EU) are on Tunisia, but that is certainly the case at the moment.

But it is not because the Tunisians have abandoned the habits of a lifetime and begun to throw the wildest cocktail parties in Europe's dullest capital.

It is not because the main university in Tunisia will offer Winnie Mandela a professorship in diamond accumulation and comparative democracy.

It is because the Tunisians have achieved what South Africa is desperate to achieve.

They have done a deal with the EU to set up a free-trade area.

Even before last year's elections in South Africa, Pretoria has wanted to boost South Africa's access to the lucrative EU market.

Shortly before the 20 000 Brussels Eurocrats left their offices for the European summer break, negotiations were formally launched.

Trevor Manuel, the minister of trade and industry, braved the horrors of airline food to travel to Brussels to set matters in motion.

What he asked for is very similar to what Tunisia has already won.

Manuel asked for a breather of a decade before South Africa would be required to tear down its barriers to imports from Europe.

It had already been made quite clear by Joao de Deus Pinheiro, the EU commissioner for development, that whatever deal was agreed between Pretoria and Brussels, it would not be a one-sided accord.

South Africa would need time to adjust to the chill winds of open competition, but before long its own hefty protectionist structures would need to be lifted.

The EU accord with Tunisia sets an important precedent because it allows for gradual lifting of trade barriers over a 12-year period.

For one group of products there will be an 8 percent cut in Tunisian tariffs when the accord takes effect.

The following year, there will be a further 8 percent fall, with another 8 percent reduction a year later and so on until 12 years are up and the tariffs are nil.

Even at the end of the 12-year period, some tariffs can still be maintained against a limited list of highly sensitive products.

The Europeans are expected to use this escape clause as a means of maintaining protection for some of their sensitive farm products.

It is no secret that the EU and South Africa are heading towards a similar trade accord even if very tough negotiations lie ahead.

The task for South African negotiators is to persuade the EU that South African agricultural exports would not pose the same threat to European farmers as Tunisian exports seem to.

The Pretoria side will have to try to phase in EU tariff cuts as fast as possible, while seeking to dismantle South Africa's own protectionist tariffs as slowly as possible.

One senior South African negotiator said: "This is going to be tough — we are by no means pushing on an open door.

"However, the Tunisian agreement is an example of how resourceful the Europeans can be in fashioning agreements."

A team of EU negotiators is expected in Pretoria this month, so that the battle can begin in earnest.

(2) whether the contract was awarded following an open tender process; if not, why not; if so, what other companies tendered for the contract;

(3) whether these companies were given reasons for the failure of their tenders; if not, why not; if so, what were the reasons in each case?

N1005E

The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING:

The Managing Director of Telkom SA Limited has informed me as follows:

I am not aware of any contract entered into with the relevant company.

New promotion system for Telkom

490. Mr J A JORDAAN asked the Minister for Posts, Telecommunications and Broadcasting:

Whether, with reference to his reply to Question No 275 on 5 June 1995, any guidelines for the earmarking of posts for a new promotion system for Telkom have been developed; if not, what is the position in this regard; if so, what guidelines?

N1015E

The MINISTER FOR POSTS, TELECOMMUNICATIONS AND BROADCASTING:

The guidelines for the earmarking of promotion posts are still being formulated. Discussions are being held with the various role-players to arrive at acceptable guidelines for the earmarking of posts.

Due to disputes lodged by certain unions/personnel associations, no negotiations on affirmative action and related matters have taken place since 25 April 1995. The dispute has now been resolved and negotiations will commence on 14 September 1995.

Leaders of former homelands/TBVC states

494. Mr A J LEON asked the Minister for the Public Service and Administration:

(1) Whether any of the former leaders of the former (a) homelands and (b) TBVC states continue to receive salaries in respect of their positions as former heads of these territories; if so, (i) which former leaders, (ii) what salary is being paid to each such former leader and (iii) why;

(2) whether these former leaders are to continue to receive such salaries; if not, when will the payment of their salaries be terminated; if so, why?

N1019E

The MINISTER FOR THE PUBLIC SERVICE AND ADMINISTRATION:

The reply to the posed question is based on information obtained directly from Eastern Cape, KwaZulu-Natal, Free State, Mpumalanga, North West and Northern Province:

(1) (a) No.

(b) No.

(i), (ii) and (iii) Fall away.

(2) Falls away.

Hansard

INTERPELLATIONS (74)

The sign * indicates a translation. The sign †, used subsequently in the same interpellation, indicates the original language.

General Agreement on Tariffs and Trade (GATT)

1. Mr I D VAN ZYL asked the Minister of Agriculture:

(1) Whether his Department will be able to handle the speedy deregulation of agriculture, especially in respect of the application of the General Agreement on Tariffs and Trade (GATT); if not, what is the position in this regard; if so, what are the relevant details;

(2) whether his Department will be able to apply the free market principle against the background of the introduction of legislation, especially in respect of land and labour affairs, which do not fall under his Department; if not, what is the position in this regard; if so, what are the relevant details?

N1250E.INT

*The MINISTER OF AGRICULTURE: Mr Speaker, the Department of Agriculture did not act overhastily in respect of the deregulation of agriculture with the implementation of the GATT. As a matter of fact, over a period we ourselves started deregulating and the department also negotiated an excellent package for agriculture internationally in respect of the GATT. We were compelled to be co-signatories of the GATT because South Africa would otherwise have cut itself off from the international world.

There is quite a bit of room within which South Africa can vary tariffs and still comply with the obligations of the agreement. The tariff determination is the joint responsibility of three departments, namely the Departments of Agriculture, Trade and Industry, and Finance. Quite a number of problems exist because the interests of the consumer and the producer must be taken into account. It would be unacceptable to put agricultural producers at the mercy of consumers for short-term benefits and in this way destroy them, but it would also be unrealistic not to base agricultural production on economic realities. This would not benefit anyone in South Africa.

I am unhappy with some of the tariffs which apply in respect of certain agricultural products, especially meat, but I was compelled to accept the tariffs with reservations in order to contain the gaps in the import situation during the difficult transitional process after tariff protection. The tariffs will, however, be renegotiated with the appropriate industries and my colleagues in the Cabinet. It is important to remember that imports of agricultural products mean the implementation of job opportunities.

I want to say the following about the second part of the question. The Department of Agriculture and I are in favour of the free market principle, but we do not want to be at the mercy of subsidised world prices. That is why there must be order. The abolition of seven of our marketing boards since 1987 and the continued existence of only one marketing board, which still applies a single-channel fixed price system, namely that for wheat, proves that we deregulated in a responsible way.

The entire purpose of the GATT agreement is surely to achieve a level playing field, so that the South African consumer can also experience the benefits of international competition. It would seem to be the objective of certain interest groups, inside and outside the Government, to expose agriculture unilaterally to international market forces. It would be ridiculous to import agricultural products at low tariffs, or no tariffs, but at the same time strongly to regulate inputs of the agricultural sector, such as labour, and to fix them at prices far above those of our competing agricultural countries. In the same way it is irresponsible to place restrictions on the utilisation of the most important input of agriculture, namely land, if our agricultural competitors can use land freely in the open market. [Time expired.]

*Mr I D VAN ZYL: Mr Speaker, if one examines the producer subsidy equivalent, the PSE, which is an internationally accepted method to express State support as a percentage of the gross income of farmers in a specific industry, according to statistics the comparisons are woeful. For example, the PSE on wheat for the EU is 57%, for the USA 51% and for South Africa only 3%, and that on coarse grain for the EU 62%, for the USA 26% and for South Africa 18%. It is alleged that until recently 10% of the income of South Africa's farmers consisted of subsidies, while the comparable figure in Japan is 74%, in Norway 75% and in Switzerland 82%. Hon members can therefore see that the playing field is not level.

As quantitative import control is replaced by import tariffs in accordance with the Uruguay agreement, this should achieve better market access, but at the same time greater competition, for South African products. This will be the necessary consequence of the internationalisation of South African agriculture.

Against this background we must apply the GATT agreement in South Africa through which import control measures are replaced by import tariffs. The maximum negotiated levels which have at present been determined in this way can only be scaled down by approximately a third over six years.

Furthermore, the same balance should be maintained between exports and local production as was the case with the permits. This is an adjustment and interim process. For some or other unknown reason agriculturalists and the Department of Agriculture have very little say in this. Import tariffs on many agricultural products are far below the level which the GATT agreement allows. No wonder therefore that the importation of agricultural products has increased dramatically and that domestic prices have totally distorted the markets of several important products. This has not being of much benefit to the consumer about whom everyone is concerned, but has unduly enriched individuals and sometimes foreign nation groups, people who also do or feel very little for the RDP.

I am convinced that deregulation must be done by the entire economy and must not only be aimed at the production and income of one sector, and then only on certain parts of its inputs.

*Mr P W GROBBELAAR: Mr Speaker, agriculture in South Africa is in a crisis, because on the one hand there is little protection and on the other there are no subsidies. There is little import protection for the farmer because free market principles must apply. On the other hand central control over labour and the redistribution of agricultural land applies. How can agriculturalists survive in South Africa with such double standards?

In the implementation of the GATT the little country, South Africa, led the way while the bigger countries waited to see which way the cat jumped. Now the local consumer is paying for the mistakes which were made because the Minister of Agriculture wanted to show the world how the GATT is implemented. The bigger countries even increased their subsidies to agriculture.

The Minister of Agriculture sits with his colleague, the Minister of Trade and Industry, on the Cabinet. What did he do there to prevent this state of affairs? The NP is very fond of telling us that they work behind the scenes. The Minister must explain to us today what he did in the Cabinet to prevent this state of affairs.

*The MINISTER OF AGRICULTURE: Mr Speaker, in respect of the first point mentioned here, yes, it is a fact that internationally there are a great many subsidies.

†The subsidies which are given to agriculture internationally distort world prices, making the surpluses cheaper, which they try to dump on the South African market. That is why we have a tariff system in place to counter the subsidies given internationally so that it does not distort our South African market.

There were loopholes in the system, and people were importing cheap foods without giving the cheaper price through to the consumer. They kept on making profits. So the cheaper foods which were available internationally did not come to the consumer. That is why we are looking at the tariffs and reassessing them in order to counter this. We do not want to overcompensate for this in favour of the South African farmers to the extent that they produce agricultural foods unproductively.

*The question regarding what we did in the Cabinet is very important. There were gaps in our structure. People had started to exploit others in a free market environment. We plugged those gaps. We undertook investigations into all the industries.

