FOREIGN ~~TRADE~~ FIRMS IN S.A. – GENERAL

1991

Breadbasket to begging bowl

South 7/2—13/2/91.

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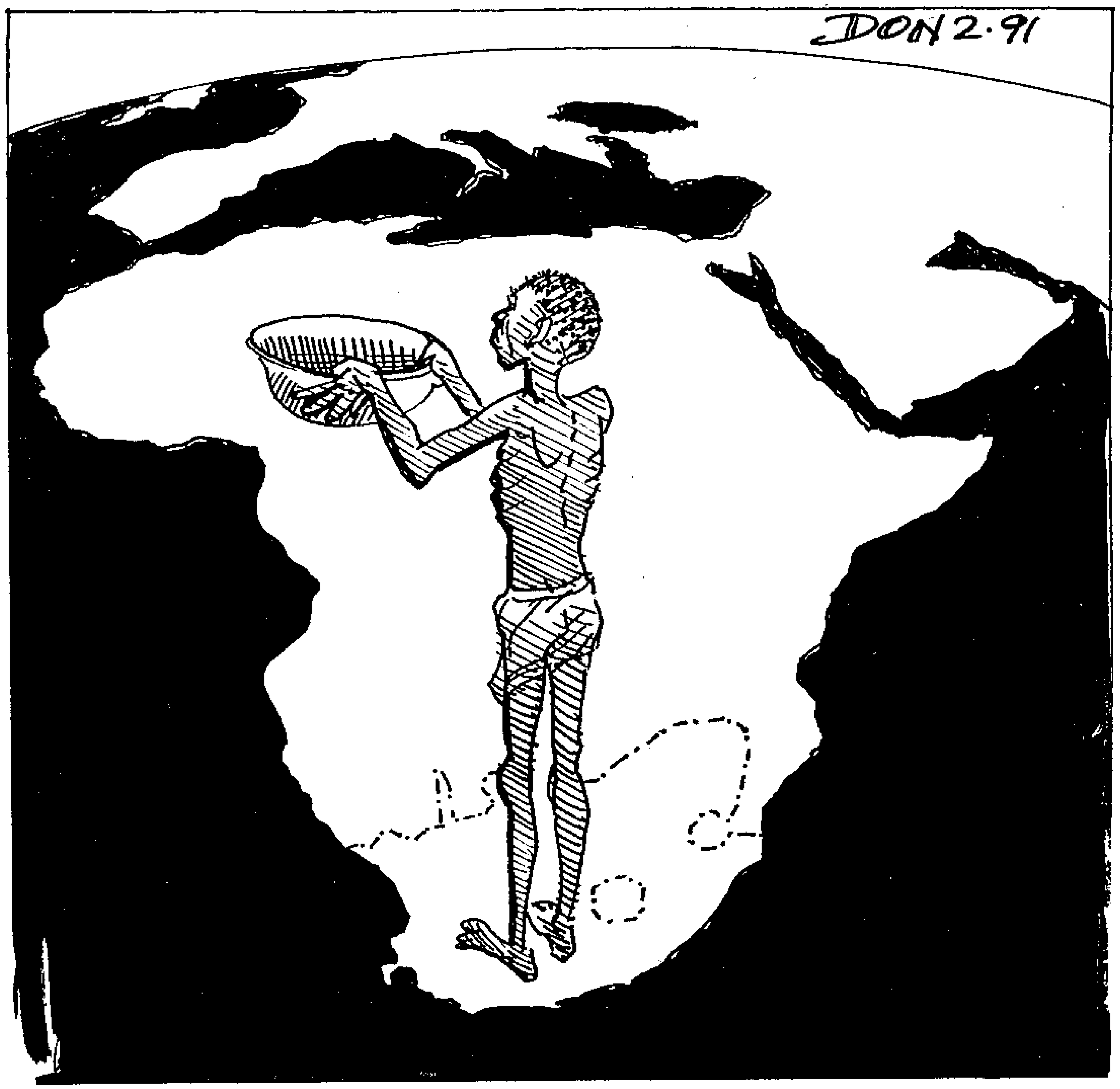
A post-apartheid South Africa, instead of being the much-vaunted economic engine of the sub-continent, will be one of the countries in the region heavily reliant on foreign aid. This is one of the stark conclusions of a study compiled for the Interfund International Fundraising Consortium by specialist consultants



THE South African economy is in a mess with little chance of a quick recovery.

This is the central message to emerge from an in-depth investigation conducted for an influential fundraising consortium based in London.

"Many people believe that South Africa is a wealthy country, with significant reserves of gold, diamonds and other precious metals. These natural riches have provided the foundation for the most developed economy in Africa.

"It is therefore assumed that once apartheid has been destroyed and political and economic power redistributed, South Africa will live up to its true potential as the economic powerhouse of Africa.

Stimulate

"The South African economic machine is then expected to stimulate the economies of the other countries in the region and usher in a period of growth and prosperity."

The report says although this scenario sounds naive, it is widely echoed in business, labour and academic circles in South Africa.

It includes the belief that investment will flow back into the region once apartheid disappears and sanctions are lifted, and that regional and even continental markets will be open to South African manufactured goods.

The profile of the South African economy, however, indicates that any such economic future is unlikely in the medium term, and that the components for successful economic growth are not present in South African society at present.

"It is by no means clear that South Africa is capable of attaining high levels of growth (let alone equity), and the basic requirements of development — political, social and economic —demand urgent attention," says the report.

It says the South African economy has been characterised by a "boom-bust" cycle, expanding or receding according to external factors such as fluctuations in the international market price of its principal mineral and metal exports — gold, oil, coal, platinum and ferro-alloys.

If the markets for these raw material exports are buoyant, the economy prospers, but if the world prices sink and if the cost of key imports (such as oil) soars, the economy crashes.

This emerges explicitly from any historical review of the South African economy, says the report.

"The roller-coaster trend in the South African economy in the 1970s was largely defined by the two oil price shocks and two gold booms, leading up to a peak of industrial output and employment in 1982.

"Since then the economy has been struck by a series of interrelated economic and political factors. The nationwide uprisings that began in 1984, and the subsequent states of emergency declared by the Nationalist government, provoked an intensified round of international boycotts and disinvestment, the debt crisis and capital flight.

"At the same time the economy had to come to terms with a steadily declining gold price and now another oil price rise precipitated by the Gulf Crisis."

In combination, these events have all undermined economic growth and complicated the chances of recovery, says the report.

"The South African economy is in recession, having experienced three consecutive quarters of negative growth. Gross Domestic Product (GDP) fell 1,7 percent in the fourth quarter of 1989, 1,3 percent in the first quarter of 1990 and a further 0,8 percent in the second quarter of 1990. These overall figures conceal more disturbing underlying trends however.

"The economy has hardly grown for 20 years. The present downturn in the business cycle comes after four years of positive growth during which the economy climbed from the recession of 1985 back up to rates of growth of 3.7 percent in 1988 and 2.1 percent in 1989.

"Over the three years from 1987 to 1989 the average annual increase in GDP was 2.6 percent. This barely kept pace with the rate of population growth.

This increase in GDP was off a low base however, coming as it did after the recession of 1985-86 and viewed as a whole, the 1980s recorded a very low average annual growth in GDP of 1.5 percent, well below the increase in population," says the report.

The 1980s marked the first decade in which South Africa's per capita GDP actually declined.

"In fact, the per capita GDP has been falling since 1975, with the exception of the boom years of 1980, 1981 and 1984.

Spending

"With lower government spending in 1990-91, a weaker gold price, more expensive oil imports and an expected slowdown in the world economy as a result of the Gulf war, the South African economy is unlikely to reach its forecast of one percent growth in GDP.

"Some forecasters have already lowered their estimates to 0.5 percent GDP growth, but it is possible that zero or even negative growth will occur."

The report says South Africa has had double digit inflation for more than a decade, so quick fixes are not that likely. Wage price pressures are increasing, and government spending is bound to be boosted shortly by new social upliftment programmes. Both factors are likely to fuel inflation.

"Alternative estimates puts the Consumer Price Index (CPI) well above 30 percent, which is more representative of the lifestyle of black consumers.

"Much of the blame for persistently high inflation has been laid at the government's door."

Regular and excessive budget deficits, a shift towards greater spending on current, rather than capital items and runaway money supply growth, have all been cited as principal causes.

Recently however, the government has cut its budget deficits to acceptable limits (around three percent) and tamed money supply growth.

Whether this greater degree of financial stringency will be effective in lowering inflation is yet to be seen.

Cash-tight firms on sale overseas

(60)

7/1/91 B/Day 7/1/91

LESLEY LAMBERT

CAPE TOWN — Cash-strapped SA companies and commercial projects valued at more than R1bn are being marketed to foreign investors.

The commercial division of Pam Golding Properties (PGP) is showing a R1bn portfolio of small to medium-sized SA businesses and commercial and industrial property projects to UK investors this week.

The sellers are well managed and profitable, but cash-strapped enterprises looking for new capital injections from foreign investors, says PGP business broker Pieter Wicht. In a few cases, companies are trying to sell out completely, Wicht says.

The search for foreign partners or buyers has been prompted by the expected lifting of sanctions. But the underlying reasons include prohibitive financial constraints on borrowing in the local market, a weak equity market which discourages new equity issues and a relative shortage of local corporate buyers in the economic recession, he says.

R250m project

Wicht says the PGP portfolio is heavily weighted in hotel and leisure projects which require additional capital and operational expertise. But there are also some smaller manufacturing and engineering companies on the lookout for foreign sleeping partners, he says.

One of the largest ventures in the portfolio is a R250m project by a local leisure group to develop an airport hotel near Jan Smuts, as well as hotels and leisure resorts in the eastern Transvaal, Durban and Cape Town.

Another is a R190m project to develop a timeshare and hotel resort in the Worcester/Wellington region of the western Cape. In both cases, the developers are looking for financing as well as operational expertise, says Wicht.

There are a number of small to medium companies in the portfolio wanting to raise between R200 000 and R20m. One, Cape Town's oldest engineering firm, Marsden, is being offered to foreign buyers for R3,5m, he says.

"Many of the companies, hand-picked for the portfolio, are heavily borrowed and are working only for the bank and their employees.

"But they are fundamentally sound and capable of earning between 24% and 40% a year, which is much higher than the yields acceptable in the UK.

"Profitable SA enterprises offer good investment opportunities to foreign buyers. But, even though investments through the financial rand seem cheap to many European investors, they know the value of things and won't overpay. They are looking for real returns beyond the political risk," he says.

Wicht places the buyers he is hoping to attract in the UK into three categories. There are private emigrants with the equivalent of up to R5m upfront, general investors with more capital at their disposal and venture capitalists who are prepared to take high risks for high returns. Investors in the two latter categories do not want to live in SA but consider it to have investment potential.

The greatest foreign demand to date has been from English and German investors for commercial property, hotels, guesthouses, restaurants and small factories, Wicht says.

But he concedes that foreign interest has been slow to translate into aquisitions, with negative perceptions of ongoing political risk a major obstacle.

Rising foreign investment in SA economy

CAPE TIMES 14/1/91

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From ANDREW GILL

JOHANNESBURG. — Further signs of resurgent foreign investor interest in SA emerged last week as the financial rand climbed to its highest level since just after President F W de Klerk's February 2 speech last year.

It closed on Friday at R3,33 to the dollar, a discount of 22,3% to the commercial rand, which finished at R2,5877.

This compares with a financial rand at R3,88 and commercial rand at R2,56 on October 1, when the discount was 34%.

As a barometer of foreign sentiment towards SA, the finrand has fared well, despite continued investor apprehension over unrest in the country.

A Finance Department spokesman said last week from Zurich that there was no lack of interest from foreign banks, financiers and industrialists. Violence, and not apartheid, had become the major hindrance to investment.

The Lesotho Highlands Water Project had been a major attraction with companies "falling over themselves" to take part in the venture.

Italy, one of SA's major trading partners, was particularly interested after taking heart from the successful Fiat Uno campaign, he said. A group of 12 to 15 bankers from the Italian Bankers' Association would be visiting SA towards the end of January.

Standard Bank treasury assistant GM, forex, Willie Potgieter said overseas demand had surfaced late last week and the discount would probably narrow further.

Investments were probably going into gold shares, as investors took a view on the gold price while the Gulf crisis threatened to develop into all-out war, he said.

Another factor could be that money had been coming in on the short side of the money market, but he believed gilts were unlikely to have attracted major interest.

The narrowing of the discount was in line with Finance Minister Barend du Plessis' wish to see the gap close.

Also encouraging was that when the discount fell below 25% at the beginning of the week, it did not rebound, as was its normal reaction. Instead it continued appreciating. The rand weakening in the face of a stronger safe-haven dollar had also contributed to the shrinking discount.

Foreign investors urged to boost economic power of SA blacks

b/Day 21/1/91

THEO RAWANA

COMPANIES investing in SA should undertake to give top management positions to suitable and qualified blacks, while all new investment should address black economic empowerment, Black Management Forum (BMF) president Don Mkhwanazi said recently.

Addressing the Umtata branch of the BMF, Mkhwanazi said whether the broad liberation movement agreed or not, the international community would go ahead and lift sanctions.

"The question then is — how do we advance the cause of our economic struggle given the resolve of the international community not to heed the call by the liberation movement?

"How do we manage the collapse of sanctions to our advantage?" Mkhwanazi asked.

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Demand

"What we should be saying to all the companies that want to invest in SA is that top management positions should be given to suitable and qualified blacks, failing which black understudies must be identified, placed, trained and developed to take over these positions within a stipulated time frame.

"This must apply to all levels of management," Mkhwanazi said.

Another demand should be that a percentage of initial total capital outlay and/or the total of pretax profits be set aside for technical, managerial, skills training and upgrading of workers, Mkhwanazi said.

"Over and above this a percentage of company profits should be ploughed into the social investment area, firstly for the benefit of employees and secondly for communities in which these firms operate."

Mkhwanazi said workers, black managers and the black community should be given at least meaningful part in the ownerhip of companies.

"Soft loans or funds should be made available to these stakeholders to make it easy for them to take advantage of ownership," he added.

SA, USSR 'positive' about further contact

Cape Times 29/1/89

By ANTHONY JOHNSON
Political Correspondent

SOUTH AFRICA and the Soviet Union favour continued bilateral contacts once the multilateral Joint Commission talks on Angola-Namibia are finally wrapped up in June.

Minister of Foreign Affairs Mr Pik Botha and the Soviet Ambassador at Large Mr Vyacheslav Ustinov were both positive about further meetings between the two governments.

Mr Botha described the idea of the possible longer-term quorum of nations currently involved in the Joint Commission talks — SA, Angola, Namibia, Cuba, the Soviet Union and the US — as "attractive to us".

Mr Ustinov, who led a high-powered Soviet delegation in talks with the government ahead of today's Joint Commission meeting in Somerset West, said that further bilateral contacts were inevitable.

He added that he felt it would be "a good thing" to continue contact with SA.

Today's Joint Commission meeting will be its last in South Africa. The Joint Commission will hold its final two meetings in Luanda and Havana later this year.

TALKING . . . Soviet Ambassador at Large Mr Vyacheslav Ustinov (right) with Foreign Affairs Minister Mr Pik Botha in the city yesterday.

Earlier the US Assistant Secretary for African Affairs, Mr Hank Cohen, said the US delegation which met an SA delegation led by Mr Botha had come to the conclusion that there could be a ceasefire this year in both Angola and Mozambique.

Both Mr Cohen and Mr Botha said that the withdrawal of Cuban forces from Angola was on track and the process was expected to be completed on schedule in June this year.

And Mr Cohen predicted yesterday that an "explosion" of trade and investment activity in the Southern African region would follow a political settlement in South Africa.

Mr Cohen told a briefing that because of SA's excellent record in financial management the country should be able to capture significant foreign investment.

The main import of a settlement in SA was that it would open up the faucet of international investment, he said.

Mr Cohen also said he was now cautiously optimistic about negotiations in SA.

CAPE TOWN, TUESDAY FEBRUARY 5 1991

FW's confidence booster

ARGUS 5/2/91 60

The Argus Foreign Service ~~and~~ Political Staff

CONFIDENCE in South Africa's speedy return to the international community has been boosted by the European foreign ministers' pledge to lift sanctions and a deluge of praise for President De Klerk's latest reform moves from around the world.

In prompt reaction to President De Klerk's promise to abolish the Land, Group Areas and Population Registration Acts, European Community ministers meeting in Brussels yesterday agreed to scrap sanctions as soon as legislation to repeal the Acts is tabled in parliament.

The EC's trade bans include imports of iron, coal, steel and Krugerrands.

The government today hailed the EC decision as a major breakthrough.

While an opposition leader warned that the decision would not necessarily address one of the country's biggest problems — lack of overseas investment — Foreign Affairs Minister Mr Pik Botha said the move was "a clear indication that we are now in the post-sanctions era and we need not push any further". World reaction to Mr De Klerk's initiatives had been favourable and positive.

To him the most significant response was from Australia and Canada.

"Australia was at the forefront of efforts to isolate South Africa, especially in the Commonwealth. I welcome Prime Minister Bob Hawke's statement. Just as Australia had been been a leader in the campaign for sanctions it will now be in the lead to react positively."

But Dr Zac de Beer, leader of the Democraic Party, said that while the decision was reason for gratitude and relief it had not exactly come as a surprise.

"We should remind ourselves that trade sanctions have been of relatively little importance.

'Damaged economy'

"What has severely damaged our economy is the refusal of world financial institutions to lend and invest here. We can only hope that this, too, will now change."

- The African National Congress had not given up hope that the EC would retain sanctions, said Mr Ahmed Kathrada, deputy head of the movement's department of information and publicity.

"It will be very unfortunate if sanctions are lifted because Mr De Klerk has not given answers on the position of political prisoners, exiles and political trials.

"He has also rejected our calls for a constituent assembly. This is a crucial time because these things have not changed. We will continue to try to dissuade these people from lifting sanctions."

- The removal of apartheid remained a precondition for any discussions with the government, said Pan Africanist Congress spokesman Mr Barney Desai.

'Hold the line'

"And that discussion will be on a constituent assembly. Our view is that sanctions must remain in place until we have a constituent assembly. Any move to lift sanctions is premature."