It is wrong to say that we do not have the correct tariffs. Gaps were found in certain of the tariff levels which we had established, and we will have to re-evaluate this, so that we can get a meaningful balance. All the products have been re-evaluated in the process and we will establish meaningful tariffs. This is a joint strategy of Agriculture, Trade and Industry and the Minister of Finance. We are working together to solve the problem and to identify the actual problems to which we must give attention. It is, therefore, wrong to say that we are not doing anything about

this. If we had not done what we have in fact done, agriculture in this country would have suffered tremendous harm and the consumer would have been extremely exploited. [Time expired.]

*Mr B C BESTER: Mr Speaker, it would seem as if a specific tension exists in our country between the ideals of the free market principles in the agricultural sector on the one hand and the land demands and labour on the other. This tension, which is not usually abnormal, with the free market principles in the agricultural sector would seem to have originated in the way in which land affairs and labour affairs are being handled in our country.

Land and labour are both production factors of free market agriculture and we can seriously harm free market agricultural production if we handle this incorrectly. I realise this is not only the sphere of competence of the Minister of Agriculture's department, but his colleagues must also take cognisance that if production factors in agriculture adversely affect the availability of affordable food, they, and not only the Minister, will have to explain this to the hungry, dying children, as has happened elsewhere in Africa.

*Mr I D VAN ZYL: Mr Speaker, we are grateful that the hon the Minister has battled along with the farmers to create more meaningful tariff arrangements. We understand that he had to accept tariffs in an attempt to prevent chaos, but I want to ask him now to make the actuarial report with which he is now engaged available as soon as possible so that everyone can see what the effect is on agriculture and the economy as a whole.

South Africa's agriculturalists—small, upcoming and commercial—require of him seriously to address the Ministers of Trade and Industry, of Land Affairs, of Finance, of Labour, and even others if necessary, and to convince the Cabinet of what is good for South Africa's agriculture—farmers, farmworkers, rural towns, communities and infrastructure.

The agriculturalists in South Africa have been hard hit by drought. He must please look urgently at assistance measures, because it is virtually planting time in the summer sowing areas. Here we are dealing with the provision of food. At present we are talking about the redistribution of land. We must ensure that we do not need to talk in the foreseeable future about the redistribution of food, which could mean rationing, simply because it is no longer viable to farm economically with all the restrictions.

The MINISTER OF AGRICULTURE: Mr Speaker, could I just say that we are assessing the impact of the tremendous amount of agricultural products which have, in a sense, been dumped in South Africa during the past couple of months, especially in terms of poultry meat, sheep, mutton and other commodities.

The impact, when assessed in terms of what it is costing our country in jobs and less money being spent in the rural areas, is going to be tremendous. That is why we are sensitive to this and are trying to contain it and limit its effects to suffer the least possible consequences.

*It is true that agriculture is trapped between a number of departments which frequently take decisions which have an impact on agriculture. It is not always fully calculated what this will mean for agriculture. Agriculture must, for example, produce in a free market environment—that is the direction in which we are moving—but the labour part of the free market is not quite in step with this. If there are prescriptions in respect of wages, this can have a disturbing effect on agriculture.

One cannot expect agriculture to deregulate on its own while the sectors around it act in an increasingly regulated manner. Somewhere one will have to strike a meaningful balance, not only in respect of labour, but also in respect of aspects such as land. We will have to determine realistic free market principles if we want a free market and deregulated conditions for agriculture. We cannot have the one without the other. It is wrong to expect agriculture to deregulate on its own, while the other sectors do not want to deregulate to the same extent.

Debate concluded.

The forthcoming local government elections

2. Mr Z I NCINANE asked the Minister of Home Affairs:

> Whether, in the light of the forthcoming local government elections, steps are being taken to speed up the process of issuing identity documents; if not, why not; if so, what steps?

N1248E.INT

The MINISTER OF HOME AFFAIRS: Mr Speaker, my reply is as follows. The general election held in April 1994 paved the way for

Britain identifies SA as priority market

CT (PR) 5/9/95 (74)

BY JOHN SPIRA

The British trade and industries department has identified South Africa as a priority market.

So says Laura Bishop-Clark, the mission manager of a high-powered London Chamber of Commerce and Industry delegation, which arrived in Johannesburg last week.

The chamber boasts 4 000 members, 40 of which are export-orientated. Bishop-Clark will report to all the members on South Africa once she returns to the United Kingdom.

"Be that as it may. Virtually every one of the mission members will come back to South Africa, since the present visit is exploratory in nature and from what we have thus far seen, extensive business opportunities are apparent," said Bishop-Clark.

Laura Bishop-Clarke

David Booth

Jennifer Bean

Eudie Thompson

She indicates that although this country and Britain have long enjoyed strong business and other links, small- and medium- sized British firms are not as familiar with South Africa as the larger firms. She sees promising potential in this sphere.

"The enthusiasm for South Africa demonstrated by the British department of trade and industries flows from extensive research, which indicated that the new environment prevailing in South Africa since the election offered exciting business prospects."

David Booth, a senior member of the delegation and joint managing director of the foreign exchange market technical service company, Prisma Market Analysts, is not concerned about the perceived slow pace at which the government is moving forward.

"You have a relatively new administration which seems to be busy preparing the groundwork as thoroughly as is necessary in the circumstances. Given this background, patience is a prerequisite."

Booth predicts that the South African economy will grow at a sustainable and acceptable rate. He describes as phenomenal Johannesburg's potential to grow in stature as Africa's financial centre.

Eudie Thompson is the managing director of Joblink, a training consultancy providing qualification and vocational standards-based training for all levels. She intends making contacts with companies and organisations wishing to develop their indigenous workforce through qualification-based training.

"I believe we can assist South African companies by providing trainers to train trainers. Indications are that this country suffers from a shortage of skilled trainers and it is here that Joblink could provide a useful service."

EU to push for free-trade deal

CT(MR) 9/9/95 B (74)

By John Fraser

Independent Foreign Service

South Africa is to be asked by the European Union to say whether or not it is prepared to negotiate a free trade accord with Brussels.

This will be discussed at talks in Pretoria between the EU and South African negotiators, which kick off on Monday.

The EU has suggested that there should be an enhanced trading relationship with South Africa, as part of a wider agreement on future trade ties.

"However, we are not going to impose this on South Africa," said Joao Vale de Almeida, the EU spokesman.

"We hope that South Africa agrees to establish a free trade area, as we believe this is the only option to enable South Africa to have better long-term access to our market.

"But if South Africa wants to avoid the costs of free trade by proposing another mechanism, we are not opposed to this."

In reality, the EU is unlikely to look favourably on any alternatives to free trade, as the consensus view among European governments is that South Africa must give as well as take in the negotiations.

"Free trade is a two-way street, and such a framework would also be in line with world trade rules," said an EU diplomat.

"South Africa would have prefered membership of the Lomé convention — in which developing countries take but don't give — but we would never get acceptance from the World Trade Organisation for this in the case of South Africa."

The Lomé convention is the EU's Treaty with 70 developing nations, including all of South Africa's neighbours, which gives them favourable access to the European Market.

Observers believe the best that South Africa can hope to win from the negotiations is a delay before it has to open up its heavily protected markets to imports from Europe.

Trevor Manuel, the minister of trade and industry, has suggested that he wants a decade's breathing space for South Africa, before it is forced to open its markets to Europe.

He made this request when he was in Brussels a few months ago for the formal launch of the negotiations.

The aim of South Africa's negotiators will be to try to accommodate their short-term goal of protecting the South African market while gaining new access for South African exports to Europe, with the EU's longer- term goal of opening up the market.

Also at the top of the agenda will be SA's desire to win new access to the EU's market for agricultural products — to which Europe's agricultural organisations are deeply hostile.

Vale de Almeida said EU negotiators want a clear idea of SA's aspirations, so they can obtain a more detailed mandate from the 15 EU governments to negotiate the accord with Brussels.

Mandela to look at trade agreement

(74)

By Pamela Dube
Political Staff

Sowetan 8/9/95

PRESIDENT Nelson Mandela yesterday told the Botswana business community that his Government would work towards improving conditions in the Southern Africa Custom Union.

He was responding to concerns raised by the president of Botswana Confederation of Commerce, Industry and Manpower Mr Neo Moroka, who informed Mandela at a breakfast meeting in Gaborone that the SACU agreement favoured South Africa above smaller economies of the member states. SACU is an agreement between South Africa, Botswana, Namibia, Lesotho and Swaziland (BNLS) through which profits from imports are shared.

Moroka said it was "disheartening" that provision 311 of the agreement, which allowed industrialists in BNLS to import raw materials from outside the union for use in textile operations, was unilaterally cancelled by South Africa.

"It is even more disheartening that South African producers of these materials are not able to meet the SACU demands for same, let alone that of the South African market.

"Where they are able to produce, the materials have tended to be of inferior quality and the South African suppliers have proved incapable of making deliveries on time, thereby adversely affecting the performance of the textile industry in BNLS countries," Moroka said.

Mandela noted that the SACU agreement was a "reflection of the colonial oppressor's mentality". Mandela accused the old South African government of having used their economic muscles by "bullying and intimidating smaller neighbours." He then promised to take up the matter in bilateral meetings.

Tension mounts between rival trading blocs

WM 8-14|9|95 (274) (74)

A wrangle has erupted over whether to merge two rival trading blocs, SADC and Comesa. **Joe Chilaizya** and **Lewis Machipisa** report from Lusaka

RIVALRY between two sub-regional trading blocs is mounting while the economies they are intended to boost continue to flounder.

The wrangle has erupted over whether to merge the Southern African Development Community (SADC) into the Common Market for East and Southern Africa (Comesa) or to subdivide the latter.

SADC was created in 1981 as the Southern African Development Co-ordinating Conference (SADCC) by the Frontline States to foster inter-regional trade to counter the economic dominance of the then apartheid South Africa.

It dropped one of its Cs in 1993, and now comprises Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia, Zimbabwe — and South Africa.

Comesa was born out of the old Preferential Trade Area (PTA) — a bloc of 22 southern and East African states established in 1981, and sharing many of the same members of SADC.

Unlike the PTA, Comesa embodies full free trade, involving the free movement of goods and services produced within the common market and the removal of all non-tariff barriers.

A customs union involving zero tariffs on all products originating in the common market is planned, and the adoption of a common external tariff on imports from non-Comesa countries.

The members are Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Madagascar, Mauritius, Rwanda, Seychelles, Somalia, Sudan, Uganda, including SADC, except for Botswana, South Africa and Zimbabwe.

However, there is now heated debate as to what the future relationship — if any — of the two bodies should be.

Most Comesa members are in favour of merging the two economic blocs to rationalise their operations and erase duplication, but Comesa Secretary-General Bingu Mutharika accuses SADC of ignoring his overtures for mutual support.

But SADC will not countenance joint membership of the two bodies, as it feels Comesa is stretching far beyond its original areas of operation.

Key regional economic players South Africa, Botswana and Zimbabwe have yet to ratify the treaty establishing Comesa.

Donors and states such as Mozambique regard Comesa as over-ambitious while many have also slammed calls to split the body into Comesa-North and Comesa-South.

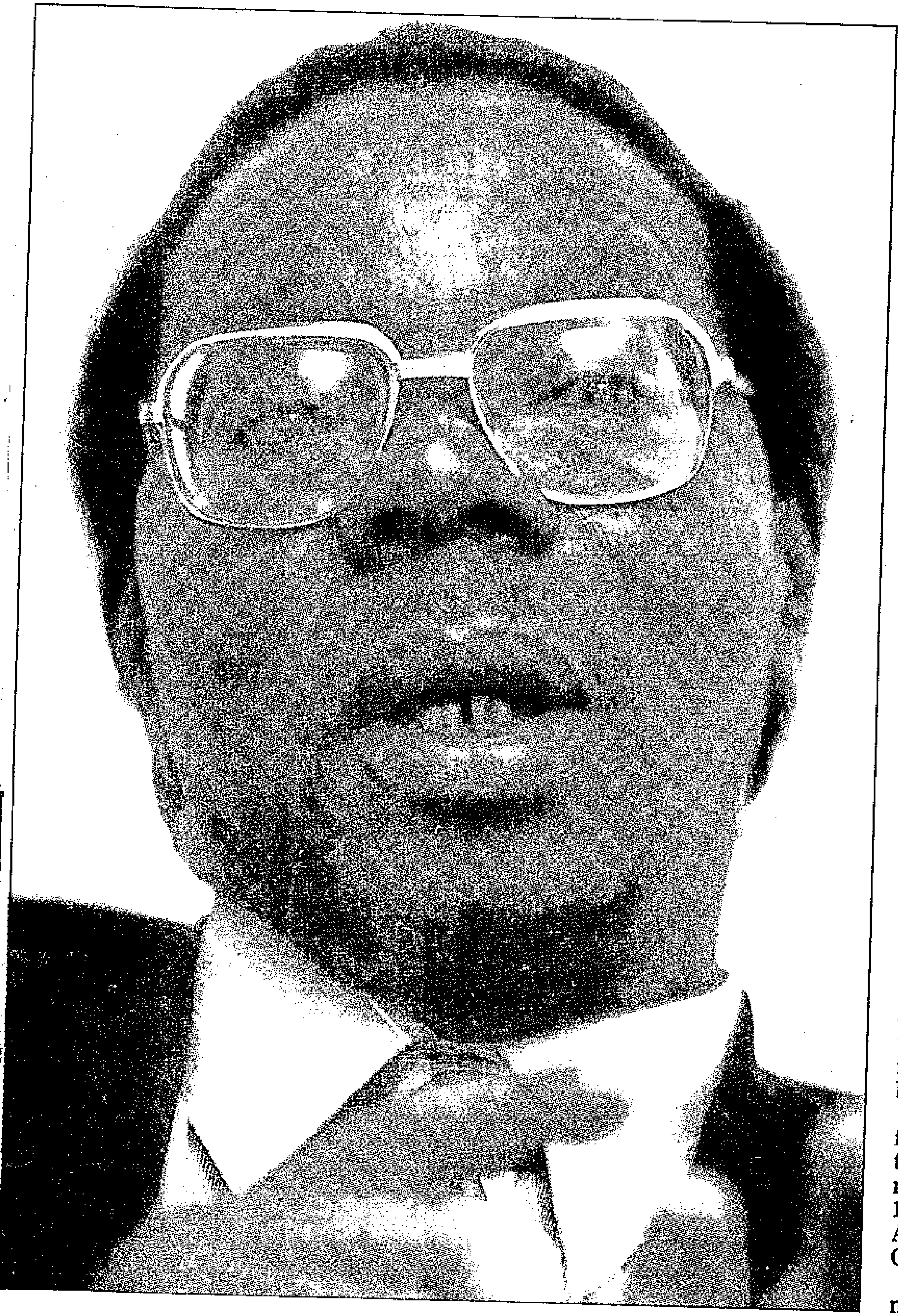
"If we split Comesa into Comesa-North and Comesa-South, the latter is essentially what is known as SADC minus Botswana and South Africa, of course," says a Mozambican diplomat in Zambia.

Even Mutharika says he is stumped as to why countries that struggled for 12 years to create Comesa would now undermine it.

To resolve the deadlock, Comesa and SADC leaders have agreed to hold an extraordinary summit at a date and venue to be set soon. — *IPS*

Join us or pay, trade bloc tells SA companies

(74) ST(BT) 10/9/95



TALKING TOUGH: Bingu Wa Mutharika, the Malawian who heads the Common Market for East and Southern Africa, says SA companies could face higher tariffs and other trade barriers if the government continues to ignore Comesa's overtures to join the 22-member economic bloc Picture: JULANI VAN DER WESTHUIZEN

By SVEN LUNSCHE

SA COMPANIES have been warned that their expansion drive into Africa could be blocked if the country does not join the Common Market for East and Southern Africa.

Bingu Wa Mutharika, Comesa's secretary-general, said this week that local companies could face higher tariffs and other trade barriers if South Africa stayed out of the 22-member economic bloc.

"The current bilateral trade agreements and even their (SA companies') rights of establishment could be affected," he said.

SA exports to Africa, particularly of manufactured goods, have tripled over the last five years and now account for almost a quarter of South Africa's total exports. Imports from Africa, on the other hand, are negligible.

South Africa has to date frustrated Comesa's frantic courtship efforts, committing itself instead to the 12-member Southern African Development Corporation.

Dr Wa Mutharika's comments will raise the stakes at a summit later this year, in which the two bodies will examine areas of cooperation.

The summit is viewed as a last-ditch effort to achieve a merger and avoid a split on the subcontinent into southern and eastern trading blocs.

South Africa has been seeking a more narrowly defined and workable sphere of economic co-operation and is unlikely to heed Comesa's call.

Kaire Mbuende, SADC's executive secretary, indicated at last month's SADC meeting in Pretoria that the summit would merely formalise the separation of the two bodies.

The meeting saw South Africa take the initiative in committing the organisation to a southern African economic community by 2000, with free trade and movement of people and a single currency.

The meeting also reached agreement on joint initiatives to share the continent's scarce water and power resources.

Dr Wa Mutharika is not disheartened by the recent developments and believes the two groupings will find a number of areas of cooperation, particularly transport and trade.

"The path for South Africa is to generate additional income and investment by expanding its market beyond its borders. Southern and eastern Africa represent a huge market, with 320-million consumers which SA companies are in an ideal position to exploit," Dr Wa Mutharika said.

Comesa is also committed to a full free trade area by 2000, followed by a customs union four years later, which would facilitate free movement of capital and labour.

Dr Wa Mutharika's argument is supported by Natal University's Gavin Maasdorp, who argues that Comesa's trade protocol already applies to nine countries which are members of both Comesa and SADC. He says the protocol, which has achieved a 60% tariff cut on intra-Comesa trade, could easily be extended to the SADC.

Trade barriers threat by Comesa

(74) (2291)

John Dludlu

BD 11/9/95

STIFF trade barriers can be expected if SA refuses to join the Common Market for Eastern and Southern Africa, Comesa has warned.

In an interview at the weekend, Comesa secretary-general Bingu wa Mutharika said at the weekend a strong feeling of resentment towards SA was brewing among the more than 20 Comesa countries about SA's non-participation.

Mutharika, in Johannesburg to attend today's investment conference, said he had intervened on several occasions to prevent Comesa members from raising tariffs against SA products. "I have asked our members to understand SA's internal problems — that the decision to join Comesa (which has dropped tariffs, in certain industries, by as much as 70%) will take time. SA has a lot of internal problems to solve.

"However, the day SA says 'no' to Comesa, I'm telling you tariffs will be mounted by Comesa members within 24 hours of that announcement."

Although SA has been formally invited to join Comesa, no decision has been taken by the Mandela administration. "Deputy President Thabo Mbeki has told us that the government needs to consult broadly on this matter."

Mutharika hopes to concentrate his lobby of SA firms by alerting them of the danger that will follow if SA refuses to join Comesa.

After last year's elections, SA acceded to the Windhoek treaty, which made it the 11th member of the Southern African Development Community.

Mutharika said SA's decision to join the SADC was a "blind" move, but could still be rectified. SA could, like 10 of the SADC's states (excluding Botswana), join Comesa, formerly the Preferential Trade Area. "SA's future is not confined to southern Africa, but is linked to the African continent."

He warned SA should not "bury its head in the sand" by confining itself to the region with only 100-million people, compared to Comesa's 320-million.

Pro-Comesa trade analysts feel that part of SA's problem in joining Comesa comes from a "clique within the Southern African Customs Union" which feels threatened by the prospect of losing the revenue it currently enjoys from the arrangement.

Mutharika said these fears were misplaced. The five-nation customs union agreement could be accommodated easily through a special agreement similar to the one between the 15-nation EU and the Benelux countries — Belgium, the Netherlands and Luxembourg.

EU and SA ready to commence in-depth trade negotiations

Star 11/9/95 (74)

■ BY JOHN FRASER

Brussels — European Union and South African negotiators gather in Pretoria today for the first in-depth negotiations dominated by the issue of trade on a new relationship between the EU and South Africa.

EU officials believe that a free-trade agreement is the best framework for future links with South Africa.

However, such an agreement would be less generous than those the EU offers to the 70 developing nations which are members of the Lomé convention.

The Lomé countries, which include all the other members of the Southern African Development Community, have been given favourable access to the EU market without having to make reciprocal concessions to Brussels.

If South Africa were to agree to a free-trade area with Europe, this would require a commitment to dismantle South Africa's protectionist armoury.

EU officials said they hoped to get an answer on the kind of relationship Pretoria wanted.

Once there is agreement on a framework for future relations with South Africa, EU negotiators will have to return to their masters to win a mandate to negotiate the details.

It is clear that the European side is concerned about a potential surge in South African agricultural exports.

Negotiators from Pretoria will attempt to convince their European counterparts that such fears are groundless.

However, the EU has a vocal and powerful farm lobby, which is already geared up to resist new concessions for South Africa. To illustrate the problem, Brussels officials proposed in June that existing EU tariffs on farm imports from South Africa should be cut.

This would be achieved through changes to the Generalised System of Preferences.

However, the changes are unlikely to come into effect for some time as several EU governments are hostile to the proposal.

Many important issues other than trade will need to be tackled in the negotiations, which are likely to drag on into next year.