- The South African Communist Party urged the EC not to "take any precipitate actions against sanctions".

"We demand that they hold the line," said SACP spokesman Mr Essop Pahad.

The repeal of the laws in question "is only the government's stated intention, but they are still there".

It would be premature to call for the partial lifting of sanctions while these laws and the obstacles to negotiations had not been removed.

- The central Witwatersrand region of the Azanian People's Organisation (Azapo) rejected President De Klerk's reforms and called for the maintenance of sanctions and the cultural boycott.

The region's executive committee announced that its congress at the weekend had resolved to "stand firm on the cultural boycott and the isolation of South Africa by the international community".

Financial rand rises

By TOM HOOD
Business Editor

INCREASING foreign investor confidence after President De Klerk's speech to parliament last week has boosted the financial rand.

The foreign investment currency, which rallied to 30,5 US cents immediately after Mr De Klerk's speech on Friday, rose further to 31 cents. The finrand was worth only 28,5c in mid-December.

Meanwhile, the Johannesburg Stock Exchange reacted positively to the president's speech, although the higher finrand kept a lid on share prices — foreigners are encouraged to sell shares when the finrand rises.

The JSE industrial share index rose 37 points on Friday and another 14 to 2 933 yesterday.

Retailers Pick 'n Pay and Wooltru were amomg shares to make impressive gains. Analysts said undertakings to uplift the black community would raise their incomes and spending.

CAA Times 7/2/91 60

Boost for industry

Political Staff

THE Industrial Development Corporation (IDC) is aiming at ploughing a total of R30 billion into the industrial sector over the next six years.

A statement issued yesterday by Minister of Trade and Industry Mr Kent Durr and Dr Wim de Villiers, Minister of Economic Co-ordination, estimated that the IDC should be able to mobilise almost R10bn over the next six years, for investment in industry.

The money would be raised by the realisation of assets and the optimum use of the IDC's borrowing capacity.

The ministers said that if the IDC's contribution to the financing of industrial projects was assumed to be one-third of the total financing, it would mean a total investment of R30bn in the industrial sector.

This would make a "significant contribution" to growth in that sector.

In an indication that the IDC is to move towards privatisation, though not totally, the ministers said the state would not, except under exceptional circumstances, make any further contribution to the funding of the IDC.

The corporation would be dependent on its own financial resources to achieve its development objectives.

Mr Durr also said the President F W de Klerk's reform initiatives over the past year — and specially his opening speech on Friday — had resulted in heightened interest from Europe and the US.

In the past year South African exports had grown in volume terms and the government was now focusing more energy on manufactured export goods.

Addressing a media briefing Mr Durr said a few US investors who disinvested in the '80s were re-assessing their positions and now wanted to come back.

Several major banks were looking at investment opportunities.

"In the future we see ourselves as a global player. We are a very open economy with 70% of our economic activity being import-export orientated as opposed to the UK's 40%. But we need bigger, longer-lasting plants to be competitive in the open market," Mr Durr said.

He said trade with the US and countries in the Gulf would grow markedly when sanctions ended.

The US remains a very important market representing 9% of South Africa's trade. But, Europe and Asia would remain the dominant targets.

Warburg visitors predict foreign reinvestment

BDay 8/2/91

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MERVYN HARRIS

CHANGING perceptions about SA are reflected in remarks by three of the top brass of the Warburg international banking group currently on a visit here: "It is nice to come to a place where you can do business and not worry about the stamp in your passport."

The three — Peter Wilmot-Sitwell, Oliver Baring and Kenneth J Costa — have had close links with SA and companies here for many years. And they are now more optimistic about prospects for SA than at any time during their previous regular annual trips to the country.

They believe a reversal of the disinvestment programme seems on the cards as confidence in SA returns to the international investment community in the wake of President F W de Klerk's promise to repeal the last vestiges of apartheid.

But it is not going to be all plain sailing. "Economic fundamentals are not particularly good at present and there will be a bumpy road ahead for SA, both politically and economically," says Wilmot-Sitwell. He is vice-chairman of the SG Warburg Group, which has one of the largest merchant banks in the UK and also owns Anglo-De Beers' London brokers, Rowe and Pitman, and Mercury Asset Management which manages in excess of £30bn.

He notes that developments here will be closely monitored by overseas investors who have not found it fashionable to invest in SA. He relates the present poor economic fundamentals in SA to the depressed prospects for the world economy.

In its latest international economic briefing, Warburg says, there is worse to come for the current US downturn. While Wall Street has appeared to be anticipating the end of the recession in recent days, there is more downside to demand and output. Recovery promises appear to be pretty anaemic — cheaper money and oil notwithstanding.

Indeed, Warburg has just revised downwards its 1991 GNP forecast, essentially by deepening the first-half decline. US GNP is now expected to contract by 1,2% over 1991 as a whole.

Moreover, there are clear signs that domestic demand, which fuelled Japan's post-1986 economic expansion, is slowing, while Germany's vulnerability to recession in Europe should not be underestimated.

□ WILMOT-SITWELL

□ BARING

□ COSTA

The Gulf war has also increased uncertainty and contributed to the downtrend in the gold price through the substantial selling by the Saudis out of Riyadh in August to finance their defence following the Iraq invasion of Kuwait.

Furthermore, says Baring, the Gulf war is the major reason for the declining volumes and crisis on global stockmarkets as institutions hoard cash: "There has never been a bigger cash pile among institutions all over the world than at present."

This will probaly lead to further mergers and rationalisations in the broking community in the UK and elsewhere, but he adds: "At some stage, this cash has to be invested in stock markets. And it will certainly come earlier than people might expect."

The huge institutional cash piles are why bond markets worldwide are experiencing a good run, and investment will first come to SA through the bond market. SA's attractive yields of around 19% will be enhanced further by improving confidence in this country.

Latest developments in SA have also given the economy the ability to attract overseas capital and the country should, hopefully, be back within the arms of the IMF by the end of the year.

Says Costa: "Readmittance to the ranks of the IMF would be an important signal, bringing back investors who have not been able to come into SA because of sanctions and disinvestment.

"They would come back into the economy through investments in industry and major capital projects. We have learned on this visit that the whole negotiating process will work out in a positive way. We do not believe the SA economy can be anything other than a mixed one driven by free market principles. It is the only way to absorb the increase in population and give prosperity to everyone," says Baring.

Regarding issues such as nationalisation, Baring says the views of foreign investors would have to be taken into account.

"We at Warburg want to help in attracting that capital," he concludes.

LETTERS

Allow us to compete openly for capital in international markets

SA needs investments not charity - Ackerman

Sowetan 12/2/91

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SOUTH AFRICA does not need - or seek - charitable handouts from the international community, according to a leading local businessman.

Speaking yesterday at the World Economic and Agro Forum in Davos, Switzerland, Mr Raymond Ackerman, chairman of Pick 'n Pay Stores Ltd said: "I must stress that I'm not here with a begging bowl.

"The South African economy is eminently capable of developing its own potential if permitted to do so. We simply ask that we be allowed to compete openly for investment capital, trade and development loans in the world's financial markets.

Leaders

He was speaking to an audience including an array of world political and business leaders, like Wilfred Maartens, the Belgian Prime Minister; Hans-Dietrich Genscher, the German Foreign Minister; Jan Vlielski, the Polish Prime Minister; the Deputy Trade Minister of Japan; Sir James Goldsmith, the International financier, and some 700 senior delegates from the IMF, GATT, the World Bank, and major international corporations.

FOCUS

RAY ACKERMAN

Should punitive economic measures by Europe and America persist, a new black government in Pretoria may inherit an economy not even able to satisfy the demands and expectations of its own population, let alone be able to stimulate economic activity elsewhere in Africa, he warned.

That could have dire consequences for the country, he said. "Economic decay will almost certainly make it impossible for an already-fragile democracy to survive in a new South Africa, an unable to prevent the new multiparty democracies elsewhere in Africa from sliding back into authoritianism.

"South Africa's future, therefore, is integrally linked with that of Africa as a whole. Given international, economic and political trends, it is realistic to suggest that South Africa must become the economic engine room of a continent which has steadily dropped on the priority agenda of the developed world.

"Your governments and companies are in a position to help all in Africa achieve the "de facto" economic independence it so desperately needs to legitimise its "de jure" political sovereignty", he said.

Investment

South Africa would undoubtedly attract investment capital for it is seen by the international business community as being both reliable and able to guarantee a decent rate of return.

Already, in fact, a number of leading world companies in the food industry alone have expressed direct interest in investing in South Africa.

On the subject of sanctions, Mr Ackerman said in the light of President de Klerk's announcements at the opening of parliament last week, these were no longer an issue. There can be no doubt South Africa was speedily and irreversibly on course to a new and equitable political dispensation.

"Unfortunately, these bold political steps come at a time when the world economy is preoccupied with decreasing growth rates and the problems of reconstruction in eastern Europe. Moreover, funds available for Africa are not what they were, and European trade and investment in Africa is on a downward slide.

"We in South Africa are ideally positioned to spearhead an economic recovery on our continent. We are better placed than most to export skills, experience and technology into Africa: in spite of sanctions (so vigorously applied by northern nations) our economic infrastructure is still the most sophisticated on the continent. The need for a strong, vibrant economy in South Africa, therefore, has continental, and even international implications.

"South Africa already trades with almost every country in Africa - exporting products worth some R5,6 billion last year - and despite sanctions, trade with African countries increased by more than 45 percent during the last 24 months."

Foreign investors begin the long trek back to SA

B/Day 13/2/91 60

LONDON — The world's investment managers are cautiously turning their attention back to SA as the country begins to slough off its image as a political pariah.

But funds are unlikely to come rushing back into the country that was once a lucrative haven for Western investment.

"In general, most people over a number of years have taken the view that they don't want to invest for political reasons," said Lyndsay Thomlinson, MD of the UK's BZW Investment Management.

Dismantling

Fund managers in many countries believe investment opportunities are set to open up in the country following President F W de Klerk's recent reformist pledges.

But they remain cautious about these and are steering clear of the country until their customers are convinced that it has fully dismantled apartheid.

"These (reform) developments look encouraging, but we want to see the complete dismantling of apartheid before we change our policy," said Claire Sheahan, second vice president at Teachers Insurance and Annuity Association College retirement equities fund, the largest pension fund in the US.

In the Netherlands, which has historically strong links with SA, fund managers are especially cautious.

Dutch fund managers said they will wait and see how quickly dismantling of apartheid proceeds, adding that they want to wait and assess how their counterparts in other countries fare before they start to invest again.

Most Dutch pension funds, which are among the biggest in Europe, have investment committees that include representatives from workers and management.

Anti-apartheid activists used to demonstrate outside investment committee meetings of pension funds that held stock of Royal Dutch Petroleum Co.

As the biggest stock in terms of market capitalisation on the Amsterdam bourse, it is almost impossible for Dutch investment managers not to hold some Royal Dutch shares although demonstrations have made them careful.

UK fund managers are constrained by similar experiences and, like their counterparts in most countries, few were willing to be quoted on the subject.

A number of clients "absolutely ban South African investment," said one British fund manager. "Obviously I hope that attitude will change."

"There is value we believe if you assume, as we do, a fairly positive outlook for the SA economy," he added.

Government-imposed restrictions prevent fund managers in Japan from investing in SA and in the US legislation restricts pension funds from putting money there. But German and Swiss fund managers have few qualms about investing in SA. Many have already taken the plunge.

A number said they took up SA paper, especially bonds, in their portfolios several years ago in the hope that the reforms would lead to an increase in value.

Now many are looking to reduce their holdings, they said, because the recent dramatic political changes mean the uptrend had probably peaked.

Holger Schmitz at Fiduka Depotverwaltung gmbh, a German investment fund, said SA government bonds make up about 5-7% of its fund.

Schmitz said Fiduka put the SA paper into its fund over a year ago, noting the differential between the financial rand and the commercial rand, coupled with high yields, had made the bonds very attractive investments.

'Positive'

"We bought this paper when no one wanted it and are more than happy to sell it now that everyone wants it," Schmitz said.

A spokeman for a Swiss mutual fund that invests in gold mining stocks called the recent developments in SA "very positive".

"We are seeing a gradual reintegration of SA into the world economy. At the moment investment is going into short-term instruments, as SA interest rates are high, and there is certainly interest in SA bonds," Trevor Blench, Geneva-based partner at Johannesburg broker Edey Rogers & Co Inc, said.

"As the prospects for the southern Africa region pick up over the next 10 years, there will be tremendous scope for SA industrials because SA is the springboard for development in that region," he added. — Reuter.

Foreign buyers knock at SA industrials door

Star 24/2/91 (60)

FOREIGN buying of JSE-listed industrial shares, although at this stage limited, promises to open up a new dimension — with major ramifications — for Diagonal Street.

Indeed, the State President's political initiatives, together with the crumbling of sanctions and boycotts, may prove to be the trigger for foreign institutional and private investors to review their stance towards South Africa.

During the past year or so foreigners have become less worried about the long-term political risks of investing in South Africa.

Little of substance on economic philosophy has yet emerged from the ANC, but many foreign investors now suspect the organisation's talk of wholesale nationalisation is no more than a political bargaining chip.

Taking a line through the numerous overseas reports that regularly come across my desk, more than just a smattering of foreign investors are projecting:

Potential

● A discernible increase in buying programmes for South African equities — buying that will be fuelled by expectations of an economy boosted by withering trade and capital sanctions and more emphasis being placed on expansion of the private sector.

● The immense potential of a country of 30 million-plus people, where many are economically inactive but perfectly able, given time and opportunity, to acquire financial and industrial skills.

● Black infrastructure, such as housing and education, will attract substantial government spending over the next 10 years, stimulating economic growth.

● Rising black economic activity will be focused on the industrial sector rather than mining, providing industrial shares with outstanding long-term growth potential.

Overseas portfolio investors are distinctly underweight in South African industrial shares and the instability in the Soviet Union and, more particularly the Middle East, means that there are now fewer havens for long-term equity funds than a year ago.

A change in policy by foreign institutions could exert a dramatic effect upon the JSE, since the South African share market is insignificant in global terms, amounting to less than one percent of world stockmarket capitalisation.

Negatives

The negatives should not, however, be ignored. Thus:

● Japanese financial institutions are barred — at least formally — from investing here, while American investors may not buy any securities issued after October 1986.

● The younger generation of international investment managers has largely ignored the JSE for years, owing to political inhibitions. Disinterest may remain the order of the day.

● Historically only British investors have taken any active interest in South African industrial shares.

UP and DOWN DIAGONAL STREET

John Spira

About 20 years ago, British investors played a dominant role in the JSE, but in the past decade they have drastically reduced their holdings of industrial shares.

If British purchases of industrials are to increase significantly, this will involve new participation by institutional investors. Unfortunately, there are obstacles in the way of such investment.

At the end of 1989, roughly 52 percent of UK pension funds by value were run with a prohibition on share investment in South Africa, according to a survey conducted in 1989 of 29 of Britain's top pension-fund managers, who controlled $30 billion (47 percent) of British pension-fund money.

The same general situation prevailed among British insurance companies.

Although these obstacles are beginning to recede, any new buying will almost certainly be restricted to a limited number of counters.

In general, the marketability of South African industrial shares is poor, with only a handful of blue chips offering adequate liquidity to British investors.

Higher ratings

It should also be remembered that whereas some 75 local industrial shares were quoted on the London Stock Exchange 30 years ago, today the number is only around 20.

Even so, any new foreign buying of industrials could easily intensify the two-tier nature of the local share market in the sense of precipitating even higher ratings for blue-chip counters.

This may force local financial institutions to look further afield for equity investments, in the process lifting a whole host of counters currently labelled second-line.

The brakes are still on but you can start revving up

Star 24/2/91

CONDITIONS in the motor industry are expected to deteriorate further this year in the face of the continuing downswing, high interest rates and anticipated increases in fringe-benefits tax.

Above all, however, the industry is highly sensitive to interest-rate movements, so conditions could improve later when the long-awaited decline materialises. Accordingly, depressed motor shares warrant close consideration.

Total-vehicle sales in 1990 amounted to 352 629, a decline of 5 percent on 1989 and the lowest in four years.

The severity and duration of the downturn will be a major determinant of the industry's 1991 performance, with short-term prospects influenced by socio-political factors and events in the Middle East.

Sales are now well below the historical trend, which means replacement needs of the existing vehicle population will tend to limit the scope for significant further declines in new-vehicle sales.

The latest industry projections are for no growth in 1991. Yet investors should now start to anticipate the next upswing.

Unfortunately, soaring prices have largely eliminated individual buyers from the new-car market — a factor which, together with an unsettled labour situation, detracts from the shares of manufacturers.

This points to the advisability of focusing on motor-retailing shares, where McCarthy and Saficon offer attractive yields and above-average medium-term growth potential.

In the year to June 1990 McCarthy's earnings shed 5 percent to 58,6c a share and lost a further 19 percent in the six months to December. While the vehicle and industrial sides of the business did reasonably well, associated motor-parts company Midas suffered a sharp setback.

Even so, the company is expanding its market and there are signs that its used-car sales are turning upward.

Profits in the second half of the current financial year should therefore stabilise at the levels achieved in the six months to June 1990, so that profits for the full year could fall by as little as 10 to 15 percent.

The dividend for 1990-91 looks like remaining unchanged at 20c, plus a special one-off centennial payment of 2,5, for a generous 6,9-percent yield.

Saficon is involved in vehicle trading, materials handling equipment and the manufacture of motor components. The group also has a substantial investment in building materials group Boumat.

In the year to March 1990, Saficon earned 149c a share against 147c in the previous year, while the distribution was 43c (42c).

In the six months to September 1990, earnings a share fell by 65 percent, while the interim dividend was cut by 46 percent to 11c.

The disappointing figures stemmed from the cessation of the supply of Mercedes-Benz and Honda vehicles from the plants for more than a month, poor used-car sales, weak results from Boumat, and some dilution in earnings a share owing to the conversion of debentures.

Management warned that difficult trading conditions were expected to persist in the final six months and it accordingly forecast a decline in earnings and dividends of 53 percent for the year to March 1991.

The remaining debentures will be converted on July 1, resulting in an 8-percent earnings a share dilution for the year to March 1992.

However, some improvement in the vehicle supply situation and a revival in used-car sales could see earnings of this quality-managed group recovering strongly, helped by a fall in interest rates.

The shares are on a prospective dividend yield of 3,8 percent — a touch on the low side but a return which by no means discounts a major earnings advance during the next economic upswing.

Foreign stake in mining dwindles

B/Day 25/2/91.

60

TOTAL foreign interest in SA mining shares has been declining since 1982 and this disinvestment trend accelerated in 1990, particularly in diamond and platinum shares, a survey by stockbrokers Davis Borkum Hare on the foreign holdings in SA mining shares has found.

It also found that more recently, the American Depository Receipts (ADRs) holdings (mainly US investors) have shown a substantial decline.

Total foreign ownership of gold, platinum, De Beers and mining houses included in the study declined to 622,2-million shares or 14,1% of the total number of shares in issue at the end of December 1990 from nearly 631-million shares or 14,5% at the end of June 1990.

This decline in mining investment reflects not only the switch out of world equity market and into cash, but also the impact of the then pending Gulf war. At that time the Gulf war was expected to result in a substantial decline in economic activity, with a concomitant decline in the demand for platinum and diamonds, says DBH analyst Manny Pohl.

There was a brief return after President F W de Klerk's speech in February, but sentiment turned negative as the ANC confirmed its position on nationalisation.

De Beers was worst hit over the period from June 1990 to December 1990, with foreign holdings dropping to 17,5% from 23,2% of total issued share capital, a disinvestment of about R1,4bn.

Foreign investors failed to contribute to the financing of the SA platinum boom in 1990, says Pohl. This was apparent in the

LIZ ROUSE

case of US investors, where legislation prohibits new SA investment.Foreign holdings in shares fell to 4,4% (86,5-million shares) from 4,9% (89,1-million shares) of total number of shares in issue of the five major platinum counters surveyed.

There was a major decline in ADR holdings in gold shares from June to December 1990, down to 6,55% (114,4-million shares) from 7,14% (124,7-milion shares) However, European ownership showed a dramatic increase to 10,8% (nearly 189-million shares) from 10,6% (184,8-million shares).

The London holding of gold shares increased marginally to 6,68% (116,8-million shares) from 6,65% (116-million shares). But with ADR holdings at an all-time low, total foreign holdings in gold shares declined to 24,16% (422,2-million shares) from 24,54% (428,2-million shares).

Non-residents did not follow their rights in 1990 issues by mining houses. Consequently their holdings declined to 5,16% (90,5-million shares) from 5,27% (89,1-million shares) of total shares in issue.

A survey of total foreign holdings in all SA mining shares shows that the largest decline in ownership, on a geographical basis, has taken place on the London register in the past year.

London holdings were down to 4,99% (219,6-million shares) at the end of June from 5,69% (234,2-million shares) at the end of December. ADR holdings declined to 3,45% from 3,84% and European holdings to 5,16% from 5,2% although the number of shares held rose slightly to 226,9-million from 225,6-million.

Foreign listings will depend on 'gold and SA politics'

BDay 4/3/91 (60)

MARCIA KLEIN

INTEREST by foreign companies in listing on the JSE might be rejuvinated if a political settlement was reached and the gold price improved.

This was said by Davis Borkum Hare director George Joubert at a Webber Wentzel seminar on the listing of foreign companies in SA and SA companies listing overseas.

The 29 foreign companies listed on Diagonal Street had a market value of R36bn — about 9,2% of the total capitalisation.

In terms of foreign ownership of SA companies, 24% of the gold sector was foreign held and 22,8% of De Beers, which was often referred to as a currency stock as it was easily tradeable overseas and had an enormous market capitalisation, Joubert said.

However, foreign ownership had decreased in recent years. Only when there was a turnaround in the political situation, sanctions and the gold price, would SA see more trading from overseas, Joubert said.

JSE president Tony Norton said the 29 companies on the JSE registered abroad fell into two categories: those whose lead exchange was the JSE and which were registered in neighbouring states, and the truly foreign companies. The 17 with a lead exchange outside SA were mainly from London, Luxembourg and Harare.

He said the JSE could hardly claim to be an international exchange.

As far as the JSE was concerned, there were no formal requirements for a foreign company to list, but if the JSE was the lead exchange, the foreign company would have to meet all the JSE's requirements.

Most of the foreign companies listing on the JSE did not see it as a place to raise money, and in most cases the listing "was on a corporate finance tidy-up basis".

In terms of SA companies wishing to list abroad, Norton said most wanted access to capital, foreign banking allowances and paper, and visibility.

"We have regrettably experienced a selling back in the last few years due mainly to gold", he said.

The JSE would like to continue its policy of encouraging investment even if it was only in the form of paper to begin with, because other things flowed in besides money, like technology.

Webber Wentzel's Luxembourg partner Steven Georgala said a SA company would want to list overseas to raise capital in a foreign market, because a more attractive share price would stimulate the value of share-for-share swops and acquisitions, and to make a name for the company.

However, there were downsides; it was expensive in rand terms to list, there was the possibiity of more stringent requirements, management time was wasted obtaining and maintaining the listing, and other markets which were anti-SA could cause shares to trade at a discount.

There was also an immense cost involved and a large amount of market capitalisation was required.

Fears of instability likely to discourage foreign investment

60

B Day 11/3/91

In the second of two articles, Eskom GM (Finance) MICK DAVIS examines the preconditions required for a renewed flow of foreign funds into SA.

OVERSEAS investors and bankers view the political progress and process in this country with approval. President F W de Klerk's initiatives are wholeheartedly supported and the moderate stand of many ANC leaders, including Nelson Mandela, is greatly appreciated.

However, the uncertainties inherent in the dramatic changes give rise to concerns about the future stability of our economic system. And bankers and investors shy away from uncertainty because an uncertain environment creates conditions which prevent risk from being quantified.

The lifting of sanctions is unlikely, in itself, to cause a flow of new money into this country. In many countries the provision of foreign finance to SA is not subject to legal impediment and sanction. Even now, bankers in most European countries are free to provide new commercial and syndicated loans to SA entities, and to float bond issues to investors in those countries.

However, since 1985 we have not received any new commercial or syndicated loans of significance, and bond issues are still difficult to negotiate. Since 1985 the only significantly successful bond issues were private placements, replacing existing maturing bonds. Even in these instances, only a relatively small proportion of the maturing bonds have been refinanced.

It is easy to speculate as to what conditions gave rise to this phenomenon. The political pressure on investors and lenders of money not to participate in transactions with SA was extremely great. However, that pressure is now on the wane and a more in-depth analysis of financing opportunities for SA is required to fully understand why access to foreign financial and capital markets is still going to be a challenge in the next few years.

It is therefore useful to consider each type of finance available to SA entities and examine the prospects of successful negotiation in respect of each. First, a brief review of the potential of trade finance and project and export finance facilities.

Trade finance is short-term finance provided to facilitate bilateral trade. The risks to the lender are limited due to its short-term nature. Generally the lender merely needs to assess the creditworthiness of the individual debtor and SA for a window of no longer than one year. Given that fairly accurate assessments of this risk can be made, and that SA's trade surplus is indicative of sufficient currency resources to meet repayment obligations, trade finance is generally available.

Secondly, project finance and export credit facilities are also generally available and they relate to capital purchases from a particular country. These facilities are available for essentially three reasons:

- The purchase of capital goods creates job opportunities in the vendor country;
- The quantum of risks of non-payment only grow incrementally, as the credit is generally provided over a period of time. This affords the lender greater protection and the ability to manage his risk; and
- Some form of insurance is generally provided for export credit facilities to the lender in the event of non-payment as a result of "country default".

Unfortunately, given the current depressed nature of the SA and world economies, the use of these facilities is restricted.

New finance today can be realised only when commercial or syndicated foreign loans are available or new foreign currency bond issues are possible. Foreign bankers (who will provide the foreign loans) and foreign investors (who will invest in our foreign currency bonds) require certain conditions before they will commit significant new money for investment in SA.

The lack of new money in the latter part of the 1980s did not in itself result from any serious misgivings about SA's ability and willingness to meet its obligations. Indeed, the world financial commentators often remarked on how unborrowed the country was although the repayment structure of existing debt was a cause for concern.

The initial paucity of new foreign finance was caused by two main factors.

Firstly, banks were required to raise provisions against SA debt as a result of the debt standstill. It was therefore impossible for new money to be made available at an affordable cost.

Secondly, severe political pressure from student groups, trade unions, church movements and governments made it difficult, and at times impossible, for overseas bankers to be seen to be doing long-term business with SA or to assist SA borrowers in floating of new bond issues in the overseas capital markets.

The political pressures from 1985 to 1990 are waning, and it is now our future creditworthiness which is the key. Overseas bankers and investors are looking for a political settlement which facilitates a democratic government, free market principles and social harmony and a growing economy. That is not yet certain.

Foreign investors and bankers are nervous about the nationalisation debate, the threat of unrest if sanctions are lifted, the apparent political disharmony among some black political leaders, violence in the townships and their previous experiences in Africa and South America.

So they demand a high return to compensate for their perceived risk. The required return is generally indicated by the returns earned by those who invest in the financial rand. Current interest rates and returns in SA are geared up by the discount between the financial and the commercial rand. This gearing is caused because investors can invest via the financial rand and then receive interest/dividends via the commercial rand resulting in effective returns of more than 20% a year.

Those with money to invest in high risk and high yielding securities will probably invest in new foreign currency finance for this country only if they can be offered similar returns. The high return of the financial rand investment is not paid by the SA borrower or investee, but results from the discount between the financial and commercial rand.

Commensurate returns on direct new foreign currency investments would have to be paid by the borrower, as no gearing would exist — both the investment and the payment of the return (in the form of interest or dividends) would be via the commercial rand. If such returns were demanded and offered, the cost of the new borrowings would be prohibitive.

It is likely that foreign lenders, if they are to invest any significant amounts, will require the returns indicated by financial rand investment opportunities until evidence causes them to draw definitive, positive conclusions about this country's future.

SA is competing for new finance with countries in Eastern Europe and South America. Unless the social, political and economic environment is coherent and understandable to potential foreign bankers and investors, and is relatively no worse than that of our competitors for finance, affordable new foreign finance will not have an African address.

It is incumbent upon the business and political leadership to continue to put into place those conditions which will demonstrate to foreign investors an environment which, firstly, they can understand and, secondly, upon which they can base meaningful and favourable medium- to long-term forecasts.

of the debt standstill and abolition of the financial rand are critical factors in our successful return to the capital and financial markets of the world.

MONEY MATTERS

Jane Mdaki displays a dress designed by a Fed member.

Fed gives jobless a skill base

By SOPHIE TEMA

A DURBAN organisation which teaches unskilled and unemployed adults to run their own cottage industries has opened a branch in Johannesburg.

The Foundation for Entrepreneurship Development (Fed) is a non-profit organisation which depends on private sector support for its survival. C/Press 17/3/91

Directors of the organisation said support during the five years of its existence had come mostly from overseas.

This week two sponsorship cheques were handed to Fed – one for R25 000 from the German government and the other for R8 000 from the Ithuba Trust.

The contributions will be used for the extension of the organisation's services in squatter areas around Johannesburg.

The Get Ahead Foundation has also made loans available to Fed graduates to start their own businesses.

Fed hopes to open other training centres throughout the country, where the unemployed will be taught business and sewing skills.

Fed executive director Dr Dennis Wolmarans said the shortage of sponsorships has restricted the Foundation to running programmes in the clothing-related field.

"But with further funding the programmes could be extended to other fields like carpentry, leatherwork and welding," he added.

Wolmarans said the Foundation was also working towards presenting youth development programmes if the necessary sponsorship could be made available.

Investors on the run

MONEY TALK

THE surge in prices on the Johannesburg Stock Exchange last year, just before the release from prison of ANC deputy president Nelson Mandela, was generally interpreted as being due to foreigners buying shares in South African companies because of confidence in the country's future.

A review of the past year's trading figures on the JSE, however, reveals that foreigners have been selling South African shares.

What apparently happened was that many South African investors bought shares through London.

This mistaken "foreign" buying encouraged local confidence and, in a happy merry-go-round, prices surged and gave foreigners an opportunity to offload South African shares at handsome prices.

Foreigners have been disinvesting through the stock exchange for more than five years and there seems no end in sight. C/Press 17/3/91

Unfortunately, South Africans are not allowed to invest on overseas stock markets due to the shortage of foreign currency and the resultant Reserve Bank restrictions.

Because everybody is chasing the same shares, prices continue to rise, creating an impression of a strong market.

Why are foreigners disinvesting?

Economists and stockbrokers say the main reason is lack of confidence in the political future of South Africa. Another is militant trade unionism in the country and the declining productivity and competitiveness of our industries.

International confidence in our ability to manage the country politically and economically must be restored, because it is now clear that foreigners are not backing their political views with hard cash.

Foreign investors ditch SA equities

(60)

S/Times 24/3/91

By DIRK TIEMANN

FOREIGN investor confidence in the JSE is taking a knock, according to Reserve Bank figures.

Foreigners have been dumping SA equities on a large scale. Sales for 1990 amounted to R4,5-billion — 32% higher than in 1989.

Net sales of SA equities eased from R2,8-billion in the first quarter of 1990 to R273-million in the third quarter and R564-million in the fourth.

Net sales of shares picked up again from January to February 1991 and totalled R548-million in spite of a strengthening by the financial rand. The record sales were made in the first two months of 1990 in spite of a weaker finrand.

Purchases of public-sector stock plunged from R883-million in the fourth quarter of 1989 to R153-million in 1990.

Net purchases by foreigners totalled R1,5-billion in 1990, but this figure was 50% below 1989's. Buying in the first two months of 1991 amounted to R207-million.

Net purchases were recorded in the third quarter of 1990.

JSE shares disappointed in 1990. The value of shares traded declined from a record R8,6-billion in the first quarter to R6,2-billion in the third.

In the fourth quarter there was a 44% drop to a "meagre" R3,5-billion.

Total turnover of R23,9-billion for 1990 was 15% higher than in 1989. The Persian Gulf crisis, the poor dollar price of gold and SA's tough monetary policy contributed to slack turnover.

High

Overall share prices fell by 17% on average from the all-time high in February 1990 to December 1990. The year-on-year decline amounted to about 12%, and a further 1% decline was registered in January 1991.

Gold and other metal and mineral shares were the main contributors to the overall index drop in the fourth quarter. Industrials on the other hand put on 6%.

The value of new ordinary shares issued by companies fell from R2,2-billion in the second quarter of 1990 to R300-million in the third. A recovery to R1,7-billion was made in the fourth quarter. New issues for 1990, totalling R4,5-billion, were only half of the 1989 figure of R9-billion.

Average dividend yields on all shares rose from 5,3% in March 1990 to 6,1% in December. The yield was unchanged for January. Financial shares entered 1991 with a relatively strong average yield of 7,16%.

Strong performances were registered for November and December 1990 with yields of 7,32%, 7,09% respectively.

Average earnings yields on all shares fell from 15,4% in December 1989 to 14,2% in January 1991.

Amcham compiles foreign investors' charter

Star 28/3/91

By Derek Tommey

The American Chamber of Commerce in South Africa (Amcham) has produced an economic charter spelling out the social, economic and political factors which foreigners look for when investing in a country.

The charter comes at a most appropriate time as South Africa is in dire need of new foreign investment.

It is increasingly apparent that without economic help from overseas South Africa has little chance in the foreseeable future of being able to meet the economic expectations of the mass of her people.

Amcham says the first thing foreign investors look for in a country is politicaland regional stability. "In South Africa a new political order is vital for creating confidence and the conditions for a sound and dynamic economy".

It says it will support any peaceful negotiations leading to the creation of non-racial democratic multi-party state.

Any constitution should protect property rights, including intellectual property rights such as patents, trademarks and copyrights, Amcham says. The constitution should also guarantee freedom to enter contracts as well as equality before the law.

Economic stability, is a prerequisite for strong and sustained private sector fixed investment, says the charter, which criticises the lack of consistency in monetary and fiscal policies in this country.

Amcham also requires a market-oriented economic system, free of the shackles of apartheid and bureaucratic over-regulation.

Foreign investors require a favourable tax environment. A disproportionately high tax rate militates against investment, and high direct personal tax militates against attracting and retaining skilled staff.

Amcham points out that the South African corporate tax rate is among the highest in the world.

Foreign fixed investment is also encouraged in an atmosphere where there are specific and clear rules, no arbitrary decisions, no special deals for specific companies and no fears of nationalisation or confiscation of assets.

Amcham recognises that governments want to see profits reinvested. This happens where policies create a favourable environment for foreign investors.

"But restrictions on the repatriation of profits and exchange controls in general serve only to discourage new investment".

Finally Amcham points out that South Africa has a developed infrastructure and it is essential that this infrastructure be maintained.

Amcham says its entry into the debate about a post-apartheid economy must not be seen to be one of interference by a foreign entity.

Instead it should be seen as a contribution by foreign investors with a stake in the country who would like to see the expansion of US investment here.

Tax rates repel foreign investment, experts say

230 LIZ ROUSE 60 B/Day 4/4/91.

SA WILL struggle to attract investment from foreign companies as long as corporate tax rates remain close to 50%, says a tax expert.

Accounting and business advisory firm Price Waterhouse's national tax director Chris Frame believes that significant foreign investment from the private sector cannot be attracted by a base company tax rate of 48%.

In the UK, the corporate tax rate has fallen to just above 30% and many other countries have also reduced their rates greatly in the past few years, he says. Relatively high personal tax rates, exacerbated by the creeping effects of fiscal drag, and the introduction of VAT will also be major influences on potential foreign investors.

Frame predicts that VAT will escalate at fairly regular intervals after its introduction on September 30 at 12%. Around the world, VAT is charged at between 15% and 20%, so there is a lot of scope for SA's rate to increase to fall in line with other countries, saying that GST, which kicked off in SA at 4%, has crept up to 13%.