Kohl backs SA in its talks with EU

BD 12/9/95 (74)

Edward West

CAPE TOWN — German Chancellor Helmut Kohl has given SA his country's "emphatic support" in its talks with the EU.

In an address to Parliament, Kohl, the first German chancellor to visit SA, said SA was an important economic partner and Germany would support its desire for greater access to the European market.

Germany would also try to even out the trade balance between the countries, he said.

Earlier Kohl and President Nelson Mandela witnessed the signing of agreements on reciprocal encouragement and protection of investments and a framework deal on technical co-operation. The investment agreement is aimed at greater economic co-operation, protecting investors from expropriation and nationalisation and applying retrospectively to past investments.

Kohl said that with the signing of the technical co-operation agreement, the German Development Service planned to start work in SA before year-end. Possible areas of involvement included crafts, technical activities, agriculture and teacher training.

The German embassy said other German government and non-government development organisations were planning to start or expand activities in SA.

Twelve projects of technical co-operation were being implemented in rural and urban development, vocational training, promotion of small and micro enterprises and administrative advice. Another eight projects, agreed to in June, were being prepared.

Sapa reports that parliamentarians burst into polite laughter when Mandela was left seemingly stranded after Kohl's address.

When Kohl had completed his speech, Speaker Frene Ginwala asked MPs and senators to remain seated until Kohl, Deputy Presidents Thabo Mbeki and FW de Klerk, herself and other senior officials had left the chamber.

As this entourage began moving off, a forlorn looking Mandela was spotted sitting in his presidential front bench: Ginwala had forgotten his name in her announcement.

President Nelson Mandela, left, gestures to visiting German Chancellor Helmet Kohl as the two met at Mandela's Cape Town offices yesterday. Kohl is on a six-day official visit to SA to promote economic links between Germany and SA.

Picture: AP

Kohl reiterates support for improved trade links

Germany to push SA access to EU market

(74) Star 12/9/95

Cape Town – Germany was trying to even out its skewed trade balance with South Africa, German Chancellor Helmut Kohl told Parliament yesterday.

Germany is SA's largest trading partner but trade is skewed in Germany's favour with imports from the federal republic almost four times higher than exports.

Addressing a joint sitting of the National Assembly and Senate, Kohl said: "In terms of trade, Germany was your foremost partner in 1994. We know that the balance of goods exchanged is still disproportionate. We are endeavouring to even out this imbalance."

Kohl also reiterated Germany's support for greater South African access to the European market and for negotiations between the European Union and SA. Other EU countries, including France, are against allowing certain South African exports into Europe's open market.

Kohl's statement came as South African and EU negotiators met in Pretoria yesterday to begin shaping a framework document for a long-term trade and co-operation agreement.

Welcoming Kohl, Deputy Speaker Bhadra Ranchod said SA and Germany's history bore close resemblance to each other.

Picking up on the theme of the five-day state visit — "United Germany visits the new South Africa" — Ranchod said SA had much to learn from Germany's experience over the past decade.

"Both our countries are in the process of unifying its people in order to overcome divisions that have existed for the past 40 years. Both our countries have a leading role to play in our respective regions through the establishment of a climate of peace, democracy and socio-economic security.

"The leading role you yourself have played in the ending of the Cold War and the reunification of Germany, the prominent role of your country within the EU as well as your efforts in the establishment of democracy and peace in the countries of eastern Europe and the former USSR, provide us with inspiration. You have proved that the road we are embarking on towards the establishment of unity, peace and democracy is the only road to take." – Sapa.

PICTURE: AP

Strong links ... President Nelson Mandela welcomes German Chancellor Helmut Kohl at Tuynhuis in Cape Town yesterday.

International trade is a priority

(74) (308) CT(BR) 14/9/95

Sacob plays a major role in fostering trade between South Africa and foreign countries. It is closely monitoring the discussions which are expected to lead to South Africa's accession to the Lomé Convention under a separate protocol. It is also preparing for the proposed bilateral trade and co-operation agreement aimed at establishing an EU-South African free trade agreement.

For obvious reasons, Sacob is taking a special interest in possible new trade links with Europe through the Lomé Convention.

South African business already benefits from preference selected products from the European Union. However, it is possible that Lomé will afford South African business even greater business prospects.

Sacob is also involved with the World Trade Organisation, the successor to GATT. One task here is to ensure South Africa fulfils its obligations to that body. It is also participating in the talks between a number of Indian Ocean countries which are intended to lead to the establishment of an Indian Ocean Rim trading bloc.

Of all the general system of preferences so far offered to South Africa, those under the Lomé Convention have been the best, believe Sacob officials.

Lomé provides for developing countries in Africa, the Caribbean and in the central Pacific to have preferential access to EU countries.

The EU says it is extending these preferences to South Africa as a way of acknowledging the central role the country plays in an area of intense poverty and which has been subject to serious conflicts. The preferences also give recognition to the dual nature of South Africa's society. It is two worlds in one country, for while it has a relatively high per capita GDP, there are enormous inequalities of income.

New EU trade deal 'may apply in 1997'

FROM REUTER (74)(BR) CT 14/9/95

Steffen Smidt, a European Union negotiator, said he hoped a trade deal between the EU and South Africa could be implemented by early 1997.

"We hope that agreements can be concluded by early next year and implemented early in 1997. Our judgment is that we can enter into the revised Lomé convention in early 1997," he told reporters after talks with South Africa trade officials covering trade, Lomé and general issues such as human rights.

Smidt is the director general of the EU development department in Brussels and headed the negotiating team.

He said South Africa was likely to receive qualified Lomé benefits, with a second agreement covering aspects not included in the Lomé agreement.

Smidt said that he was happy with the opening round of talks which "had given us a good basis for our homework before we meet again in Brussels on October 12 and 13".

He said his personal expectation was that there would not be any major differences with "our South African friends".

"Our objective is to spur all relations between South Africa and the EU at all levels, be it economic, cultural or political."

Access

"The EU wants to foster not only the contribution it can give to successful social, economic and political development in South Africa, but also to help develop the southern African region overall," he said.

South Africa wants greater access to the EU market and to benefit from the Lomé convention between the EU and 70 African, Caribbean and Pacific developing countries.

Due to its relative economic wealth, the EU has ruled out giving South Africa full Lomé benefits.

for new poll campaign

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Sapa reports journalist Jon Qwelane said he would not be standing in the November 1 local government elections, although his name had been put forward.

He was not a member of any party. Among reasons Qwelane gave for declining was that he valued his journalistic independence and credibility.

Special elections task group co-chairman Van Zyl Slabbert said all was on track for local government elections to take place on November 1 in most areas of SA.

The official campaign could be said to start on September 22.

Meanwhile the Gauteng executive council has extended to noon on Friday a deadline for parties to register for November's local government elections.

Ramaphosa takes on IFP

David Greybe

BD 14/9/95

CAPE TOWN — ANC secretary-general Cyril Ramaphosa yesterday accepted an IFP challenge to back his claim that an unpublished IFP draft constitution for KwaZulu-Natal was secessionist.

Details of the document were published this week, prompting accusations by Ramaphosa that it was proof of the IFP's secessionist agenda in KwaZulu-Natal.

Ramaphosa said his party would soon release a detailed analysis of the document by senior ANC constitutional negotiators which proved the IFP's secessionist aims.

Ramaphosa also described the document as unconstitutional and undemocratic.

The IFP charged that Ramaphosa's claims were "either the product of ignorance or bad faith motivated by the desire to gain acceptance for the centralist and autocratic constitution been drafted by his Constitutional Assembly".

letting crime 'go unhindered'

BD 14/9/95

ns manifesto at the
tre in Johannesburg

If the safety and se-
er doubts the validity
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criminality he has al-
n unchecked, then ...
has no right to re-
e of law enforcement

Leon said the DP had, through transformation, transcended the caricature of being a party of "white suburban matrons". This was evident in the list of its candidates for local government. "In Greater Johannesburg, 57 of our 100 candidates are black ... we are contesting 24 of 32 Soweto wards; 10 out of 12 Dobsonville seats and 14 out of 18 Alexandra seats."

Kroon inquiry told of MEC's demands

Own Correspondent

BD 14/9/95

UMTATA — Suspended Eastern Cape safety and security MEC Malizo Mpehle had approached the deputy permanent secretary to authorise the payment of nearly 50 unit members attached to his ministry, the Kroon commission of inquiry was told yesterday.

The deputy provincial permanent secretary, Thozama Faba, testified that he had been approached by Mpehle to approve the payment of about 50 armed men attached to his ministry between May last year and February this year.

However, it became clear funds were running out as Mpehle kept on forwarding several lists of other members who had to be paid. "I was unhappy with Dr Mphehle's lists as the names were growing day by day.

"I felt something needed to be done to normalise the situation as Mpehle started requesting for the payment of two people," Faba said.

Faba confirmed initial reports that each of the armed unit members was paid out about R2 000 a month.

He said he decided to approach Mpehle to determine the number of people to be paid out. "He gave me a list of 31 people and said there were others who were expected to be enlisted to the police force in due course".

"Although some VIP officers denied that these people were part of the unit, Mpehle was adamant that they needed to be paid saying they were doing the same work as the VIP members retrieving misused government vehicles and protecting ministers," Faba said.

Members of the now disbanded unit had been implicated in murder cases in the strife-torn Tsolo district, according to evidence before the commission.

Amsterdam offers services to SA

CT(BR) 12/9/95 (74) ~~CT(BR)~~

By Audrey d'Angelo

Cape Business Editor

Amsterdam was more than just a gateway for South African exports to Europe, but could offer logistical and marketing expertise and distribution services, Rob de Vilder, the president of the city's chamber of commerce and Edgar Peer, the deputy mayor responsible for its sea ports, said in Cape Town yesterday.

De Vilder and Peer are leading a delegation representing the port of Amsterdam and more than 20 companies on a visit which will take them to Durban, Richards Bay, Johannesburg and Pretoria.

The delegation met Stella Sigcau, the minister of public enterprises, and directors of Safmarine yesterday before a twinning ceremony with the port of Cape Town. They will meet Kraai van Niekerk, the minister of agriculture, and representatives of Syfrets and fruit marketing co-operative Unifruco today before leaving for Durban.

Clients

In addition to this, executives of Dutch companies ranging from a bank to cold storage had private meetings with prospective clients.

A spokesman for the South Africa-Netherlands Chamber of Commerce told Business Report yesterday that there was healthy competition among the port companies, who offered "a 24-hour workforce ability and competitive prices".

Services including shipping, loading, storing, processing and distribution were all on offer at the port of Amsterdam "and a very new and huge multimodal terminal called Amsterdam Westpoint".