Violence 'deters foreign investors'

BDay 9/4/91. (60)

ANDREW GILL and SYLVIA DU PLESSIS

VIOLENCE and political uncertainty were severely hampering SA's chances of attracting significant foreign capital, according to foreign commerce and industry representatives surveyed at the weekend.

Despite a sharp increase in visiting trade delegations and investment queries and a trickle of positive capital movements, the rush of foreign money expected after President F W de Klerk's watershed February 1990 speech has not materialised.

There has, however, been some fresh foreign investment over recent months.

Foreign commerce and industry representatives said continued apprehension about violence and future economic scenarios was stunting what could be a flood of new investment.

"You can scrap apartheid, you can do away with all types of sanctions, but unless political players get their act together, investment is not going to happen," said American Chamber of Commerce executive director Wayne Mitchell.

"US companies will have to take a long, hard look at the situation and do some risk analysis. But how do you do a risk analysis when political parties don't know where they are going?"

Confederation of British Industry Middle East and Africa department head Neville Thomas said violence and uncertainty over future economic policy were the major factors stunting new investment.

SA German Chamber of Commerce and Industry CE Liesel Quambusch said there had been no substantial investment by new companies. There was, however, substantial investment by companies already established in SA.

Companies considering investment would have to study the political climate very carefully. However, they could not afford to forget that Africa and SA would be the first place to look in terms of creating a nucleus for development of the southern hemisphere.

Various foreign companies invested technology or funds in SA over the past year:

☐ UK group Johnson Matthey reported in May 1990 it was building a R35m plant at Germiston to manufacture 2-million car exhaust catalysts annually for export.

MD Peter Emmel said in March — a month before the plant was scheduled to come on stream — that it had won its first order to supply Volkswagen SA with components. The components would be exported to Volkswagen's parent company in Germany;

Overseas

☐ In July last year, Impala Platinum signed a long-term agreement with Germany's Degussa AG to supply platinum group metals for the manufacture of vehicle catalyst converters at Degussa's Algorax plant near Port Elizabeth.

The platinum would be sold to local car manufacturers, which would produce exhaust systems incorporating the autocatalysts and sell the systems to their parent companies or suppliers overseas, it said;

☐ German electronics firm Bosch gave the green light late last year for its SA subsidiary to establish a R25m facility, expected to come into production in mid-1991, to make fuel-injection and engine-management systems;

☐ In a separate development, the Taiwanese automotive components supplier, Taigene Electric Machinery, is establishing a R10m production plant to make instrument clusters under license from Japan.

☐ Hoechst SA, a subsidiary of German-based chemical giant Hoechst AG, announced in November it was investing more than R100m in expansions to secure its position in SA.

In addition, an investment programme of more than R100m had begun at Safripol — SA's only manufacturer of high density polyethylene and polypropylene — a joint venture between Hoechst SA and Sentrachem.

Hoechst SA MD Reinhard Traub said at the time a number of other manufacturing projects and new ventures were also under consideration, all of which would form part of the company's long-term development plans, "based on our confidence in SA";

☐ The Swedish government gave ball bearing-maker SKF permission in January to invest $1,75m in its SA subsidiary's plant in Uitenhage. The move represented a rare exemption to its 12-year-old ban on investments here;

☐ It was reported in February that at least four major US corporations were believed to be examining whether to establish — or re-establish — a presence in SA once US sanctions legislation had been repealed.

US companies said by US and local sources to be considering options in SA included industrial and infrastructural construction giant Bechtel, consumer goods manufacturer Sara Lee and Apple Computers;

☐ A major French wine family announced over the weekend it was investing in a Cape vineyard. A leading Burgundy personality, Paul Bouchard, is set to invest an undisclosed sum in a Hermanus estate in a joint venture called Bouchard-Finlayson;

☐ Voest Alpine SA recently won a contract on behalf of its Austrian principals for a R20m ladle furnace to feed a 450 000t/year continuous casting machine at Iscor's Pretoria Works.

☐ Brewing giant Anheuser-Busch was said to be looking to invest as much as R3bn in SA to snatch a large share of the beer market. A SAB spokesman said he would not be surprised if the Budweiser brewer attempted to introduce the beer to SA although it would not be possible at the moment with US legislation barring SA investment.

Inquiries

SA Foreign Trade Organisation international GM David Graham said there had not been a lot of new investment. On the trading level it was picking up and this could be a taste of things to come.

Companies were looking at joint ventures, he said, with a Finnish and Japanese company making inquiries last week.

Italian embassy first secretary Alessandro Cortese said Italian interest had picked up considerably.

A delegation of Italian bankers is set to arrive next month and the country's public sector body, the Institute for Industrial Reconstruction (IRI) was likely to arrive in June.

Italy's federation of private industries, Confindustria, visited SA in September 1990 but no large scale investment had occurred yet.

Industrials beckon foreign investors

By Neil Behrmann Star 15/4/91

15/4/91

LONDON — South African industrial shares are likely to be supported by international investors in the coming year.

The proviso, of course, is that Wall Street, London and other international bourses remain in a bull trend.

If they do, growing numbers of international investors are expected to buy leading SA industrial shares, particularly when sanctions are lifted and South Africa begins raising funds on international capital markets once again.

Illustrating the change in mood, James Capel has published a report recommending the shares.

Analyst John Taylor says the market is cheap for foreign investors.

They can buy the shares via the financial rand market on a prospective P/E ratio of eight.

"The South African market, with a market capitalisation equivalent to $124 billion, is not trivial," says Mr Taylor.

"It comprises 1,2 percent of the Morgan Stanley Capital International World Index and is the 10th largest stock market in the world.

"Both in size and sectoral flavour, it resembles the Australian market.

"If social tension affects the economic situation and a period of stagflation follows, SA industrials still offer fair value.

"If high growth rates of the Sixties and Seventies return, SA industrial shares will be perceived to be ridiculously cheap."

The problem, however, is liquidity. With their billions of dollars, international investors will find it difficult to buy SA shares.

So far, wealthy German, Swiss and French individuals, rather than institutions, have been the main buyers of SA equities.

With the surge in the financial rand in the past year, they have made huge profits on SA bonds.

Instead of switching all the funds back to their own currencies, they have been buying SA industrial shares.

"Investors who are confident about South Africa's future want to participate in growth by buying industrial counters.

"Despite the isolation of South Africa in recent years, the domestic market is prey to the same worries and fears as the major stock markets."

There may well be consolidation over the next few months, but there is only a slim chance that there will be a sharp correction.

South Africa's return to international capital markets will in the end overcome any market setback.

(82) (60) (10)

James Capel favours consumer-related stocks because of rapid growth in the buying power of blacks.

Building and construction are now in recession, but the housing backlog will ensure a revival.

Shares on the buy list are Barlow Rand, Edgars, Tongaat-Hulett, Iscor, Gencor, Sappi, Engen, Malbak and Anglo Alpha.

But James Capel advises sales of Amic, Tiger Oats, Highveld Steel, Sasol and Plate Glass.

"I know Iscor has its problems, but for the international investor the P/E is three, compared with 16 for British Steel," says Mr Taylor.

He is advsing clients not to chase shares, but to accumulate them during periods of weakness.

Foreign attitude to SA 'will be positive'

KIN BENTLEY (60) (BDL)

LONDON — Foreign governments and international agencies would adopt a "very positive attitude" towards the economic development of the new SA, Democratic Party MP Denis Worrall told financiers at a meeting in Edinburgh, Scotland, yesterday.

The former ambassador said sanctions and disinvestment had played a significant role in determining trading and investment policy and practice regarding SA.

The attitude of governments and international agencies would, therefore, prove "an important consideration as far as any major investor is concerned".

"Whereas this was a negative factor in the past, all the indications are that foreign governments and international agencies will be adopting a very positive attitude towards the economic development of SA."

Most governments and agencies would want to "extend or restore their links with SA" for several reasons.

While much of Africa continued to be unstable, pressure from the World Bank and the IMF, coupled with the collapse of socialism and the reduction in aid from socialist bloc countries, was "triggering real reforms in sub-Saharan Africa". BDAY 16/4/91

Protect

"Against this background, SA offers a way of spreading the free enterprise gospel. It can give the rest of Africa the necessary psychological boost and change the image of Africa."

Many countries — like Britain, Germany, Italy, the US and Italy — already had firms with a strong footing in SA, and their governments would want to protect their interests.

"Foreign governments see the southern African region as a desirable export market. And now that apartheid is a thing of the past, they will want to get in early to pave the way for their national commercial interests."

Despite the decline in commodities, he said, SA remained the "main source of some key minerals, and future supplies need to be safeguarded".

Worrall said there was also a realisation that events in the Middle East should lead to a re-evaluation of the role of the Cape sea route.

Top bankers 'set to invest'

CAPE TIMES 18/4/91

60

Political Staff

INTERNATIONAL bankers have indicated that they are ready to renew foreign loans to South Africa, Minister of Finance Mr Barend du Plessis has said.

"There are international bankers who have given us a clear indication that they believe in the integrity of our leaders and are willing to begin putting their money where their mouths are," Mr Du Plessis said in his reply to the Budget Debate yesterday.

Foreign loans and investment were crucial for the economic growth required to meet the socio-economic needs of all South Africans, he said. The renewal of foreign loans would "make the difference" between growth and stagnation.

The government had done everything in its power to restore economic growth and it was on this basis that foreigners were ready to begin reinvesting.

However, the renewal of foreign investment depended on whether the township violence could be resolved, Mr Du Plessis added.

His remarks were given added significance by the news that President F W de Klerk, "in a major coup", was expected to meet a cross-section of Britain's top bankers, including the governor of the Bank of England, Mr Robin Leigh-Pemberton, in London next week.

According to our London correspondent, the meeting at South Africa House could determine whether banks set up new operations in the Republic in the near future.

The meeting with Mr Leigh-Pemberton apparently is to take place on Monday. It is also to include one or two "major Japanese interests".

The presence of Mr Leigh-Pemberton will be highly significant because of the Bank of England's influential role in the British economy.

Economists have described the United States Rockefeller Foundation's possible R13,5-billion investment in development banking as a clear signal that the tide has turned in favour of support for South Africa.

They predicted yesterday that this kind of capital injection would be matched by multinational loans and investments through the International Monetary Fund (IMF) and the World Bank, reports **ARI JACOBSON.**

Mr Simon Wilson of First National Bank (FNB) said it was significant that the Rockefeller Foundation's proposed involvement would double the South Africa's foreign reserves (forex) position in dollar terms.

Mr Rian le Roux of Old Mutual said the obvious benefits of a political solution were seeping through to boost economic growth.

Poor capital inflows have hindered growth prospects in the past 10 years.

"The bottom line is that this potential investment is good news for South Africa's economy," Mr Le Roux said.

● **Pik cancels trip — Page 3**

SA urged to attract foreign investments

Cape Times 18/4/91

(60)

By AUDREY D'ANGELO
Business Editor

BOTH Brian Kantor, head of the school of economics at the University of Cape Town, and Don Mkhwanazi, national president of the Black Management Forum, yesterday stressed the need to create conditions which would attract foreign investment to SA.

And Zach de Beer, leader of the Democratic Party, said that the prosperity of the whole southern African region depended on that of SA.

All three were speaking at the national congress of the Association of SA Quantity Surveyors, which is being held at the University of Cape Town.

Kantor said that to attract foreign investment SA must "be unequivocal in a commitment to playing the international investment game by the rules for business written in the successful economies.

"It should be understood that these rules cannot be of our own making. Trying to play a different Third World game will make us highly uncompetitive in the world market for capital."

He said these rules were "not particularly onerous for developing countries.

"What is required by owners of highly mobile capital is some certainty that they will be free to conduct their business without excessive intervention by governments.

Kantor emphasised that the tax regime should not destroy the incentive to earn profits in a publicly accountable way.

Paradoxically, "the more success a country has in developing its economy and the more political stability which may thereby be guaranteed, the easier it is for that country to increase the rate of taxation without damaging effect."

This would be the most effective way of raising more money through taxes to uplift the poorer section of the population.

"The danger to the health of economies occurs when the cart of higher taxes is put before the horse of economic growth. This is a danger that SA has to avoid at this stage of its development."

Mkhwanazi said it was a myth that the liberation movement did not understand the need for foreign capital.

Warning that "while violence is so rampant we must forget about foreign capital", he continued, "our primary task and responsibility is to stop the carnage.

"Foreign investors are looking for stability, security of their investments and a good return. The main priority now is to restore confidence.

"We must be in a position to convince the international investment community that peace, justice, freedom and stability will hold in a new SA."

"Liberation movements are agreed that anti-monopoly policies are a must, and should have to focus on ownership concentration, corporate and management interlocks and severing the link between finance and manufacturing that promotes conglomeratioon.

"Anti-monopoly policies should be distinguished from policies to promote competition.

Platinum	$400,50
Palladium	$54,15
Raw Sugar	£123,30

Foreign investment will be crucial, says Mbeki

Star 19/4/91 (60)

Star Bureau

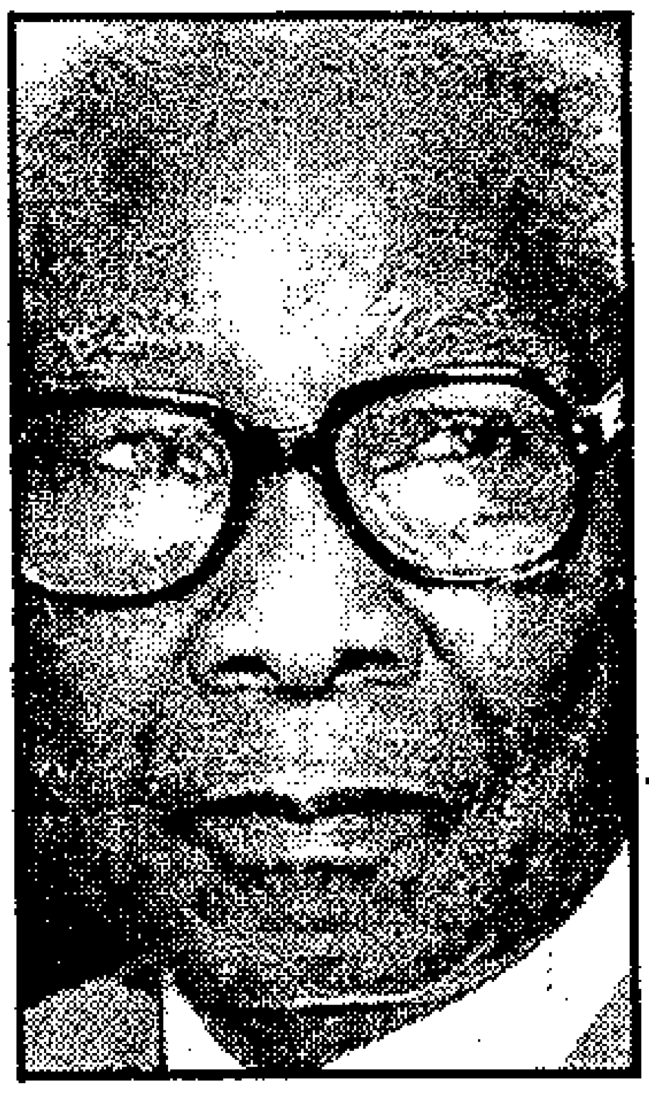
LONDON — Domestic savings and foreign investment will be crucial in the rebuilding of the South African economy in the post-apartheid era, says leading ANC official Govan Mbeki.

Addressing a meeting of the Royal African Society in Cambridge, Mr Mbeki painted a grim picture of the state of the economy, saying it had failed to provide the needed employment opportunities, and could not feed, clothe or house the population.

"It has created such gross and obscene inequalities in terms of distribution of income and wealth that it must surely be a miracle that the wretched of the Earth have not put to the torch the opulent mansions of the lords of the Earth."

Mr Mbeki has subsequently denied reports in Beeld and on SABC-TV that he condemned sanctions as well as disinvestment by foreign companies.

Mr Mbeki said the ANC was committed to "raising the rate of economic growth, mounting a determined offensive against poverty and reducing the enormous racial disparities that exist in terms of the distribution of income and wealth".



Govan Mbeki . . . denies condemning sanctions.

He added: "The masses of those who are today disfranchised would have to experience actual improvement in their standards of living and their quality of life for them to support the political transformation we are working for.

"Without this, the country would be condemned to a level of instability and conflict which would endanger the democratic order and possibly lead to repression and dictatorship, to which we are firmly opposed."

In post-apartheid South Africa, the ANC favoured a mixed economy. "That mixture will consist of a private sector; a public sector; small business, including an informal sector; as well as a co-operative sector."

Economic growth would have to be achieved through both domestic savings and foreign investment, the latter being especially important.

"We are therefore sensitive to the fact that the democratic South Africa will have to provide a climate that would be attractive to the potential foreign investor."

He revealed that the ANC and Cosatu were working on an investment code which would take into account specific measures aimed at redressing structural racial inequalities which would be a legacy in the new South Africa of the system of white minority domination.

Businessmen wait for reassurance

FW sets out to woo UK bankers

60

Star 22/4/91

By Michael Morris

LONDON — President de Klerk sets out this morning to convince some of Britain's most important financiers that South Africa is a safe bet.

A sufficient reassurance from him could lead to a loans and investment boost for South Africa.

Speaking informally at his London hotel last night, President de Klerk said: "The emphasis is on the private sector."

Topping the list at a select meeting with Britain's most senior bankers will be Robin Leigh-Pemberton, Governor of the Bank of England.

Representives of Japanese banks, which are among the most powerful in the world, will also meet Mr de Klerk.

Tonight he will seek to make a strong impression on British Prime Minister John Major, whom he meets for the first time for dinner at 10 Downing Street.

This morning he meets Deputy Minister of Foreign Affairs Lynda Chalker in what is essentially a courtesy call, and then he meets chairmen of banks and financial institutions at South Africa House.

Diplomats say banks and businesses are in a "wait and see mood".

Political and business leaders fear that violence is threatening the negotiations process and the potential for investment and economic prosperity.

New investment has already been set as the goal of Mr de Klerk's week-long tour of London, Copenhagen and Dublin.

Against him, diplomats say, is the growing international perception that violence is threatening to overwhelm South Africa.

Positive signal

Everybody wants to know what Mr de Klerk plans to do about it and if talks with the ANC remain on track.