At the twinning ceremony of the two ports last night Peer and De Vilder pointed out that Cape Town and Amsterdam had a strong commercial relationship going as far back as the 17th Century. Now there were opportunities for these ancient ties to be strengthened.

Kohl supports SA access to EU

CT 12/9/95 (74)

ANTHONY JOHNSON
POLITICAL CORRESPONDENT

GERMANY "emphatically supported" South Africa's desire for greater access to the European market and would speak out for its concerns in Brussels, German Chancellor Dr Helmut Kohl pledged yesterday.

He told MPs and senators who gave him two standing ovations in Parliament: "We are happy to have a reliable and strong partner and friend in the new South Africa — and you can rely on us."

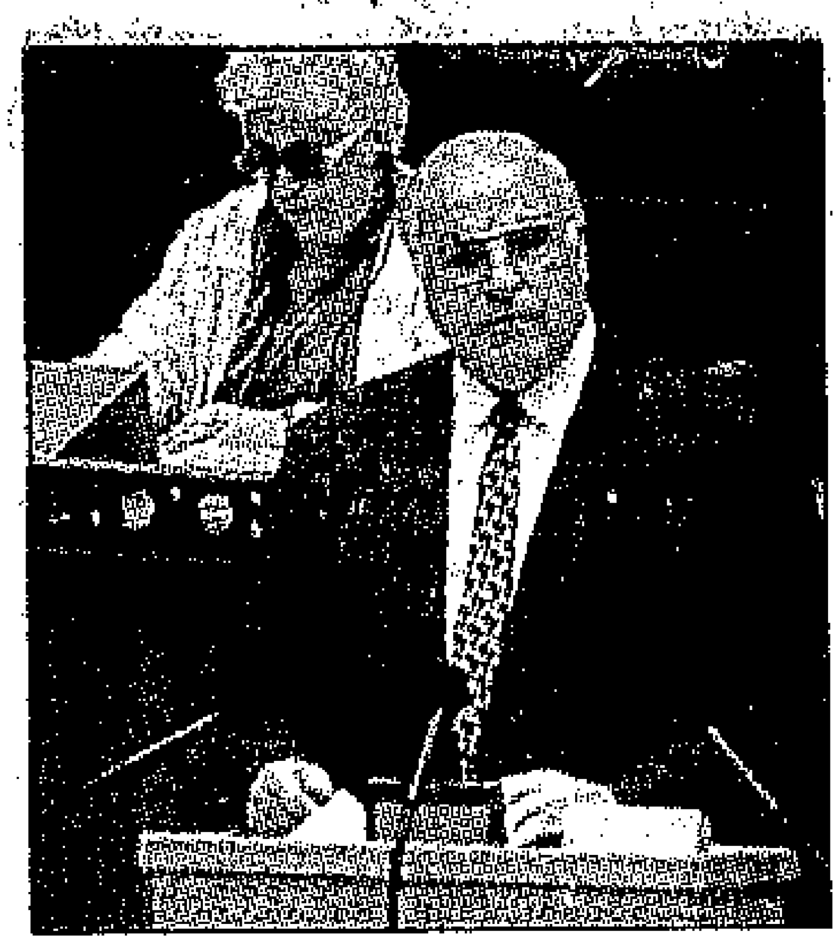
The chancellor told President Nelson Mandela that he was "especially pleased" he had accepted an invitation to visit Germany in the near future.

He told a banquet at Tuynhuys last night the success of negotiations between the EU and South Africa would be significant for South African efforts to penetrate European markets.

At last night's banquet Mr Mandela referred to Chancellor Kohl as "Europe's senior statesman". Germany, he said, by not forgetting non-European interests in its EU role, had become "a source of inspiration to all of us".

He said the agreements on investment, technical and development co-operation between Germany and South Africa signed at Tuynhuys yesterday would contribute in practical ways to facilitating and cementing relations between the two countries.

"The warm and fruitful talks held this morning have set the tone and the course for an enduring partnership," Mr Mandela said.



SUPPORT: Dr Helmut Kohl addresses Parliament.

Germany's contribution, of more than R400 million, to the RDP this year, made it one of the major contributors to the transformation of South African society, he added.

Dr Kohl last night said future economic co-operation would be complemented by scientific, technological and cultural co-operation.

He said Germany was "more than willing" to support South African efforts to remove social imbalances and create a viable system of basic and vocational training.

"A people which had the energy to overcome apartheid peacefully will also find the energy to shape a good future together," he said.

Dr Kohl leaves for Johannesburg today for high-level talks with South African and German business executives and to inspect German business and development projects.

COMPANIES CAPE **NEWS** GOVERNMENT ECONOMICS

Parliamentarians back opening up Europe to SA

(74) CT (BR) 15/9/95

BY JOHN FRASER
INDEPENDENT FOREIGN SERVICE

Brussels — A report calling on the European Union to demolish most trade barriers against exports from South Africa is winning widespread support in the European parliament. The report was drawn up by Scottish European MP Alex Smith.

It has been adopted unanimously by the European assembly's development committee and is expected to win overwhelming support from the full assembly in a vote next week.

The report notes that the 70 developing countries which are members of the Lomé convention already enjoy far better trade access to Europe than does South Africa. They include all of South Africa's neighbours.

The report "stresses the importance of swiftly granting a substantial improvement in South African access to the EU market, if EU trade policy is to support economic restructuring and the consolidation of democracy during the transitional period in South Africa".

The report recognises that the South African economy will need time to restructure in the aftermath of apartheid. It therefore suggests that the EU should speedily open its market to most imports from South Africa.

Meanwhile, the prospect of a free trade agreement — in which South Africa would have to bring down its own protectionist barriers — should be left to negotiations in five years' time.

Smith notes that there are some sensitive South African farm products which would have a damaging effect on EU competitors. He therefore rejects "across the board duty-free access for all South Africa's agriculture and agriculture-related exports to the EU".

Instead, he says there should be "deep preferential access in those commodities and sectors which can have a real impact on the economic recovery and development of South Africa".

He concludes that, in the short term, South Africa should be granted "on a non-reciprocal basis, market access equal or similar to that available under Lomé".

"The apartheid regime left South Africa at a disadvantage, because if not for apartheid, the country would now have had access to similar agreements to those we have with our other trading partners," Smith said.

Talks between EU and South African negotiators in Pretoria went well this week, although many more tough sessions will be needed before a deal can be struck. Already there are signs in Brussels that naked protectionism by some EU governments will be difficult to combat.

In July, EU officials proposed extending the range of South African farm exports which benefit from a tariff-cutting mechanism known as the Generalised System of Preferences (GSP). This proposal is seen as too generous by the so-called "Club Med" countries — led by Spain and France.

But Smith said he "fully supported this GSP proposal".

Setback for SA's bid for EU market

(74) CT(BR) 15/9/95

BY JOHN FRASER

INDEPENDENT FOREIGN SERVICE, BRUSSELS

The EU will not be able to enter serious trade negotiations with SA until 1996. This was revealed by European spokesman Joao Vale de Almeida after negotiations in Pretoria this week.

Despite an upbeat atmosphere in Pretoria during the first serious encounter between South Africa and the EU, Brussels officials will now have to refer back to the 15 EU governments to seek a new mandate to enter detailed negotiations. Serious negotiations are unlikely to begin until next year.

De Almeida said that while South Africa wanted better access to the EU market, its commitments to partners in the Southern African Free Trade Area complicated new trade agreements with countries outside this area.

The next encounter between EU and South African negotiators is on October 12 in Brussels.

Next week the European parliament is expected to adopt a report calling on the EU to be generous in its trade negotiations with South Africa.

☐ See Page 19

SA is France's main trade rival in Africa

(74) CT(DR) 15/9/95

By James Tomlins

Foreign Service

Paris — French import-export firms dealing with Africa and the Indian Ocean region were staggered to learn from an official report that they face serious competition from South Africa.

The report, compiled for the Conseil Economique Et Social, noted: "It is an undeniable fact that South African firms are our trade rivals in Africa."

It added: "It is logical to suppose that following South Africa's new post-apartheid political situation, there is nothing to stop the country from developing its trade links with sub-Saharan Africa and the Indian Ocean region. They are fairly developed, because exports there have been growing by 25 to 30 percent annually since 1988."

There were several reasons for this success:

- Purchases by African countries in the mining and agricultural sectors;
- Robust and simply manufactured goods well adapted to African needs;
- Well developed and maintained transportation systems;
- A straightforward business attitude instead of relying on advisers or aides;
- An aptitude to develop major, economically viable projects;
- Numerous Portuguese, Indians, Mauritians, Belgians and Zaireans live in South Africa;
- The wish to share risks by investing and operating in a foreign country.

US positions itself to be a major player in South Africa's trade markets

(74) WM(BM) 15-21/9/95

Karen Harverson reports on South Africa's position as an emerging trade partner

Over the next two decades, three-quarters of world trade will take place in the emerging markets, of which South Africa is one.

Speaking at a Bell, Dewar and Hall presentation on trade and business in South Africa last week, United States Minister Counsellor for Commercial Affairs Millard Arnold said the US, along with other major trading partners such as the United Kingdom and Germany, were positioning themselves to become major players in these markets.

"By 2010, the big emerging markets are expected to exceed the combined market size of Japan and the European Union."

He commented that German chancellor Helmut Kohl's present visit to South Africa and an expected British delegation at the end of the month were a measure of the growing importance of South Africa as a trade destination.

As the only emerging market in Africa, South Africa was viewed as the most important market to the US.

Arnold said the US gave up its market leadership in South Africa during the sanctions period which enabled other countries to establish themselves more firmly.

He said South Africa was now seen as the market of the future for US traders and investors.

"It is an attractive market — South Africa would have a growth rate of five to six percent if it wasn't for the drought and a poor performance from the gold mining industry."

"With South Africa's transition to democracy, the US feels it is important to re-establish itself in the country and in fact every 10 days, a US company sets up business in South Africa."

"It is the largest export market for US goods in Africa with exports reaching $3,4-billion in 1994. An expected $4,1-billion will be reached in 1995," said Arnold.

He added that South Africa has passed Russia as a destination of US goods and now ranks 34th overall.

He said aircraft and aircraft parts are two major target markets for the US, with South African Airways looking to refurbish its fleet.

"Both Boeing and Airbus will be competing for the contract."

Other important markets for US companies are in industrial chemicals, computers and peripherals, drugs and pharmaceuticals, franchising, machine tools, telecommunications, security and safety.

Arnold said there were a few barriers to trade but these were not seen as insurmountable.