Sources said British business had a lot of interest and money to invest in South Africa. "Many have put their investments on hold and are waiting for a positive signal before they reinvest, explore trade finance deals or open new factories. Sanctions on investment have fallen away, so ... what they need now is to be nudged into a new posture, and Mr de Klerk is the only one who can do that," one source said.

It is felt that Mr de Klerk's peace package — the summit and standing commission on violence — will boost his case.

The South Africans have been heartened by the United States' strongly supportive response, and hope for more of the same this week.

The De Klerk visit is being seen as "very important at this juncture" to clear exaggerated impressions of events in South Africa and focus attention on "real issues" and developments in the constitutional and economic sphere.

Diplomatic sources said that if Mr de Klerk succeeded in convincing his foreign audience "that he is in control and that there is a way forward, then he will have gone a long way in changing the wait-and-see attitude".

The South Africans do not

Bank on a new South Africa urges De Klerk

Sowetan 23/4/91. (60)

FOCUS

LONDON - President FW de Klerk had a crucial meeting with some of the world's most powerful bankers here yesterday.

He was hoping to convince them to invest in his vision of a new, post-apartheid South Africa to be negotiated with the ANC and others.

On the pavement outside the South African Embassy, where De Klerk met the bankers behind closed doors, anti-apartheid activists still sceptical of his declared democratic intentions - and who in Britain agree with the ANC's stance that sanctions must stay - were hoping for a good response to their call for a "mass protest".

The British Anti-Apartheid Movement's chairman and Labour Party MP, Mr Robert Hughes, said amid preparations last week that their message was "De Klerk must stop the violence and repression which is wrecking the peace process".

Promises

"De Klerk has broken his promises to release all political prisoners, grant indemnity from prosecution for political exiles, and to repeal repressive legislation by April 30," he said.

Anti-apartheid demonstrations, which used to run non-stop outside South Africa House on Trafalgar Square, have been relatively subdued since the release of Mr Nelson Mandela on February 11 last year.

Topping the list of about 15 of Britain's most senior bankers and financiers giving De Klerk a unique combined audience, was Mr Robin Leigh-Pemberton, Governor of the Bank of England.

Other bankers' names remained secret - as a rule they prefer to do business out of the media spotlight - but Japanese bankers, representing some of the world's richest and most powerful financial institutions, were reliably understood to be on the panel as well.

While expressing quiet confidence at his Chelsea hotel on Sunday night, on the eve of his week-long tour of Britain, Denmark and Ireland, it was clear De Klerk was anticipating some tough questions from the bankers.

Interest

De Klerk said he felt there was already considerable interest in South Africa from potential foreign investors.

He saw his task as one of securing more solid assurances from them that they would be going ahead anu investing in South Africa's future.

In pure financial terms, for bankers looking firstly at a profit on their foreign investments, South Africa remains a distinct credit risk due to the internecine township violence, wider political instability and question marks hanging over the prospect of South Africans being able to peacefully negotiate a new non-racial constitution.

De Klerk faces the task of explaining to the bankers that without their green light for an injection of foreign capital to revive the tattered economy - so that it can provide the vital socio-economic basis for his "new South Africa - his chances of succeeding are drastically cut".

He will be following this up with the argument that his chances of success will be considerably increased if they accept his assurances a peaceful settlement is possible, and invest now if not sooner with a promise of good profits they will be able to take home in the years to come.

PRESIDENT F W DE KLERK

In the frank discussions, De Klerk is expected to give the bankers - renowned for respecting confidentiality - an intimate breakdown of the state of affairs in South Africa at present.

Killings

His latest moves to get black leaders' co-operation in stopping the township killings, and progress on negotiations so far with his opposition, such as Mandela's African National Congress, will feature prominently.

One of his arguments to the bankers is likely to be the prospect of a politically stable, prosperous and democratic South Africa using its economic infrastructure in co-operation with other emerging democracies in Southern Africa to open up a vast new African market for the First World to trade with.

South Africa could be a new southern gateway to Africa, but only if they are prepared to help make it happen, he will argue.

De Klerk confirmed on Sunday night that while he was intent on establishing a good working relationship with British Premier John Major, as it would be their first meeting, and breaking new political ground in Denmark and Ireland, "the emphasis is on the private sector".

On this, his third European mission in less than a year, his agenda is crammed with business meetings, mostly in London. - *Sapa.*

Political comment in this issue by Aggrey Klaaste and Deon du Plessis. Newsbills by Sydney Matlhaku. Sub-editing and headlines by Ivan Fynn. All of 61 Commando Road, Industria West, Johannesburg.

* Write to the Editor at PO Box 6663, Johannesburg 2000. Nom-de-Plumes can be used, but full names and addresses should be supplied or the letter will not be published.

Millions flowing into SA, says FW

Cape Times 24/4/91

From PATRICK CULL

LONDON. — Hundreds of millions of rands in risk capital was flowing into South Africa, President F W de Klerk told the Royal Institute of International Affairs yesterday.

The President said in reply to a question that the money was being invested in new industries, businesses and job creation.

"For the first time in many years we are experiencing an inflow of capital", he said.

He warned that "those who are over-cautious may find others getting in on the ground floor".

Earlier in his speech he said South Africa was "a good risk and I don't know of any financial institution which would disagree".

Optimistic

Mr De Klerk said the violence in South Africa was the main obstacle to investment, and vowed to end it.

He was optimistic because most of the key political actors in South Africa had committed themselves to a negotiated solution.

Other reasons for optimism included the disintegration of sanctions and growing economic pragmatism among opposition groups.

Mr De Klerk said that South Africa was an under-borrowed country by international standards, with a rapidly growing domestic and regional market.

Earlier, addressing the Institute of Directors at the Albert Hall, Mr De Klerk stressed that economic growth and constitutional reform had to be "mutually re-inforcing".

"Unless the present pressing problems of poverty and unemployment are addressed, elegant constitutional models will be of little avail to us," he said.

Mr De Klerk said the "premier challenge" for the political leadership of the country was to improve the quality of life of all people, with special emphasis on the disadvantaged.

● Mr Nelson Mandela arrives in London today for his first meeting with British Prime Minister Mr John Major — two days after Mr Major met Mr F W de-Klerk.

The meeting this afternoon takes place amid growing tension, as deadlines set by the ANC for the removal of obstacles to the start of negotiations approach. Political violence is likely to be the focus of discussion.

But Mr Mandela is also expected to tell Mr Major that Britain and the European Community acted prematurely when they decided last week to lift trade sanctions against South Africa.

Tomorrow Mr Mandela will meet Labour Party leader Mr Neil Kinnock, whom Mr De Klerk met yesterday.

Before he flies home tomorrow evening, Mr Mandela will unveil a wax model of himself at Madame Tussauds.

Invest now FW tells the world

Sowetan 24/4/91.

60

LONDON - President FW de Klerk was confident yesterday that new private sector investment would flow into South Africa once all impediments had been removed.

Addressing an international Press conference in London, De Klerk said it was vital that new investment should precede the finalisation of the reform process.

He also said the release of prisoners and indemnification of exiles was on track and fully complied with the Pretoria Minute. He hoped South Africa's international sports relations would soon be normalised because it would boost efforts to achieve reconciliation at home.

Emphasising the importance of economic growth and development, De Klerk said: "From our point of view, economic development goes hand in hand with constitutional development.

"The high percentage of unemployment is counter-productive to the maintenance of law and order and plays into the hands of radicals who would like to see disruption and disorder.

"Any new government will be faced with high expectations. Economic development is the only answer for the development of our human potential and can and will make a fundamental contribution to efforts in all other spheres.

"Constitutional reform must be underpinned by a vibrant economy."

Tackling huge socio-economic backlogs and meeting the challenge of a "breathtaking rate" of urbanisation would require a sound and strong economy with a growth rate of about six percent.

"All these are potent reasons to get the economy growing as soon as possible."

He said what South Africa sought from the world was "confidence".

"We are not asking for hand-outs or donations. We ask that the impediments be removed and we have no doubt that we will get a flow of private sector investment because of the opportunities our economy and Southern Africa offer to them.

"There is no doubt many private sector companies are ready, willing and able to invest in South Africa. The sooner impediments are removed, the sooner this process can start."

Although it was not yet "immense", South Africa was already experiencing an inflow of new investment capital.

The removal of sanctions - which was being led by the EEC - had led to an increase in foreign trade.

Old markets were being reopened and South Africa was also trading in new markets. Among these were many African countries.

He said he had discussed US sanctions with British Prime Minister John Major and was in direct and regular communication with the US Government.

On constitutional issues, he said his government stood for a united South Africa with full political rights for all - "call it one man one vote if you like" - but providing for the principle that the majority should not be in a position to abuse power to the detriment of minorities.- *Sowetan Foreign News Service.*

Britain's Prime Minster John Major shakes hands with President FW de Klerk at London's 10 Downing Street on Monday.

East Rand princ meet DET officia

By MOKGADI PELA

THE 41 Katlehong principals "sent" by teachers to negotiate "burning issues" with the authorities yesterday reported at the Department of Education and Training offices in Alberton for the second day.

The DET said they could not guarantee that effective teaching was taking place in the absence of principals.

It said Monde Primary School, where 16 teachers had been suspended, was running smoothly with the principal present.

In nearby Tokoza schooling had returned to normal with all the principals at their schools.

On Monday a DET spokesman said that principals had been expelled by teachers belonging to the South African Democratic Teachers Union. The Sadtu denied this.

A Sadtu spokesman said principals had themselves "decided they would not return to school as they were negotiating burning issues with DET".

Meanwhile, an urgent meeting on the education crisis in Katlehong is to be convened by the Azanian Students Con-

'Industrialists keen to invest in SA' . . .

Violence keeps Japanese at bay

CAPE TIMES 26/4/91

60

By AUDREY D'ANGELO
Business Editor

VIOLENCE and unrest are the only reasons Japanese industrialists have not yet invested in SA on a large scale, says Clem Sunter, chairman of the gold and uranium division of Anglo American Corporation.

On a visit to Cape Town yesterday he said he had found, when he went to Japan in September, that they were "desperately keen to invest in SA" and use this country as a base for exports to the rest of Africa.

They wanted to manufacture light electrical goods, such as transistor radios, here for export.

"The only thing that has kept them from doing it is the violence. One leading industrialist told me 'violence has made us put our hands back in our pockets'.

"If we can obtain a degree of tranquillity I think the Japanese will invest here.

"They have already done incredible things in SA — the Toyota plant in Durban is one of the most highly productive in the country."

Sunter forecast two years ago, at a seminar in Bellville, that the Japanese would become big buyers of real estate along the Atlantic coast.

Yesterday he cautioned: "I don't know what laws will govern foreign ownership of new businesses and property in the future SA.

"But, talking to Japanese businessmen, my belief that they want to invest here has been supported by their comments."

There would be a tricky balance between the need for everyone in SA to have access to land and resources and for the creation of new jobs.

"My balancing mechanism is very much in favour of attracting foreign investment.

"We have got to have a growth rate of between 5% and 10% for 10 years to eliminate poverty."

David Bridgman, executive director of Wesgro, commented: "Potential investors are definitely troubled about the unrest position."

But "we are getting an enormous number of people starting to take an interest in SA.

"Whether these inquiries will turn into actual investment I don't know. Such investment is not a short-term thing.

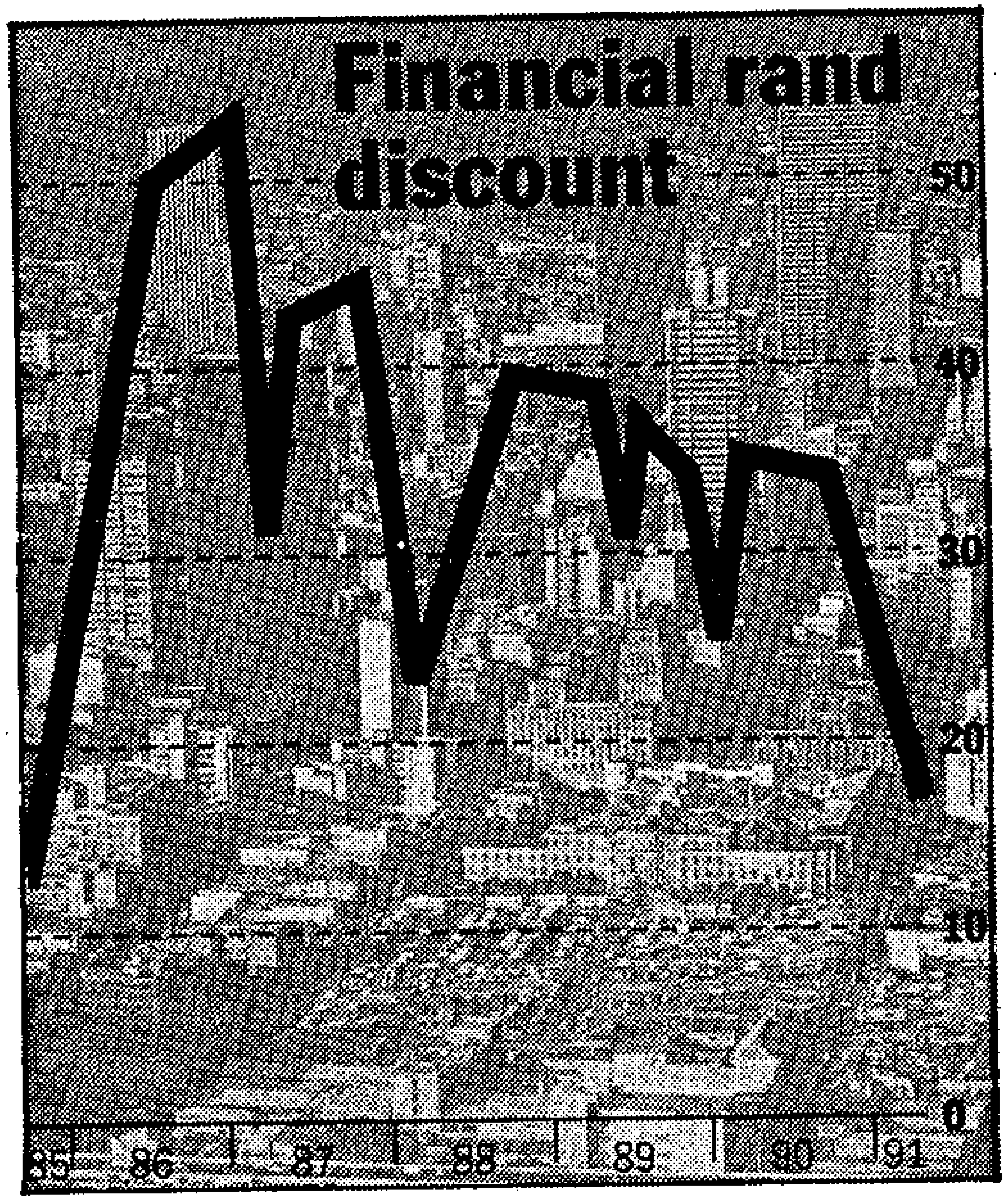
"We are worried about violence, not only in case it frightens investors away but for the whole future of SA.

"But the more we can be seen taking action to get on top of our problems, such as starting negotiations, the more attractive SA will seem as a place to invest."

FW pledges early rethink on finrand

Star 27/4/91

60



A FUNDAMENTAL revision of the financial rand and exchange controls is likely as soon as the US lifts sanctions and relations with the International Monetary Fund and the World Bank are normalised.

This was the message President FW de Klerk gave leading British industrialists in London yesterday.

Making the last official speech of a week-long European mission seeking new investment to support his reforms, Mr de Klerk indicated this strong incentive for foreign business involvement could come about within a few months.

Answering questions from over 300 members of the Confederation of British Industry and the UK-SA Trade Association, he said United States embargoes would be lifted after June as the US had made a firm commitment on this once he met conditions listed in the 1986 sanctions legislation.

On normalisation of relations with the IMF and the World Bank, Mr de Klerk said there were positive and constructive developments, but that he preferred not give details at this stage as the issue was a sensitive one.

DEREK TOMMEY and SAPA

Derek Tommey reports that heavy foreign investment this week narrowed the financial rand's discount to the commercial rand to its lowest level since 1985 when it was re-introduced.

The discount has shrunk to just over 16 percent, half the rate rul ing as recently as eight months ago, and compares with a discount of 52 percent during part of 1986.

Confidence

Behind the reduction in the financial rand discount is greatly increased confidence overseas in this country.

One result has been an upsurge in business-seeking visitors — ranging from German bankers to Japanese businessmen. But a more important result has been the first significant inflow of risk capital for almost a decade.

Unfortunately the amount of new investment can only be guessed at, as it is coming in through the financial rand and there are no official records of its flow.

But bankers say the amount involved must be huge to have caused the financial rand discount to narrow to 16 percent.

Because of a change in the regulations much of this new capital inflow is going into productive resources. Financial rands these days can be invested only in listed securities or in plant, equipment and factories.

Foreigners appear not to be using financial rands to buy equities (though they are still buyers of Eskom stock).

This new investment will be welcome as it should lead to greater economic activity and increased employment in the months ahead.

Some fears have been expressed that foreign investment might dwindle if the financial rand discount disappears and foreigners are forced to invest through the commercial rand.

But bankers point out that overseas investors would still be getting a bargain even if they had to use the commercial rand to buy into the country.

'We won't end up like rest of Africa'

(60) Star 27/4/91.

Star

MICHAEL MORRIS and SAPA

PRESIDENT de Klerk rounded off his three-nation tour in London yesterday with a bold assurance to top British businessmen that the South African economy would not end up like those in the rest of Africa.

And, as he prepared to fly home last night, Mr de Klerk declared that South Africa was no longer merely within reach of taking its proper place in the world, but was making this a reality.

Mr de Klerk is due to return to South Africa this morning after a three-nation tour to Britain, Denmark and Ireland.

On the last leg of his visit, to Ireland, before his return to London, he achieved a breakthrough and influenced Prime Minister Charles Haughey to order a full review of relations with Pretoria.

The Bureau for Information said in a statement yesterday that Mr de Klerk would be met on the apron of Jan Smuts Airport by the Acting State President, Mr Pik Botha.