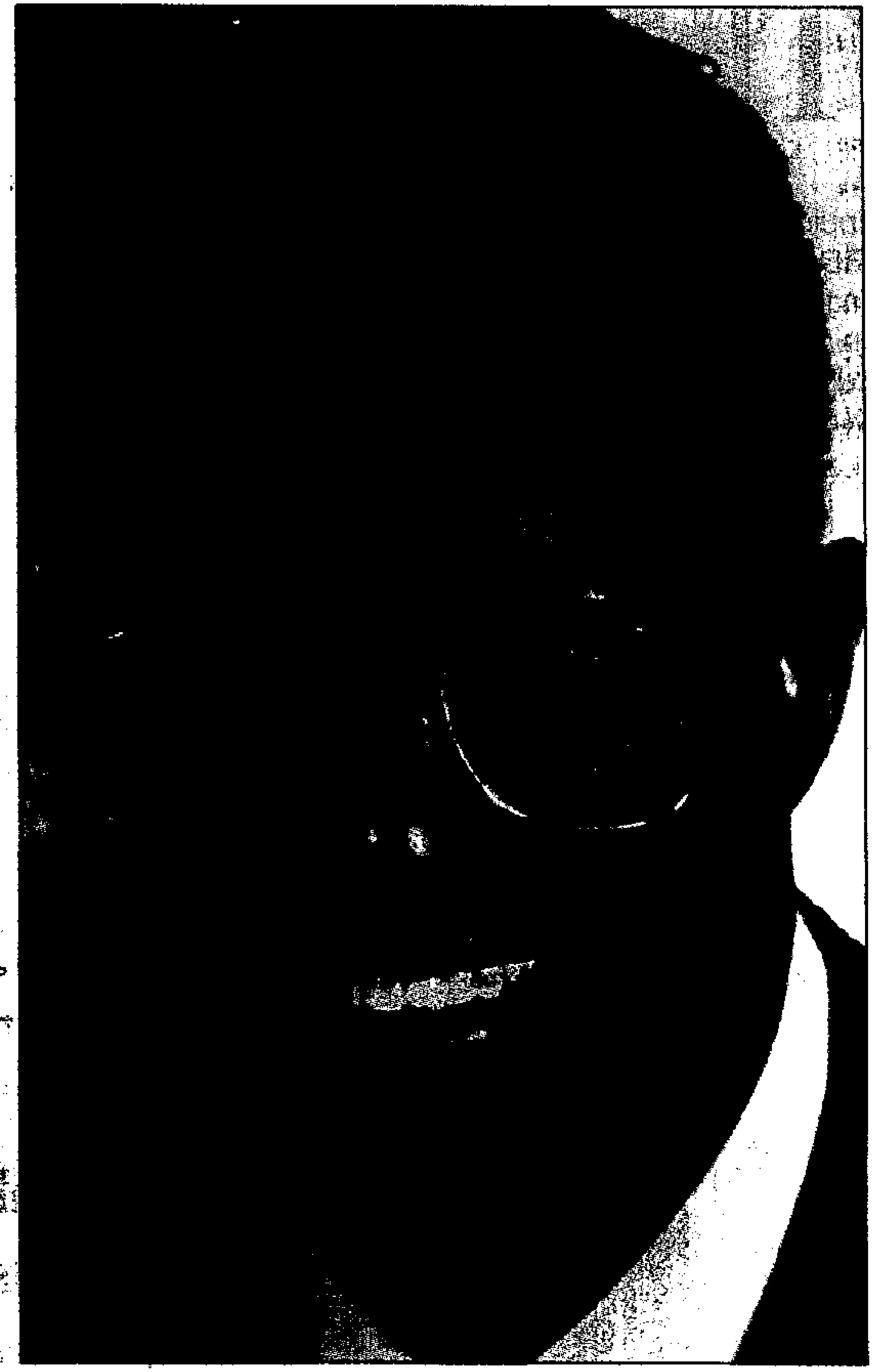
These included exchange control, protection of intellectual property rights, and tariff issues.

"By and large, these are not serious impediments but mere annoyances."

Commenting on the court case between US company MacDonald's and a South African company seeking to expunge MacDonald's trademark from the registrar, Arnold said he felt that the outcome would be closely observed by other US companies interested in setting up franchising operations in South Africa.

He said while violence should always concern a society — it was not in itself a major barrier to trade.

"The first issue facing potential investors is whether they can make a profit and repatriate the profit to shareholders in their own country."



Barriers to trade are not insurmountable: Millard Arnold

SUNDAY T

SA farm goods a hot potato for EU trade

(74) ST (BT) 17/9/95

THE ECONOMY

The cordial face that South Africa and the European Union's negotiators put on this week's first round of trade talks hide some deep-rooted differences between the two sides, writes SVEN LUNSCHE.

SOUTH Africa and the European Union were at pains to stress "common ground and goodwill" in this week's trade talks. The parties also expressed confidence that agreement on trade between South Africa and its largest trading partner would be reached by early 1997.

However, reaching this agreement is going to be difficult.

South Africa is a reluctant convert to the EU plan to establish a free trade area with reciprocal, tariff-free access to each other's markets. Instead, it still appears to hanker after full membership of the Lomé Convention, which gives 70 African, Caribbean and Pacific countries favourable trade access to the EU.

GSP's BIGGEST WINNERS

Description	*Net benefit to SA exporters (R-m)*
Machinery and mechanical appliances	16,4
Paper and paperboard	16,3
Products of chemical and allied industries	5,8
Electrical machinery and equipment	5,5
Optical, photographic and medical instruments	3,1
Essential oils and resinoids	1,5
Miscellaneous chemical products	1,2
Iron and steel	0,9
Other	4,3
TOTAL NET BENEFIT	**55,0**

Graphic: FIONA KRISCH Source: IDC

This became apparent when Faizal Ismael, South Africa's chief director of trade, outlined his team's objectives for the talks:

□ Market access to the EU as close as possible as those offered under Lomé.

□ All discrimination experienced by SA exporters in the EU to be removed.

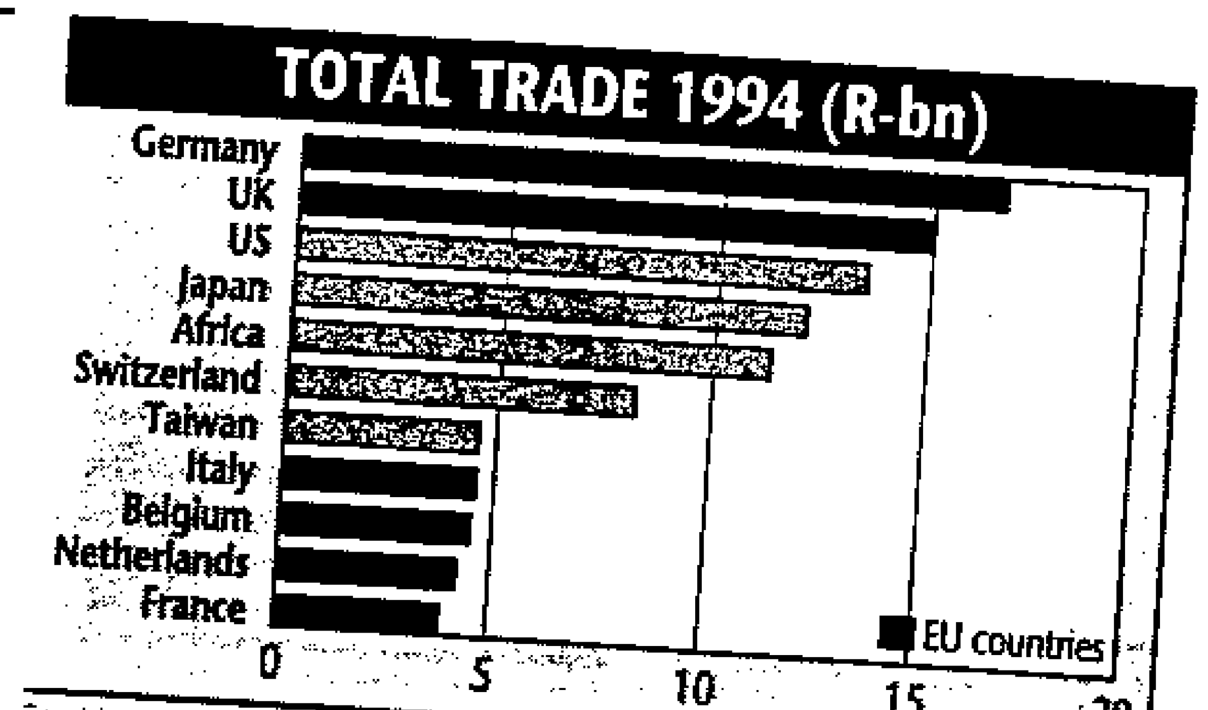
South Africa has tabled studies showing that tariffs on agricultural goods from competing nations, such as Mexico and Israel, are lower than those charged on SA imports.

This week's negotiations did not even touch on the issues that are likely to be the hot potatoes on the bargaining table.

Firstly, SA negotiators have previously proposed a 10-year grace period before the country opens up its market completely to European imports. This gives local companies time to prepare for the full brunt of competition. The EU has accepted in principle that South Africa should be given a few years of respite but is unlikely to accept a 10-year period.

The second contentious issue is agriculture. Although negotiators agreed that farm products would be part of the final agreement, the signals from Europe are ominous.

TOTAL TRADE 1994 (R-bn)



Graphic: FIONA KRISCH Source: CUSTOMS & EXCISE

Proposals by the European Commission to extend the range of SA agricultural goods benefiting from the General System of Preferences — the system governing relations with South Africa until a new trade accord has been signed — are likely to be rejected by those member states faced with resistance from their farmers.

As it stands, the GSP extends net benefits totalling R55-million to SA manufacturers (see graph).

Furthermore, only 25% of local agricultural exports are covered.

Steffen Smidt, chief negotiator for the EU, says the resistance to the pact should not be interpreted as a negative omen for the talks but it is difficult to see how else to interpret it. The European market is crucial to SA exporters, accounting for almost half of South Africa's trade.

But the EU also had good news for South Africa — European Investment Bank agreed to lend R1,4-billion over two years on favourable terms. The loans will be directed at both the private and the public sector.

Public sector lending will focus on RDP-linked projects, said Sir Brian Unwin, the EIB's president.

Approval was imminent for two projects, worth R100-million, for small business development and municipal water supply.

SA to host Unctad to the tune of R16-m

(74) Sowetan 19/9/95

By Pamela Dube
Political Staff

SOUTH Africa will spend R16 million to host the ninth session of the United Nations Conference on Trade and Development in April next year.