Shortly thereafter, he will address an international press conference in the semi-VIP lounge at the airport.

Final effort

Putting in a final effort to boost British investor confidence before leaving London, Mr de Klerk told the Confederation of British Industry that he was confident a future government would pursue sound economic policies to ensure growth.

His address coincided with a CBI announcement that it will hold a major conference on South Africa in November this year.

CBI president Sir Brian Corby said the conference would enable British businessmen to "form a view on the likely future investment and trading climate in your country where we wish to strengthen still further our long-standing business links".

Replying to questions after his speech, Mr de Klerk said that even the African National Congress had made significant policy shifts.

It was widely recognised that whichever government was in power would need growth and a vibrant economy to "deliver the goods".

This growing realisation of the need for a sound economy was the "greatest source of optimism", he told the CBI.

He also indicated that when US sanctions were lifted — and this was expected soon — the Government would review exchange control measures and the financial rand system as these had had negative effects.

In a lengthy question and answer session after a brief address to the influential Confederation of British Industry yesterday, Mr de Klerk said there was a growing real isation "that with the tremendous challenges facing us in education, housing, health and poverty, unless we ensure that there is growth and development with new jobs being created, no government can make it in South Africa".

He added: "There is no reason to fear that investors will run into the sort of problems they encounter in the rest of Africa."

He said that while one could not entrench economic policy in the constitution, the Government would insist on the entrenchment of private property rights.

In his brief speech to the CBI, Mr de Klerk urged them to consider South Africa for new investments.

He said the country had a magnificent infrastructure and its skillful business and financial community was poised for development.

Confident plans

The Industrial Development Corporation was busying itself with confident plans for huge investments totalling tens of billions of rands in a variety of key sectors and would be looking for partners for these ventures.

The foundation for economic growth had been laid.

He told the businessmen that he believed in the economy working together with constitutional reform, each sustaining the other.

Mr de Klerk said: "The time is now.

"If we really wish to capitalise on the window of opportunity history has given us, now is the time to invest in reform."

Sir Brian said in his introductory remarks that "we have great admiration for the courageus way in which you have tackled the removal of apartheid legislation".

He hoped all impediments to normal relations would soon go.

Danes set to do business with SA

STAFF REPORTER

DANISH sanctions against South Africa could be lifted within two months.

In an interview with the Danish newspaper "Information", the spokesman on foreign affairs for the Danish opposition party, Det Radikale Venstre (a liberal party), Mr Jorgen Estrup, said sanctions would be lifted once the three remaining apartheid laws — including the Group Areas Act, the Population Registration Act and the Land Act — were abolished.

The changing attitude of Det Radikale Venstre means there is a majority in the Danish Parliament which wants to lift sanctions against South Africa.

"As soon as the three laws are gone we are ready to remove economic sanctions against South Africa", said Mr Estrup.

He recommended that the Danish government negotiate a timetable for the lifting of sanctions.

But he didn't think it was necessary for Denmark to wait until a new constitution had been agreed, because it was "a process that could take a long time".

Just before State President F W de Klerk arrived in Denmark on Wednesday this week, the Danish parliament opted not to lift sanctions.

● See Page 12

Govt. reform ample to se

FW has 'message of hope'

Cape Times 27/4/91 60

LONDON. — South Africa's honourable and credible return to the international community was being turned from a possibility into reality, President F W de Klerk said yesterday on his way home from a three-nation European tour seeking foreign investment to fund his vision of a new, apartheid-free democracy.

"I am coming back with a message of hope and encouragement for our country ... a new era in our international relations is dawning," was how he summed up his tour of Britain, Denmark and Ireland for breakthrough political meetings with government and opposition leaders and major potential investors.

"We are now in tandem with the international community, and will be supported when we take reasonable action to maintain stability and order in South Africa," he said in reference to his plans to stop the violence standing in the way of negotiations.

"Essentially, my message to South Africa is the same as after my last visit to Europe. Our objective, of returning South Africa to its proper place in the international community with honour and credibility, is no longer merely possible — we are making it a reality.

Mr De Klerk and his entourage, which includes Deputy Foreign Minister Mr Leon Wessels, were on a scheduled SAA flight from London to Johannesburg last night.

But these diplomatic advances were offset by a failure to persuade bankers and business leaders to make immediate offers of new investment in SA because of continuing violence and political instability.

"I think he was successful in communicating the important role that foreign capital and investment has to play in ensuring the success of political reforms ... but less successful in persuading businesses to go ahead and invest immediately," said Mr Jonathan Leape of the London School of Economics.

British banking sources said investors were waiting for clearer signals of what political and economic structures would emerge in a post-apartheid government.

Investors also wanted to see concrete moves to end the violence.

"There is some way to go before companies feel it is safe to get in there," said Mr Gordon Leak, spokesman for Britain's Institute of Directors.

Yesterday Mr De Klerk met New Zealand's Deputy Prime Minister, Mr Don McKinnon, in London for half-an-hour of discussions at Mr McKinnon's specific request, South African officials said.

Mr McKinnon said afterwards that he had found the president "a very determined man" regarding his reform plans.

And at a meeting of leading British industrialists yesterday, Mr De Klerk said South Africa was poised for fundamental revision of the financial rand and exchange controls the moment US sanctions were lifted and relations with the International Monetary Fund and the World Bank were normalised. — Sapa-Reuter

FW 'an example to Irish'

From PATRICK CULL

LONDON. — President F W de Klerk's initiative in South Africa is being held up as an example to the unionists in Northern Ireland as preliminary talks begin to end the festering violence there.

An editorial in the Irish Times yesterday morning on the president's visit to Ireland said that as the "white South African leader" had broken out of a "closed system of entrenched attitudes, then why can't the Unionists do the same?"

Editorials generally were favourable after the president's 24-hour stay in Ireland during which he met Irish leader Mr Charles Haughey and won a commitment from him for a total review of Ireland's policies on South Africa.

That includes sanctions — particularly those on fruit and vegetables which have been legislated by the Dail, the Irish parliament.

The editorial adds that Mr Haughey had been correct in stating that the South African president needed political support if he was to be able to persevere with plans to rid the country of apartheid.

Sanctions, it adds, should be reviewed in the light of progress made, and any review of Irish attitudes should take cognisance of the need to get substantive talks under way.

It adds that continued dialogue with black leaders as well is needed for the government to retain a correct perspective.

The Independent said President De Klerk would return to South Africa knowing that within the European community, Ireland would be adopting a friendlier stance on sanctions than had been its policy in recent years.

Potential investors 'have eye on SA'

CAPE TIMES 27/4/91 (60)

JOHANNESBURG. — Many potential investors were looking with great interest at South Africa as it rapidly progressed towards a resumption of normal economic relations with the outside world, Reserve Bank governor Chris Stals said yesterday.

Referring to what he called the country's "huge" economic potential, he said in an address prepared for delivery to the Germiston Chamber of Commerce and Industry: "There are not many developing countries in the world that can present to potential investors a similar facade of strength and potential."

The local economy shrank by 1% last year, as measured by GNP, and had grown on average only 1,2% a year over the past decade, well short of the more than 2,5% annual growth in population.

But the country had not sunk into the state of permanent economic stagnation, with perpetual growth in poverty, which affected many other African countries.

Although the current economic slowdown had lasted for more than two years, it had so far been relatively mild. "We must have won some respect with the international investment community," he declared, referring to successes in economic management and reforms undertaken in recent years.

Such reforms included privatisation, deregulation and changes to the tax system, along with rationalisation in the public sector and on urbanisation, education, training, industrialisation and export promotion.

For some years the current account had shown relatively large surpluses, with last year's R5,8bn rand surplus comfortably exceeding the net capital outflow of R2,9bn. During the first quarter of 1991 net gold and foreign exchange reserves rose R2,2bn, indicating a substantial net capital inflow.

Total foreign debt had been reduced from $24bn in 1985 to under $20bn now, of which less than 40% represented short-term dues compared with almost 70% in 1985.

Annual growth in broadly defined M-3 money supply had been cut to 13% from 27,5% late in 1988.

And real interest rates after adjusting for inflation are more in line with the international pattern, which Stals said was important for the foreign investor.

Stals however, expressed concern about persistently high inflation, which at an annual 14% would erode South Africa's competitiveness in world markets. A declining trend in labour productivity and excessive wage and salary increases was already having this effect, he added. — Reuter

The President had a ball at the Royal Albert Hal

S Times 28/4/91

THE SUNDAY ASSESSMENT

By MIKE ROBERTSON
Political Correspondent

LIKE Hugh Masekela, FW de Klerk this week took the Royal Albert Hall by storm.

The then-exiled artist featured on Paul Simon's Graceland Tour which raised international recognition for South African music to new highs.

Mr De Klerk addressed Britain's top businessmen, members of the Institute of Directors, and gave an equally virtuoso performance which left no doubt that he had their approval and admiration.

The only thing lacking was their support — in the form of firm commitments to invest in South Africa. There's the rub.

This week Mr De Klerk visited Britain for the fourth time in two years. His first meeting with the new British prime minister, John Major, began coolly as they assessed each other but, by all accounts, proceeded splendidly as each began to like what they saw in the other.

By the end Mr Major had given a personal undertaking to intervene in the unravelling of sporting sanctions against SA, knowing the tremendous psychological impact this would have within the country.

It was all Mr De Klerk could, in the circumstances, have asked of him.

In large part due to his predecessor, Mrs Margaret Thatcher, European trade sanctions against SA are a thing of the past. Even in the Nordic countries businessmen are queueing up to buy cheap SA wine and establish new markets for their produce in Johannesburg, Durban and Cape Town.

Re-think

Ireland, formerly a staunch sanctions advocate, is having a complete re-think, according to Prime Minister Charles Haughey.

Trade sanctions, however, have never been the problem. Finanacial sanctions have. If Finance Minister Barend du Plessis's assessment is correct, SA needs large-scale financial investment now, if it is to avoid chaos.

The private sector, not the government, will have to provide this and, despite the thunderous applause, it is still not forthcoming from Britain's businessmen and bankers.

The reason, as was made clear to Mr De Klerk time and time again, is the present violence, as well as a continuing scepticism about the future stability of SA.

Given that he has heard these arguments on every visit to Europe since his election as president, it was not surprising that Mr De Klerk began to display a degree of frustration, even pleading, when he argued to the Institute of Directors that: "Foreign investors ... should not be mesmerised by events in Eastern Europe. SA has a first-class infrastructure and can call on abundant natural and human resources; moreover, it is a terrain familiar to overseas investors, and British investors in particular."

This frustration was probably also the reason for his loose talk in a subsequent appearance before the Royal Institute of International Affairs.

Mr De Klerk said hundreds of millions of rands in risk capital were being invested in SA, adding that those who were over-cautious would find that others were getting in on the ground floor.

Scheduled

The first part of the statement might well be accurate, but Mr De Klerk risks being guilty of overstatement. The implied "you might miss the boat" threat in the second part is plainly silly.

Mr De Klerk's remarks were made in response to a question from Lloyds Bank director and former adviser to Mrs Thatcher, Sir Robin Ibbs.

He pinpointed a key element in bankers' reluctance to extend new long-term loans to SA — its status as a scheduled country.

To change this in the near future, SA would need an International Monetary Fund facility. To get that would require the intervention of the US administration.

The thinking among senior South African foreign affairs officials is that the Bush administration would only attempt such a step if assured of getting it through Congress.

And when an influential newspaper like the New York Times argues, as it did this week, that access to the IMF should be denied SA until a new constitution has been adopted, this assurance is by no means guaranteed.

On this trip Mr De Klerk met, for the first time, British Labour Party leader Neil Kinnock and Danish Social Democratic Party leader Svend Aucken.

In much the same vein as the New York Times and those in the US sanctions lobby they stated that they would only agree to the lifting of sanctions once there were clear indications that negotiations on a democratic constitution were well advanced.

In dealing with these people Mr De Klerk has entered ANC territory — they believe sanctions have worked in forcing the government to change and can continue to work. While praising him for changes introduced, they remain to be convinced that he is prepared to go the whole way.

Like the ANC, they question failure to deal adequately with vexing problem of violence and a[illegible] gations of security force excess his continued support for Defe[illegible] Minister Magnus Malan despite [illegible] CCB scandal; and the retention of [illegible] Internal Security Act.

Opening a dialogue with th[illegible] represents a major step forward [illegible] Mr De Klerk. But as in dealings w[illegible] bankers, he will have to deliver the home front before they will sh[illegible]

Boost

Mr Major and the US governm[illegible] have, by strongly endorsing it, gi[illegible] a boost to his multi-party confere[illegible] on violence.

Ending violence is the first st[illegible] The other issues will, however, ha[illegible] to be resolved in a manner t[illegible] meets approval of all parties bef[illegible] President Bush will feel confid[illegible] enough to act on reopening access IMF facilities and international [fi]nanciers come forward with new [in]vestments on the scale needed [to] avoid the chaos envisaged by Mr [du] Plessis.

Overseas investors take up Govt bonds

Star 4/5/91

60

NEIL BEHRMANN

LONDON — South Africa is discreetly returning to international capital markets and has successfully rolled over a $50 million (R135 million) RSA loan, bankers say.

Returns for investors are generous as the yield of the three-year loan has been placed at 10 percent, about 2,5 percent above dollar bonds of similar duration.

The privately placed bonds were rolled over in the past few weeks, according to banking sources.

Although the issue, negotiated by Swiss and other European banks is a refinancing measure, and does not attract new money to South Africa, it is regarded as significant.

It follows a Dm120 million (R192 million) loan refinancing package for Eskom and the response for that privately placed issue was also good.

This is hardly surprising. South Africa's repayment record is impeccable and the yield at 10,75 percent on that four-year loan is about 2 percent higher than other sovereign D-mark bonds.

South Africa's re-entry into the international capital market was within weeks of President F W de Klerk's visit to Europe. Bankers were most impressed with Mr de Klerk's performance.

Initial international financing is expensive for the borrower, but there is little alternative so far.

Bankers believe the yield premium of the bonds will remain high until the debt moratorium is relegated to history.

Moreover there is continual concern about violence, uncertainty about the intentions of the African National Congress, worries about the South African economy and its high inflation rate.

Nevertheless, reflecting an impressive improvement in confidence, South African debt has soared to 87 US cents on the dollar from 81 cents a month ago and only 70 cents last August.

That compares with Brazil's tradeable debt of 28 cents on the dollar, Argentine's 22 cents, Mexico's 57 cents, Venezuela's 62 cents and Chile's 86 cents.

The financial rand discount has narrowed to 17 percent, from around 30 percent nine months ago. It is down to levels in the early 'eighties just before the Reserve Bank scrapped the investment currency temporarily.

Since November, when Reserve Bank governor Chris Stals hinted that the dual currency would be gradually abandoned, the financial rand has appreciated by 10 percent against the dollar.

For European investors this has proved to be a boon, because the appreciation in terms of their own currencies is more than 20 percent. Meanwhile, interest income from those rand bonds amounted to about 11,5 percent in the same time-span.

GOOD ADVICE: "I'm telling you, these RSA bonds are winners."

Dollars to roll as SA rejoins world

(60)

S/Times (Bus. Times) 5/5/91

AS SANCTIONS start to crumble, dozens of bankers and industrialists from many countries are visiting South Africa to investigate business possibilities.

Among high-powered delegations that have been here in the past two months are:

By DAVID CARTE and IAN SMITH

- Three teams from the World Bank.
- Representatives of the Rockefeller Foundation.
- Fourteen members of the Keidanren, a federation of Japanese economic organisations, led by Tamamotsu Yamaguchi, deputy president of the Bank of Tokyo.
- Trade delegations from France, West Germany, Italy and the UK.
- Delegations from nearly all the East European countries.
- Groups from countries that were previously aggressive sanctioneers, such as Scandinavia and some African nations.

President De Klerk told Parliament this week that R1-billion of foreign capital had flowed in and he expected another R2-billion from the US this year.

Nearly every East and Central European country, including the Soviet Union, plans to open a representative office, mainly with a view to trade.

Interest among airlines has increased. American Airlines already has a sales office in SA and Cathay Pacific, Austrian Airlines and Singapore Airlines will be opening for business within a year.

Restoration of SAA's direct route to New York is expected to be the first American sanction to be lifted should Congress act on President Bush's desire to lift or ameliorate the Comprehensive Anti-Apartheid Act.

Nedcor group managing director Chris Liebenberg says: "Interest in SA is enormous. I have met more foreigners in the past few months than in the previous five years."

Survey

First National Bank managing director Barry Swart says: "Interest is definitely reviving. This week I entertained members of one big British and one large Californian company. The Institutional Investor magazine has been here trying to sell an advertisement in a survey about SA."

UK banks are not surprised at the interest in SA. They say that in trade finance it has mostly been business as usual for them since 1985.

But they consider SA to be a sound, reliable debtor and accept that the debt moratorium was forced on it by the "irresponsible" attitude of US banks.

However, they do not believe material developments will come before SA's resumed access to the International Monetary Fund once US restrictions are removed.

Chief executive of new Absa bank giant Piet Badenhorst is surprised at the interest in the new group and SA.

"I have had calls from around the world."

Reserve Bank Deputy Governor Jaap Meijer confirms there has been a surge of "global interest" in SA. "We had an objective, and to some extent sympathetic report from the World Bank."

Bankers believe most of the R1-billion that entered SA early this year is trade-related finance.

The economy has also benefited from renewed willingness among foreign bankers to roll over debt. This could ease this year's heavy debt burden as more banks understand the structural reform being undertaken by the Reserve Bank.

Frans van Rensburg of the Development Bank of Africa confirms that the Rockefeller Foundation has appointed a committee to investigate a development drive that could run to billions of dollars in the next few years.

Gateway

Former First National managing director Chris Ball is on the committee.

"Our advice is that they should act through us. It would be silly to duplicate our activities."

Standard Bank group economist Nico Czypionka says he has never met so many delegations.

He reports that all countries bar the US are investigating SA. The Japanese will not act on their inquiries until their government permits them to. The Japanese government will take its cue from the Americans.

Mr Czypionka says: "These visits represent much more than idle curiosity. The visitors are looking at what they can sell and what they can buy.

"They are also looking at investment. Many see us as the gateway to Africa.

"With our infrastructure and low level of debt, we are attractive relative to Eastern Europe, South America and other developing countries."

Mr Czypionka thinks foreigners are excited by SA's tourism potential and by the possibility of stepped-up capital investment once money flows become positive again.

"It is well known we have to invest in upgrading oil refineries. Foreigners have already put many millions into plants for catalytic converters for car engines. There is considerable potential in vehicle parts exports.

"Once we staunch capital outflows, which have run to R30-billion in the past few years, we can invest in industry, housing and education as well.

"True, we have political problems and violence is a deterrent, but we have a lot going for us. Foreigners may see the upside more clearly than we who live among the violence do."

NICO CZYPIONKA: Never so many delegations from abroad as now

Gateway to business

INTEREST in Mozambique is growing, particularly among businessmen and tourists. Increasing opportunities are opening up as South Africa re-enters international trade.

Business Times looks at Mozambique and the Indian Ocean islands in a feature beginning on Page 4.

Absa beds down four different companies

S/Times 5/5/91 (Bus. Times)

By IAN SMITH

ABSA BANKING group, born of the bitterly contested takeover of Allied and the merger with United, Volkskas and part of Sage Financial Services, is shaking down well, says chief executive Piet Badenhorst.

The head-office structure of the R50-billion group will be in place in Johannesburg's United Towers in four weeks.

All the companies have been brought into line with a uniform set of accounting practices. The group's first results are due on May 27.

Six computer centres which served the separate companies will be reduced to three at United Towers East, Allied Park in Sandton and another United operation at Bedfordview.

Hardware will be sold and premises will be available for letting in the interim.

The executive committee set up by Mr Badenhorst has not yet turned its attention to its biggest task — rationalisation of 1 000 branches conducting the group's retail operations.

"This will be a difficult task," says Mr Badenhorst.

Response

The Allied's head office and other group executives have moved to Allied Bank Centre in central Johannesburg. Allied Park will be devoted to computer operations, with programming staff working in former executive offices.

The first Absa main board meeting has been held. All boards of operating subsidiaries and their audit committees are in place.

"We are not wasting any time, but neither can we rush," says Mr Badenhorst.

He says the opportunity to choose executives from all four elements of Absa has given the board a chance to build an "outstanding" banking group.

He is pleased by the response to the formation of Absa from foreign bankers.

"Our much bigger clout has caused everyone to look at us with new eyes.

"Even in SA people who have not dealt with any of our three constituent banks are taking another look."

Saambou hit by bad debts

S/Times 5/5/91 (Bus. Times)

By DIRK TIEMANN

BAD DEBTS knocked Saambou group's results, default on bond repayments leading to a sharp rise in property repossessions.

An extraordinary provision of R28,1-million is made in the accounts for the year to March 31 for the bank, building society and Saambou Wonings.

Township unrest and the higher risk involved in lending to this market are also given as reasons for the provision.

There is, however, talk that a R91-million exposure to gilts played a major role in it. But Saambou managing director Johan Myburgh says: "We have not provided for the gilts because interest rates are falling and we can only do better."

Even if the provision is ignored, Saambou group did badly. Net operating income fell to R4-million from R29,2-million in 1990. Net pre-tax income became a deficit of R24,1-million.

Attributable income became a deficit of R28,3-million compared with a positive R18,6-million in 1990. Mr Myburgh says margins are being squeezed because the old tax-free and semi-tax free investments are maturing and the money is being reinvested at higher interest rates.

"We have also lost savings market share, mainly because of our lack of innovative products. Our only new product of late, the Money Manager, is no longer advertised on TV because of our computer problems."

Interest paid on deposits rose 30% to R629-million.

Mr Myburgh says a dividend will be paid because many individuals depend on it.

"We view these results as a temporary setback. Unrest should improve and we should be able to reduce our provisions. The rationalisation and retrenchment that we have undertaken should also help. We must improve margins and lift productivty."

Mr Myburgh says that because of the poor performance, the directors are anxious to push the Fedsure deal through — the threat of a hostile takeover is real.

"Fedsure is important to us because it can provide the capital we need in bad times."

Saambou's final dividend of 6c takes the year's total to 11,5c.

Assets rose 12,2% to R4,1-billion, of which advances increased by 19,4% to R3-billion.

Future 'lies in the hands of business'

B iDay 6|5|91

GILLIAN HAYNE 60

A POOR return on investment rather than the current violence was the only factor that would jeopardise international investment in SA, and as such the business community controlled the future of SA, Jatta International Investment president Ophelia Jeppa has said.

Speaking at the national convention of the Institute of Life and Pension Advisers on Friday, Jeppa said businesses had to be proactive and create the opportunities for the future.

She said companies had to go into the townships and "see how trade is transacted. There is a lot of business opportunity in black townships — blacks are the ones with the disposable incomes".

Businesses also had to take note of what the international investment community was doing. She said although there had been a lot of "paper pullouts", there was no real disinvestment.

"The debt moratorium was an excellent way for companies to be seen to disinvest without having to move their investment out of SA."

Similarly, businesses had to look at the movements of the major companies in SA, which were still putting money into property and investments.

However, Tax Advisory Committee chairman Michael Katz argued that a stable SA was essential for economic growth and increased foreign investment.

He said increasing investment in fixed plant and machinery was the most important objective of economic policy.

The dilemma in the 1991 Budget was to attempt to reconcile the requirements of immediate assistance to the Third World section of population and creating more economic opportunities for all. Government had tried to tackle the issue through commitment to stability, reducing the surcharge on imported goods, reducing the corporate rate from 50% to 48% and allowing full credit for capital and intermediate goods under VAT.

Other major economic problems were the lack of discretionary savings and the fight against inflation, Katz said.

ANC challenges police with own unrest report

BDay 6|5|91

JONATHON REES

THE ANC plans to launch its own daily unrest report today to counter what it says is the SAP's misinterpretation of events.

Spokesman Saki Macozoma said police failed to report accurately on the reality people experienced and often created an incorrect picture favouring themselves.

Monitoring mechanisms were already in place in some townships and being established in others, so the ANC could ensure information received was reliable and verifiable.

Macozoma said the ANC report's success would rest on its reliability. The ANC would use its monitoring structures to test the veracity of information before it was utilised.

The organisation hoped other monitoring structures such as Lawyers for Human Rights would also provide information.

Police often reported township deaths without outlining their circumstances, making it impossible for people to gain an understanding of violence and how it manifested itself, Macozoma said.

They would be able to read the ANC and police reports and determine what they wanted to believe.

Macozoma said an example of how police distorted events was their attribution of practically all incidents to tribal fighting.

"Their aim is to promote ethnicity, which suits their own purposes."

The ANC felt it would be allowing wrong information to go unchallenged if it did not make its own information available.

Macozoma expected police to dismiss the report as propaganda and said the ANC feared police might harass township sources.

Violence stymies capital inflow

CAPE TIMES 7/5/91 (60)

JOHANNESBURG. — The unrest in which 1 500 people have died since August, and soaring crime that has claimed dozens more lives, are the main factors frightening foreign investors away from SA, Johannesburg Stock Exchange (JSE) officials say.

"We have recently seen a lot more interest in investment in this country, as (State President F W) de Klerk's latest European trip showed," JSE chairman Peter Redman said in an interview.

"But we are still seeing a net outflow of investment from the JSE by non-residents."

The outflow was as high as R6m in one week last month.

"A lot of the positive factors associated with reform, including acceptance of SA into overseas financial markets, are being hampered by concern by non-residents about the level of violence.

"Everything is in place for new investment but this is being hampered by the violence."

Mike Thompson, the exchange's chief operating officer, said: "Until we sort the violence out in this country we are not going to have a healthy market."

The SA Chamber of Business said in newspaper advertisments yesterday it was deeply concerned that political reform talks between whites and blacks were in serious jeopardy.

But a casual observer would never guess SA's political turmoil from the performance of the JSE indices.

The exchange was one of the world's top five performers in 1990.

Since February 1 when more reforms were announced, the overall index has risen 18% — a sharper rise in the period than any other major exchange apart from Taipei.

The rise results from limited buying by SA institutions pleased by the latest reforms, but trading volumes have been low.

Thompson said the thin trading was partly due to concern about violence and partly to the tightly held market.

JSE equities are jealously held because of a combination of exchange controls and SA's complex company holding structure.

"The market's feature is price rises as opposed to volume increases," said Thompson.

"We would like to tell foreign investors SA shares offer good value, particularly because the financial rand gives them enormous gearing (advantage)," he said.

"But now that gearing has to take into account the political risk in this country and, at this point, bearing in mind they are net sellers, they're not convinced on that argument." — Business Staff and Reuter

Trading listless on gloomy JSE

JOHANNESBURG. — Trading continued listless on a gloomy Johannesburg stock market yesterday as investor interest, particularly from abroad, continued to be stymied by worries about spreading violence in SA's black townships, dealers said.

Prices on most leading shares eased, they said, with rally in the financial rand aiding the trend.

The JSE all-gold index eased to a preliminary close of 1 041 from Friday's 1 050 finish, while the industrial index retreated to 3 496 from 3 532.

The all-share index fell to 3 004 from Friday's 3 026 close.

Dealers described volumes as thin, and noted that a holiday in the UK put an added damper on activity.

Among gold shares, heavyweight Vaal Reefs ended R1,50 lower at R182,50 and Freegold 25c lower at R19,25.

Among leading industrials, Barlows lost R1 to R41,50, Safren R4 to R58 and Richemont 35c to R24,80. — Sapa

Atlantis generates foreign interest

By LINDA ENSOR

FOREIGN interest in Western Cape industrial growth point Atlantis has accelerated over the past few months, says Atlantis project director Piet Burger.

Burger said in an interview at the weekend he expected further interest to be generated by the recently announced regional industrial development scheme.

Countries taking an interest in Atlantis include Taiwan (34 inquiries), the US (13), Britain (seven), Italy (five), Germany (five) and Scandinavia (two).

Burger said three foreign companies had decided to invest in Atlantis and representatives would come out in June to finalise applications. All three operate in the area of import replacement.

Burger said investors had been put off by political instability and uncertainty over future government policy on regional industrialisation.

Last week State Expenditure and Regional Development Minister Amie Venter revealed details of the new policy, which grants dispensations to the Cape and other regions, apart from the PWV and the Durban core.

Total investment in Atlantis totals about R2bn, with 155 companies employing 22 000 people.

Labour-intensive industries such as clothing, textiles and furniture are particularly attracted to the area, as are engineering firms which feed into the production process of the largest employer, Atlantis Diesel Engines, which has about 2 000 workers.

Burger said that over the past 12 years the area had recorded a 15% average annual increase in jobs.

To Russia . . . with business

ARGUS 11/5/91

68

Rush to show SA wares at trade fair in Moscow

The Argus Correspondent

JOHANNESBURG. — "To Russia . . . with business" reads the newspaper ad — and South African companies are rushing to respond in an effort to include their wares at the first Soviet trade fair to which South Africa has been invited.

Sponsored by Edhill International in conjuction with Soviet, Swiss and German contacts, a huge trade exposition, SOVEX 91, has been scheduled for August for Southern African companies to display their merchandise.

Edhill managing director Mr Ed Pinshow said here the show, to be held in Moscow's modern Exhibition Centre, would last for a week.

"This is a marvellous opportunity to become involved with one of the world's largest economies."

So far, it seems, South African business agrees with him. In just two weeks since the show was announced, 39 companies — involved in industries as diverse as mining, foodstuffs and computers — have shown interest.

"The response has been quite fantastic," said Mr Pinshow.

"We have 1 800 square metres of floor space to rent out by the end of May and I think we'll comfortably fill it all. There is enormous potential for business in the Soviet Union."

The fair is the latest in a series of moves designed to improve trade and increase economic interchange between the two countries.

Soviet businessmen have already visited South Africa to look at trade prospects, and in June the South African Foreign Trade Organisation is due to lead a delegation to Leningrad and Moscow for trade talks.

War talk scares off the money

60

C/Press 12/5/91

AFTER recent promisi[g] signs that foreign investors are again prepared to commit funds to South Africa, investment perceptions seem to have taken a turn for the worse.

Speculative reports that South Africa seems to be heading for an ungovernable Lebanon-type situation are beginning to appear in newspapers.

Overseas investors, as usual, do not consider whether or not these reports are correct. The pull-out from South Africa continues.

According to Johannesburg Stock Exchange chairman Peter Redman there is still a net outflow from the JSE by non-residents. Up to R60-million has been flowing out of the market in one week.

"A lot of the positive factors associated with reform, including acceptance of South Africa into overseas financial markets, are being hampered by concern by non-residents about the level of violence. Everything is in place for new investment, but this is being hampered by violence," he says.

But are we really in such dire straits as these reports make out?

ANC Deputy president Nelson Mandela continually makes it clear he is still determined to ensure peace and progress in South Africa through negotiation. Yet it was his widely reported ultimatum statement which appears to have created consternation in certain influential business circles.

Yet Mandela sees the statement, containing conditions for continued negotiations, as a major effort to keep these talks on track.

One wonders whether political leaders of all persuasions should not get together and at least try, as far as possible, to take the politics out of our struggling economy. Investments that can create thousands of jobs are finding a home somewhere else in the world.

At the same time, those local businessmen who are taking their money out of the country through every means at their disposal (mostly illegal) should show a change of heart.

How can one expect foreigners to invest in South Africa if so many of our own businessmen have lost confidence?

Investors' interest in Atlantis grows

(60)

LINDA ENSOR

CAPE TOWN — Foreign interest in western Cape industrial growth point Atlantis has accelerated over the past few months, says Atlantis project director Piet Burger.

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Little light at end of economic tunnel

Star 16/5/91 (60)

The majority of South Africans assumed that the economic clouds would disperse with the burial of apartheid and the end of the sanctions blockade. However, warnings of widescale cutbacks in the size of labour forces have caused new concerns about the unemployment outlook. MICHAEL CHESTER reports.

DISCLOSURES by the SA Chamber of Business that no fewer than 55 percent of companies in the manufacturing sector plan cutbacks in the size of their labour force over the next 12 months have set alarm bells ringing.

"The jobs outlook is bleak," Sacob economist Keith Lockwood told a news conference in Johannesburg last week when the forecasts of widescale labour cuts emerged from nationwide surveys that keep track of the business mood.

The message was made all the more chilling by National Manpower Commission estimates that the unemployment toll in South Africa already stands as high as 4 million. There are estimates that it may be even higher.

It added still more gloom to the dark clouds caused by a wave of retrenchments at a growing list of gold mines. The chronic weakness of bullion prices on world markets has slashed into profits and threatened mines with deepening production losses.

The Chamber of Mines has already confirmed the loss of more than 80 000 jobs and warned that thousands more jobs are on the line if gold prices do not recover — because production costs are running them into losses.

Mineworkers have not been alone in the redundancy dilemma. As the recession drags on, the axe has also fallen elsewhere — from the Johannesburg Stock Exchange, where several brokers have trimmed back on the size of their pin-striped staff, to the motor industry, where more than 1 500 jobs disappeared in the first three months of this year.

The Steel and Engineering Federation reports that 25 000 factory jobs were wiped out last year — and the casualty list is expected to grow.

Transnet has announced that its huge labour force will be cut by 60 000 by the end of the year. The Transvaal Provincial Administration forecasts cutbacks of around 10 000.

Isolation

What alarms the Sacob economic researchers are signals that many manufacturing companies predict shrinking demand not only for unskilled labour — always vulnerable when workforces are cut down — but also for skilled workers, who until now have been considered as precious as rare gems.

What has puzzled many observers is that the unemployment outlook appears so bleak at a moment when South Africa is breaking out of the ice-box of international isolation. The removal of sanctions barriers should surely mean a vigorous return to world export markets and new boosters behind economic performance as a whole.

The puzzlement turns to dismay when Sacob discovers that many manufacturers plan shifts in strategy to replace manual workers with machines — "if machines mean less trouble than labour".

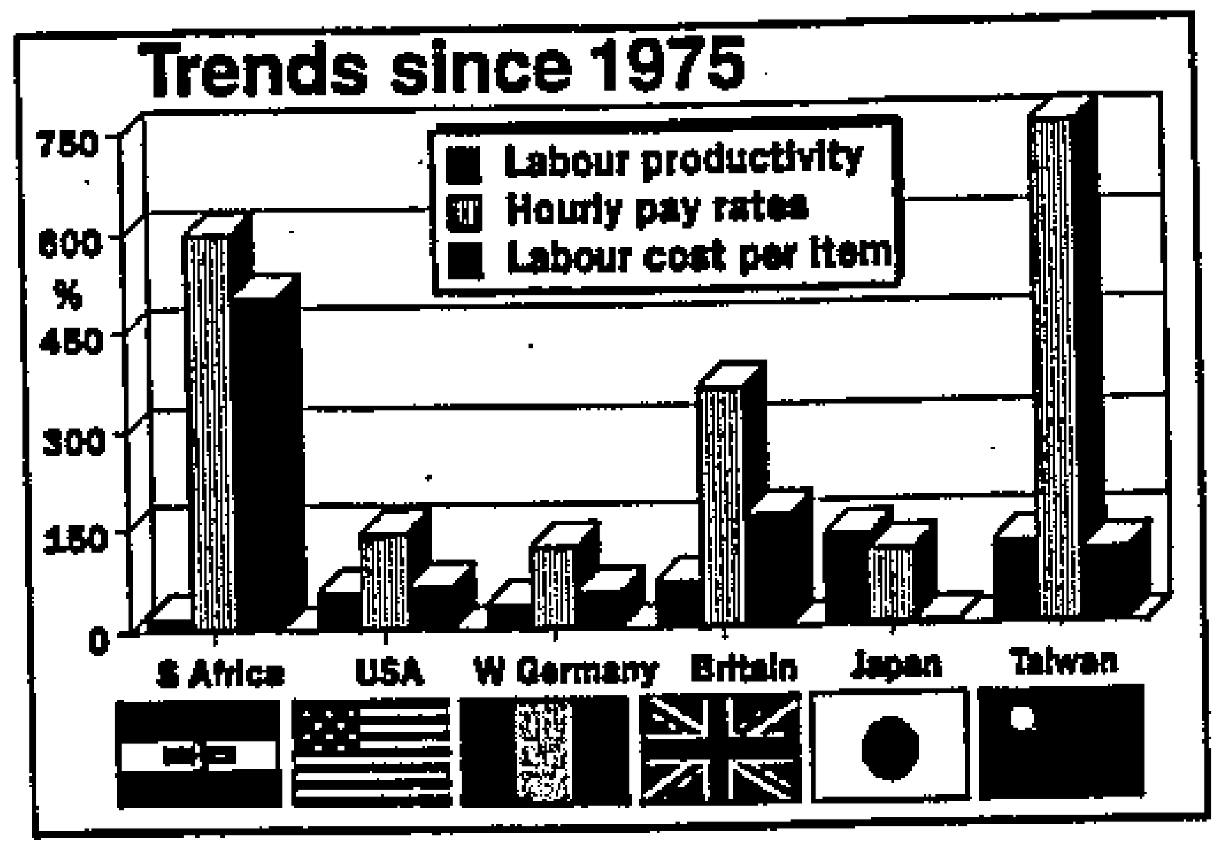
The quote tells it all. It takes little analytical genius to detect clear signs that the automation moves are reactions to the waves of industrial unrest that keep hitting production lines, and to the size of pay demands when wage negotiations come on to the agenda.