Gauteng premier Mr Tokyo Sexwale announced South Africa's acceptance to host the conference yesterday through a televised conference from Geneva, Switzerland, where he is attending the Unctad board meeting.

Sexwale was joined through a satellite linkage at Midrand by President Nelson Mandela, Trade and Industry Minister Trevor Manuel – who will take over the presidency of Unctad next year, Deputy Minister of Foreign Affairs Mr Aziz Pahad, United Nations Secretary-General Dr Boutros Boutros Ghali and Unctad secretary-general Mr Rubens Rucupero in New York.

Representing the Organisation of African Unity was Ethopian Minister of Economic Planning and Development Dr Duri Mohammed in Addis Ababa.

Sexwale said by coming to South Africa, the conference – to be held from April 26 to May 11 1996 – would "bring the international community to witness and participate in the miracle of South Africa, which you helped in bringing about".

Mandela said the conference, the first to be held in Africa, was important in developing a "framework of cooperation" on the international arena. It would also bring captains of industry and politicians to rise to the challenge to show the world that Africa is a force to be reckoned with, Mandela said.

Boutros Ghali said it was time South Africa "helped us to help the poorer countries, particularly in Africa", taking into account the UN's contribution to liberation in South Africa.

Unctad – a UN arm of trade and development – was started in 1964 and has 187 member-states.

Kohl visit to clinch trade agreements

Linda Ensor (74)
BD 8/9/95

LONDON — Technical agreements worth about R190m will be signed when Germany's Chancellor Helmut Kohl visits SA next week.

Kohl, who will arrive in Cape Town on Sunday, will be accompanied by German Economic Co-operation Minister Carl-Dieter Spranger, who will sign two technical deals with Foreign Minister Alfred Nzo.

A German government spokesman said yesterday that DM25m of the 1995 technical aid agreement would be earmarked for schools and rural development while DM50m would be used exclusively for housing.

Another agreement to legalise the setting up in SA of the German Development Service would also be signed.

This would be in addition to the signing by Kohl and President Nelson Mandela of the previously ratified investment protection agreement. The chancellor will also be accompanied by 14 leading German bankers and industrialists such as Daimler Benz CE Jürgen Schrempp, Siemens CE Heinrich von Pierer, Morkels majority shareholder Claus Daum , the head of Dresdner Bank and Commerzbank chief Martin Kohlhaussen.

Kohl's visit to SA, his first and one of his few annual trips outside Europe, was aimed at signalling the importance of the country to Germany and at boosting confidence among business leaders.

Manufacturing shows strong growth

CT(BR) 19/9/95

By Derek Tommey

Mining Editor

The manufacturing sector is experiencing strong growth. The Central Statistical Service's figures show that the volume of manufactured goods produced in July was 9,7 percent higher than a year ago and if the contribution of the former TBVC states was included, the growth in output would jump to 11,8 percent.

This is part of a steady trend that has developed in this sector. In the three months to the end of July, the physical volume of output was 12,0 percent ahead of last year.

An analysis of the different manufacturing divisions indicates that the growth is being fuelled by a sharp rise in the demand for motor vehicles, export demand and the local boom in new capital investment.

The biggest growth in output was experienced by the motor vehicle sector, where the value of output, compared with last year, rose R467 million or 19,4 percent to R2,88 billion.

But hard on its heels was the basic iron and steel sector with a rise of R462 million or 38,1 percent in production to R1,67 billion.

Other sectors showing substantial higher production included paper products (33,9 percent), non-metallic minerals, excluding glass, bricks and cement (22,4 percent), rubber products (22,4 percent), and industrial chemicals (24,5 percent).

Job creation lags upsurge in economy

By Derek Tommey

CT(BR) 19/9/95

The upsurge in the economy is failing to generate a significant increase in jobs in the manufacturing and construction sectors, figures issued by Central Statistical Service show.

The manufacturing sector hired an additional 9 154 workers in the first three months of this year bringing to 1 419 131 the number of people employed in the sector.

Employment in the construction sector also increased, with the number rising by 10 524 to 365 638.

But employment in the electricity sector dropped by 123 to 39 637, and between December and February there was a net loss of 10 646 jobs in mining, the number employed there falling to 589 973.

The service report indicates that the number of jobs in the four sectors rose 1 018 to 2 416 598 in the first two months of this year.

However, since early 1990 the manufacturing sector has shed more than 120 000 jobs.

CT(BR) 19/9/95

'Port conditions must improve'

By Jon Beverley (74)

Special Writer

CT(BR) 19/9/95

South African harbours can look forward to becoming an important transhipment base for ocean cargoes, Stephen Matthews, the supplements editor of Lloyd's Ship Manager said in Durban yesterday.

He was speaking at an international conference on shipping challenges and opportunities in South Africa.

Matthews said South Africa possessed several geographical advantages to allow it to become a regional hub for Africa and an international hub for services linking continents in the southern hemisphere.

But he warned that port conditions would be a key factor in turning these advantages into a viable development.

He was speaking against the background of the congestion in Durban and Cape Town when imports surged and labour troubles were encountered.

He said any review of the long-term development of ports should take the transhipment potential into consideration.

He said that if the major shipping lines started to use South African ports there would be a significant increase in traffic. Last year, Mediterranean Shipping transhipped 46 500 containers through South Africa, a large increase on 1993.

A feeder service from a central hub would be able to cope with the difficulties and delays found in the smaller ports.

He said it was generally recognised that while the ports had taken short-term measures it was "recognised that congestion will continue to be a problem until major new investment in facilities takes place".

SA well down the EU pecking order

(74) CT(BR) 20/9/95

By John Fraser

The Independent Foreign Service

A senior South African politician has warned that South Africa must accept that it is not at the top of Europe's list of priorities.

The warning was delivered in Brussels by Rob Davies, an ANC MP who is leading a delegation to Europe from the parliamentary portfolio foreign affairs committee.

The six-man delegation of MPs comes from several parties and is meeting European Union (EU) officials, politicians and trade experts.

After a first day of talks in Brussels, Davies said there was a lot of goodwill towards South Africa — but he said that was not enough.

"Everybody we meet expresses their goodwill towards South Africa," he said.

"We have had some briefings where it has been made clear to us, in a rather sobering way, that South Africa is not Europe's top priority.

"That is quite a good introduction to the setting in which trade negotiations are taking place."

EU officials explained that the 15-nation union was focusing its attention mainly on central and eastern Europe, the Balkans and the EU's neighbours around the Mediterranean.

Pecking

While South Africa was probably the southern African country receiving the most attention in Brussels, Africa itself was well down the pecking order.

This had been most dramatically illustrated when EU foreign ministers discussed South Africa at meetings in Brussels and Luxembourg.

"The discussions have ranged from five to fifteen minutes," said an EU official yesterday.

"The ministers have rushed through the debate on South Africa so they have more time to spend on more important business."

Davies and his colleagues travelled to the European Parliament in Strasbourg yesterday — to again discover that South Africa was not the major focus in Europe.

It had been planned that a report on South Africa by Alex Smith, the Scottish European MP, would be discussed this week — but this was struck off the agenda, and would be debated in October.

Nonetheless, Davies emphasised that the negotiations with the EU were extremely important for South Africa, regardless of the way they were considered in Brussels.

"It is very important for us to get the right access to the European market, and also for us to have the right arrangement for European access to the South African market," he said.

"It is probably going to be a complex and technical negotiation, but Europe is South Africa's largest trading partner.

"Europe is a very important market for our manufacturing goods, so there is a lot at stake for South Africa in these negotiations."

Options

He said he hoped to clarify exactly which options were open to South Africa in the negotiations with Europe.

The first serious session between the EU and South African negotiators was held in Brussels earlier this month.

The next such gathering would be in Brussels next month — but there was little hope for much progress before next year.

Britain will continue to aim for huge trade growth with SA, says minister

(74) BD 21/9/95

Linda Ensor

LONDON — Britain intended to maintain the exponential rise in it's trade and investment in SA, Trade Minister Anthony Nelson said yesterday, revealing that there had already been a 44,7% increase in visible British exports to SA in the first six months of last year on a year-on-year basis.

The increase in trade was broadly based, but the trade balance continued to widen to SA's disadvantage — at end-June the balance was £365m in favour of Britain, compared with £440m in its favour for the whole of last year.

British visible exports to SA amounted to £911m during the six months compared to £1,4bn last year while imports from SA totalled £546m (£571m). For the year to end-June British visible exports grew 37% to £1,69bn while imports from SA rose a minuscule 0,3% to £1,009bn.

"Trade is a two-way thing. Unless we enable SA to trade with us they haven't any money to buy our goods, but I hope we can win £2bn of exports to SA in the next 12 months." said Committee on SA Trade chairman Sir Brian Pearse, who will accompany Nelson on his visit to SA.

Nelson said large numbers of UK companies continued to visit SA with a view to forming trading partnerships or setting up manufacturing bases through licensing agreements.

Nelson will be participating in a "British Means Business" trade exhibition which opens at Nasrec in Johannesburg on September 27.

JOHAN SCHEEPERS

Going it alone

(74) FM 22/9/95

If there was ever a clear signal that the SA Foreign Trade Organisation (Safto) is undergoing the rigours of change, it is the shuffle of chairs at the top.

In the wake of the announcement that it would cease being nonprofit and become a subsidiary of the Industrial Development Corporation (IDC), former JSE president Tony Norton has retired and been replaced as chairman by IDC MD Carel van der Merwe. More telling, Safto is bidding goodbye to Len van Zyl — the high-profile former elder statesman of advertising who is also retiring — and welcoming another of the public corporation's men as CE. He is the relatively young and unknown former marketing deputy GM Johan Scheepers.

Safto has been providing business with foreign trade services — and relying on the Department of Trade & Industry (DTI) for 20%-25% of its revenue — for 30 years. And there are some who believe its privatisation is overdue. Now that the DTI has cut its grant by 80% and ruled that the remainder be used primarily to support small enterprises, it has no alternative.

Scheepers (41) may lack prominence but the IDC clearly has faith in his abilities. The most pressing of tasks, he acknowledges, will be "to get the organisation on to a sound financial footing." Already, more than 30 blue-chip members have backed a debenture offer. Fresh potential for growth is also being identified.

Presenting challenges, too, are a blossoming of SA players abroad and that international rules have changed. "It's a new ball game for SA companies," says Scheepers, "and we must be there for them."

Entrepreneurism is the new watchword at Safto. But Scheepers's background — he qualified as an engineer at Stellenbosch and has been in the IDC's marketing department since 1983 — might not at first inspire confidence.

"I wouldn't underestimate him," stresses an associate. "Johan may seem a little nervous and unassuming but he has the brains and the drive to make the best of any task."

Scheepers points out it was the part-time MBL he started while working for Iscor that made him realise "there were more interesting things to be than an engineer." He says the IDC's marketing department, which researches the potential of projects, is a training ground in technical, marketing and financial skills.

Scheepers and his wife, Mitzi, in public relations at Iscor, have an 11-year-old daughter. He has epicurean hobbies — wine, music (classical, jazz, golden oldie pop), art and travel. ■

Scheepers

Tanzanian trade links grow stronger

Star (BR) 25/9/95 (74)

By Jaston Binala

INDEPENDENT FOREIGN SERVICE

Dar es Salaam — South African business people on a visit here have expressed interest in importing Tanzanian coffee, cotton and other products in efforts to cement trade links between the two countries.

South African companies are eager to trade and invest in Tanzania, Leticia Schutte, the head of a nine-person trade delegation visiting the country, said in Dar es Salaam.

"We have come to widen the horizons of business between Tanzania and South African business people through the chambers of commerce of the two countries," Schutte told reporters.

She was in the country leading a delegation from the Johannesburg Chamber of Commerce and Industry. The delegation was scheduled to meet in Arusha last Monday, where they were expected to sign a co-operation agreement with the chamber of commerce before flying back to South Africa through Nairobi, Kenya.

Johannesburg business people have been looking for ways to establish trade and business links with Tanzania since March last year, when they signed a co-operation agreement with the Tanzanian Chamber of Commerce, Industry and Agriculture, Schutte said.

She said the delegation was not only looking for opportunities to export to Tanzania but also investigating the possibility of importing to South Africa.

The Johannesburg chamber of commerce plan augurs well with promises made by South African President Nelson Mandela during his recent visit here.

Mandela told Tanzanian chamber of commerce members that his country would be careful not to become an economic bully-boy in the southern African sub-region.

He said his country would strive to do both importing and exporting to neighbouring countries in the region.

Schutte said exports from South Africa to Tanzania were likely to include animal feeds, wines and spirits, grain, cardboard coffins, water barrels, cement bags, electrical appliances and meat.

She said South Africa wanted to import waste paper, raw cotton, coffee, paper boards, PVC sheeting and polypropylene from Tanzania.

Some businessmen in Dar es Salaam have even attempted to export prawns to South Africa.

The delegation head also remarked that business between the two countries had doubled in recent years. In 1992 Tanzania exported to South Africa goods worth R10,3 million, whereas the exports rose to R21,3 million by 1993.

Imports have also shown an equally significant rise. Tanzania imported from South Africa goods worth R27,7 million in 1992. The figure shot up to R58,6 million the following year.

South African investors are equally interested in Tanzania. They have already started running a number of industries here.

Tanzania Breweries is now partly owned by South African Breweries. Tanzania's largest diamond mine, the Mwadui Diamond Mine, is run by South African mining company De Beers.

The visiting delegation included representatives from two South African companies, Enterprise Foods and Powermac Cables, who are investigating joint ventures with two Dar es Salaam companies.

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Malaysia rediscovers links with SA Malays

(74)

Rehana Rossouw

MALAYSIA'S Prime Minister, Dr Mahathir Bin Mohamad, acknowledged Malaysian roots in South Africa when he and a powerful business delegation swept into the country on a four-day visit this week.

"The people of Malay descent in Cape Town are of some interest to us — it is good to re-establish the linkages broken many years ago," Bin Mohamad said. "But we do not intend to focus exclusively on people of Malay descent in our business with South Africa. We want to interact with everyone."

South Africa's Cape Malays are descended from slaves and political exiles brought from the East Indies by the Dutch 300 years ago. They left an indelible mark on South Africa, establishing the basis for the Afrikaans language and introducing Islam.

WM 25-31/8/95

Centuries later, Malaysian business is firmly set on leaving an economic imprint on South Africa, with trade between the two countries last year valued at more than R430-million and set to rocket this year.

During the Cape Town leg of the tour, Malaysian investment giant the Malaysian Resources Corporation Berhad (MRCB) announced plans to embark on an investment spree that will see millions of rands poured into South Africa in joint ventures with local companies.

Researcher and author Achmat Davids, who has published numerous articles and books exploring the history and contribution of people of Malay descent in South Africa, said Malays in South Africa are unique among former slave populations in the world as they have maintained their culture, some of their language and all of their religious customs despite being cut off from their homeland for centuries.

Davids' family has occupied his home in cobbled Longmarket Street in the old Malay Quarters for more than 100 years, opposite a mosque built by his great-grandfather.

"Malays have a saying that no matter where they are in the world, they never lose their culture," Davids said.

Preserving culture: Achmat Davids with documents from around 1806 showing Afrikaans written in Javanese script PHOTOGRAPH: RODGER BOSCH

Descendants from slaves succeeded in retaining their culture largely because they were literate and able to exert extensive influence over other cultures, particularly the people who are now regarded as Afrikaners, Davids contends.

He carefully handles well-preserved documents dated from around 1806 to show an early version of Afrikaans written in Javanese script. Malay slaves came to the Cape reading four languages and speaking 14 dialects, some of which live on in Afrikaans today. Words such as *sosatie, bobotie, koeksusters, piering, baklei, baadjie, baie* and *bredie* are either Malaysian or Indonesian and still in use in Southeast Asia.

"Not only did the slaves have a tremendous impact on the Afrikaans language, but some of the most elite Afrikaner families as well. Ansiela of Bangor was the owner of Kronendal and the founding mother of the Basson family and Lanzerac belonged to Louis of Bangor," Davids said.

The first school for blacks in South Africa was founded by Malays in 1793 and by 1842 the Dorp Street Madressah had 1 069 students enrolled.

The Malay community is also credited with bringing Islam to South Africa. Last year massive celebrations were held to mark the arrival of Sheik Yusuf, a Muslim political exile brought to the Cape by the Dutch in 1694.

It was only after 1990 that Malays in South Africa re-established their links with Malaysia. South Africans were restricted from visiting there during apartheid although a few managed visits while on pilgrimage to Mecca.

"When we rediscovered each other, there was total amazement on both sides that the culture had been so well preserved in South Africa," Davids said. "A Malaysian speaker at the tricentenary celebrations was so taken aback that he said he had found his lost brothers in Cape Town.

"There is a lot of curiosity among Malays in Cape Town about Malaysia and many people are interested in discovering their roots there. But wanting to experience your ancestral home does not necessarily translate into settling back there."

WTO promise to strengthen world economy

BY JEAN-PAUL DE MONTROSE

INDEPENDENT FOREIGN SERVICE

The World Trade Organisation, established on January 1 this year, is the result of the Uruguay round of trade talks and the successor to the General Agreement on Tariffs and Trade.

At the conclusion of the Uruguay round, trade ministers gave their political backing to the results by signing the final act in April last year at a meeting in Marrakesh, Morocco (confusingly not in Uruguay).

The Marrakesh Declaration promised that the results of the round would "strengthen the world economy and lead to more trade, investment, employment and income growth throughout the world".

Today, according to the organisation's secretariat, 109 governments out of a potential membership of 152 nations and territories have signed up.

South Africa, which became a member in January, is among 29 other African countries to have signed the agreement.

It contains 29 individual legal texts, covering everything from agriculture to textiles and clothing, from services to government procurement, rules of origin and intellectual property.

"Added to these," said Renato Ruggiero, the organisation's director-general, "are more than 25 ministerial declarations, decisions and understandings which spell out further obligations."

However, although the organisation sets out the principal obligations determining how governments frame and implement domestic trade legislation, it is not a free-trade institution as sometimes described, if only because it permits tariffs, and in limited circumstances, other forms of protection.

It is dominated by its highest authority, the ministerial conference, composed of representatives of all members, which is required to meet at least every two years. As such, the organisation is more than a simple extension of Gatt. A principal difference is that it is a permanent institution with its own secretariat.

(74) CT(BR) 26/9/95

'ERNMENT

NOMICS

SA's business links with Egypt blossom

CT(BR) 27/9/95

By Peyman Pejman

INDEPENDENT FOREIGN SERVICE

(74)

Cairo — Three years after Egypt and South Africa opened diplomatic ties, Cairo has become Pretoria's second largest North African trade partner.

"Trade links between the two countries are very promising and are definitely moving towards a very positive direction," says Kevin Ponter, the commercial attache at the South African embassy. In fact, both Egyptian and South African officials say privately that the main focus of diplomatic ties is to boost trade.

To reach that end, Egyptian and South African officials announced last month that a joint co-operation commission would hold its first meeting in Cairo, probably late next month.

Although trade ties between the two countries have existed since 1990, official commercial transactions were established in September 1993. According to South African embassy figures, last year alone showed a considerable increase in bilateral trade.

Ponter says South Africa's exports to Egypt rose by about 30 percent between 1993 and 1994 from R54,5 million to R70,5 million.

Egypt's exports to South Africa, though on a much smaller scale, increased by 100 percent in that period from R6,5 million to R12,5 million.

What has intrigued many analysts more than the trade figures are the items traded and the apparently changing philosophy of trade on both sides.

What has shown great increase in South Africa's list of exports to Egypt are mechanical instruments and machinery used in agricultural projects for irrigation, water treatment and factory equipment. Other Egyptian imports include base metals, mineral products, foodstuffs and beverages as well as textiles

Egypt's exports to South Africa include base metals, fish, cocoa and milling industry products.

South African businessmen also seem to be exploring new avenues.

"Egyptian businessmen and the government have started concentrating more on (major) projects rather than export contracts. So now instead of, or at least in addition to, signing an agreement on importing food, they would like to sign contracts on industrial projects," says Ponter.

An Egyptian company is negotiating a contract with a South African automobile company to export car components to Egypt and set up an assembly line here.

And Egypt has long been asking South African businessmen to invest in the Egyptian tourism industry. A South African consortium already operates a hotel resort in Egypt.

The exact amount of South African "investment projects" could not be determined, though both Ponter and sources at the Egyptian Chamber of Commerce said the figure "at this point" was still minimal.

Although a mood of optimism shadows the Egyptian-South African trade links, both sides acknowledge they have a long way to go before such ties mature.

South African businessmen want the Egyptian government to slice through bureaucratic red tape and eliminate administrative hurdles.

"The major reason South African companies are not basing their operations in Cairo is because of Egyptian bureaucracy," said Ponter. "We do not get special privileges from the Egyptian government, but officials, let's say, in Dubai, pull out all the stops if someone wants a project there.

"We know that Egypt is far from being a large trade partner for us, either in the global sense or even compared with other countries in the Middle East.

"But this is a country with about 60 million people. It is potentially a huge market that we cannot and should not ignore."