Does it all mean a revival of the "men versus machines" arguments that have long haunted trade unions?

Employers, of course, hope not. They insist that the issue is rooted in simple economics: smooth production-runs are crucial, they argue, if South African factories hope to cope with inflation, soaring production costs at home and the stiffness of competition on world export markets.

That has also been underscored in the results of a survey conducted by the SA Foreign Trade Organisation into the export outlook.

Safto economist Bruce Donald finds that exporters list a straightforward lack of price competitiveness as the main obstacle to more overseas trade when South African salesmen collide with competitors on world markets.



How far South Africa has lost the price edge it used to enjoy on overseas markets, as a result of the "cheap labour" always on hand before black trade unions flexed their muscles, has been hammered home all the more as exporters now have their first chance in years to battle their way back into markets that were closed to them during the sanctions blockade.

It comes as no surprise to the National Productivity Institute, which has long been wagging a warning finger about soaring production costs as wages have tried to keep pace with the inflation spiral.

NPI executive director Dr Jan Visser believes the proof can be laid out in batches of statistics that compare international industrial performances.

New studies have examined what has happened since 1975. While the average annual economic growth rate in South Africa has dawdled at no better than 2 percent, and at the moment bumps along close to zero, the economies of Far East competitors have bounded ahead every year by as much as 4,5 percent in Japan, a hectic 8,9 percent in Taiwan and a breakneck 9,4 percent in Korea.

Worse, while labour productivity in the manufacturing sector in South Africa has advanced no more than 18,7 percent in the last 15 or 16 years, in West Germany it has grown by 33,8 percent, in the United States by 55 percent, in Britain by 68,9 percent. In both Japan and Taiwan it has rocketed more than 120 percent.

All that has to be digested alongside figures showing that hourly wages in South African factories have swollen by a stunning 595,4 percent — much of it intended to remedy the disgraceful outmoded pay levels of black workers, but with white workers climbing aboard the bandwagon as well.

That in turn has to be compared with pay increases of a far more modest 120 percent in Germany, 140 percent in America, a beefier 355 percent in Britain, but as little as 110 percent in Japan.

True, wage increases in Taiwan rose even more than in South Africa — no less than 748 percent as Taiwan pulled itself out of poverty and performed its economic miracles.

The difference is in the way the two countries compare when pay is matched by productivity.

It all comes to the surface when we look at what has happened to actual production costs. The average labour cost built into every unit coming off South African production lines has catapulted no less than 500 percent higher. In Taiwan it has grown by less than 108 percent.

Manpower

The Japanese, perhaps the most awesome of export competitors on world markets, have actually managed to cut average production costs.

The accompanying graphics show comparisons with other key exporters. They not only start to explain why South African exporters find production price-tags such a ball and chain, but also begin to provide explanations as to why the manufacturing sector feels it must reassess the manpower outlook and the whole shape of production costs.

Now that more and more sanctions barricades are coming down, exports are not the only concern of South African companies. Management consultants at the accountancy firm of Deloitte Pim Goldby have warned them that they also need to keep an eye cocked over their shoulder to watch for more competition on their home market.

"Renewed foreign investment in SA can present a very real threat to our established local market leaders as international players start eyeing opportunities here," says Adam Warden.

"Management needs to be aware of this potential downside to the encouragement of overseas investment and should be seriously considering their strategies on how to meet renewed foreign competition.

In short, bringing down the sanctions barriers may well start a drum beat about new export opportunities, but it may also cause a gust of competition that will put many South African business operations to a new set of acid tests.

"The solutions can only be supplied by a much better overall economic growth rate," says Sacob director-general Raymond Parsons. "And that depends on South Africa making sure its economic motors are in better running-order. Finding the best lubricants may be painful. □

Foreign capital shuns SA as too much of a risk

C/Press 19/5/91

MONEY TALK

THE violence and apparent inability of political negotiators to find a solution are beginning to seriously damage South Africa's economy.

Foreign visitors are warning that a perspective of an ungovernable South Africa is beginning to take root internationally, and this could cause irreparable harm to the sub-continent.

Executive Director of the American Chamber of Commerce in South Africa, Wayne Mitchell, says not even the local subsidiaries of US companies are prepared to make new investments until they are certain the nation will be able to evolve a viable and stable democracy.

Potential new US investors are even less inclined to consider South Africa given the intense international competition among the world's underdeveloped states for new investments.

Efforts

It is against the above background that the latest efforts by business and church groupings to drum up support for a proposed peace summit must be seen.

The ANC may play an important role in the summit. According to spokeswoman Gill Marcus, behind-the-scenes discussions are taking place. The ANC, which has refused to participate in government's proposed conference on Friday, is seriously considering supporting the summit.

South African Council of Churches general secretary, the Rev Frank Chikane, has expressed hope that the government and the ANC will find a way of handling or redefining the conference so that all interested parties can participate.

The efforts of Chikane and others are closely watched by businessmen in South Africa and overseas.

After all, when the talk has died down the basic fact remains that without investment the numbers of the jobless and the hungry will simply keep on increasing.

Welcomed

Potential US investors like what they see in South Africa. The infrastructure, the way the economy is managed and the banking and legal systems are welcomed. But when they look at the violence they say the risk is too high. It will therefore make little difference if sanctions are lifted. New investors will not invest in South Africa until the violence is brought under control.

Mitchell adds that if South Africa continues along its present road it could become another basket case pestering a reluctant West for handouts.

His comments were echoed by a team of visiting German MPs who said South Africans would have to find each other if they were to succeed in competing for scarce foreign investment capital.

Germany was keen to expand its business ties with South Africa, but its businessmen were hard-nosed and would not invest in South Africa unless they had a clear idea whether or not the violence could be stopped. They also demanded clarity on nationalisation.

New plan to boost foreign re-investment

ARGUS 1/6/91

60

David Canning, Weekend Argus Correspondent

A NEW plan involving the resuscitation of "prescribed asset requirements" for retirement funds has been presented to the government in an effort to boost growth, black economic empowerment and foreign re-investment.

A Cape-based retirement funding executive David Geary has just presented top government officials — including Minister of Finance Barend du Plessis — with details of a scheme to link foreign reinvestment and local retirement capital in development of badly-needed projects.

Mr Geary — managing trustee of the National Investment Co-operative (NICO) Trust — says the plan was devised in response to the request of a multinational group wanting to reinvest R1 billion into SA over the next 10 years.

It — and other giants which earlier pulled out of SA in response to sanctions — are insisting that their reinvestments should be seen as being socially responsible — and clearly in the interests of the black community.

In simplified terms, his project involves resuscitation of a 7,5 percent prescribed asset requirement on retirement funds for a 10-year period.

On the basis that the retirement industry has some R150 billion invested, this would harness about R11 billion for investment in "high tech" export industries, consumer products and other neglected areas which urgently require capital.

Mr Geary says he has had initial discussions with private pension funds. On balance the reaction has been postive, although he expects opposition from some large institutions and "unbridled free-marketeers".

Mr Geary last year he resigned as Sanlam's senior mananger, group benefits marketing, to launch NICO Trust. NICO handles retirment fund investments in conjunction with portfolio managers at Investec.

He says its mission, which has the approval of many black and other leaders, is to aid "democratisation" of the economy in a way which will ensure maximum economic growth.

"Employees have a legitimate democratic expectation that they should have a say in the control and direction of the use of their retirement funds."

Traditionally these are handled in SA by the institutional giants - Old Mutual, Sanlam, Southern, Liberty, etc, which have tended to invest in narrowly-defined areas.

Owing to the current competitiveness of the retirement fund market, he does not think the major institutional fund managers will be prepared to shift funds to the needed areas of their own volition.

"Such a move will probably require legislation to ensure compliance."

He suggests that a retirement fund growth investment unit be set up, initially with govermment funding, via legislation. Funds would be invested in governmentally issued paper offering a "realistic return."

Mr Geary suggests that the unit, like the Independent Development Trust, should be largely independent of government to guard against undue political influence.

It would provide the crucial intermediary role of bringing project and capital together, thereby assisting in the creation of a more efficient market.

The unnamed multinational — which has R1 billion to invest once the sanctions-promoting US "CAAA" act is removed — would be matched with smaller local participation, with a high black level of participation.

Name and shame of Verwoerdburg

Sowetan 3/6/91

60

VERWOERDBURG is feeling the economic pinch of its name and there are growing moves to change the town's name because of the political connotations and rid the area of its "name and shame."

Most businessmen attending a forum, hosted by the Verwoerdburg Town Council, on the future of Verwoerdburg, last week said the town was losing investment opportunities because of its name, which foreign companies saw as being synonymous with apartheid.

But most rightwing organisations - and Dr Verwoerd's widow - have slammed the proposed change.

Mr Louis Norval, of the Verwoerdburg Central Business District Association said changing Verwoerdburg's name was an emotional issue, but support for a new name was based on economic realities.

"We are losing many possible investors and development opportunities," he said, explaining that multinational companies would not even allow the name "Verwoerdburg" to appear on their letterheads; they preferred to invest in towns like Midrand instead.

Norval said the CBD Association had conducted a poll on the issue among local businessmen at the end of last year, and 50 percent had supported a name-change. The other 50 percent were either opposed to a change, or did not have an opinion.

Mr Dudley Pound, also of the CBD Association, said a change of name would be in the interests of Verwoerdburg, especially its main business area.

Mr Reg Edwards, of Stocks and Stocks, said he supported a name-change from a "'practical point of view", as this would "be good for Verwoerdburg".

Town councillor Mr David van der Bijl said Verwoerdburg should have a name that did not have "political connotations".

"We are losing business and playing second fiddle to surrounding towns," he said, adding that the naming of the town in the late Sixties had been an "historical error".

The town's council had chosen the name "Doornkloof", but this was rejected by the then administrator of Transvaal, who named it Verwoerdburg instead after the assassination of Dr Hendrik Verwoerd in 1966.

Foreign buying 'a mixed blessing'

B/Day 14/6/91

ANDREW GILL

INFLUENTIAL foreign buying in the capital market in recent months has kept it stable in the face of relatively bearish local investors.

Analysts estimate a large portion of SA's two biggest borrowers' stock is now in the hands of foreign investors. Although they believe the strong overseas presence is encouraging, it could also be dangerous.

The concern is that a further narrowing in the discount between the financial and commercial rands could result in a major sell-off. Also a worsening political situation could see foreigners "dump" their SA stock.

It would probably result in a significant uptick in rates as the local market was not in a position to absorb the stock at current prices, especially in the prevailing nervous climate.

If the situation turned nasty, "the mother and father of all bear markets", was likely, a dealer said.

The potential "dumping" of stock currently held by overseas investors has been estimated to be as high as R16bn, but analysts believe a large portion of this is in safe hands.

Eskom has estimated about 44% (almost R10bn) of its stock is held overseas, but no exact figure is available because of the large amount of investment through nominees.

Market estimates for the amount of government stock held by foreigners vary between 5% and 10% (R4bn and R8bn).

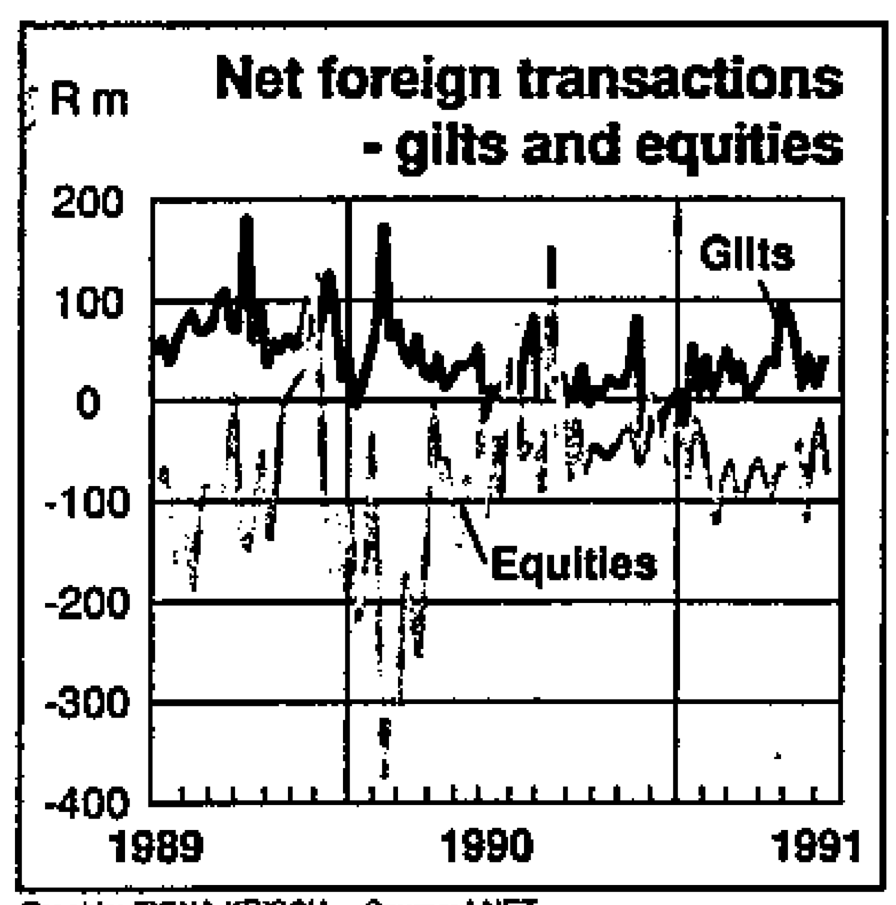
Concern is growing that the narrowing discount between the financial and commercial rand, which stands at about 14%, will prompt investors to take profits.

Evidence of this emerged last week when the discount fell to between 12% and 13%.

Also, the yield on the benchmark Eskom 168 through the finrand has dropped substantially since the middle of last year, because of the strengthening finrand.

□ In the past two years only seven weekly net outflows have been recorded in the gilts market, as reported in weekly JSE statistics.

This compares favourably with the relatively steady outflows recorded on the equity market, with no net weekly inflows since August 1990.



Graphic: FIONA KRISCH Source: I-NET

New drive for foreign investors

ARGUS 14/6/91

By BLAISE HOPKINSON, Business Staff

THE new Regional Industrial Development incentive scheme has been designed to attract investment to South Africa and promote an integrated, market related Southern African economy.

At a seminar organised by the Cape Town Chamber of Commerce this week on the new incentives, Mr Pine Pienaar, chief director in the Office for Regional Development, said the programme was "an enormous leap forward" for industrial development in this country.

He said the previous decentralisation programme had not been a failure and that 70 percent of concession holders were viable even without the incentives, which were especially good news for the Western Cape.

The Cape metropolitan area, which stretches to Wellington and includes Bellville, Stellenbosch, Somerset West, Paarl and Cape Town, will qualify for 60 percent of the new benefits, while the rest of the Western Cape will get 100 percent.

The benefit structure allows for a tax-free cash establishment grant on an investment up to R15 million. This is calculated at 70 percent of total operational assets and carries interest of 15 percent.

Applicant companies must have an operational equity component of more than 35 percent.

Monitoring requirements dictate that approved companies are required to maintain this minimum requirement for the first two years, but in certain circumstances equity can drop to not less than 25 percent, which results in the establishment grant being reduced accordingly.

Mr Pienaar said the new department had begun a wide international marketing campaign aimed at bringing foreign investors back to South Africa.

"We used to be fourth on the list of choices for international investors. Now we are something like sixth from the bottom," he said.

Property value responds to politics and VAT

Foreigners take a peek

Star 26/6/91.

60

THE international market has already begun to respond to the promise of a new SA with a growing flow of inquiries about office space for businessmen, banks, trading houses, agents, members of the travel industry and embassies.

Another often forgotten factor in the equation are representatives of international aid and human rights agencies linked to the United Nations, which have already taken Windhoek by storm, says Ampros national leasing director Grahame Lindop.

But, he says, the growth in the market will not truly come into its own until SA has truly committed itself to a complete change in political structure.

"There is far more to the so-called new SA than we have seen as yet — and many potential tenants based overseas are waiting in the wings for it to be established," he says.

"But once SA has a new constitution, and has undergone a democratic election to bring in a government chosen by all its people, we will see a real change in demand."

Parallel with this demand from the overseas market, he predicts a steady growth in enquiries from black businessmen.

"We are not going to see a sudden surge in lettings to black businessmen — who have, after all, had access to space in the CBDs for some time.

"But with the change in socio-political climate we can expect the number of blacks in business to grow exponentially — albeit from a relatively small base — and they will come into the CBDs which are serviced with public transport," he says.

The result, predicts Mr Lindop, will be the development of two distinct markets — the one price-driven and focussed on the C and D sectors, and the other less sensitive to price, from the international sector.

In the meantime, he says, on the industrial front there is still "considerably more talk than action".

Business hoping for a signal

C/P News 30/6/91

(60)

MONEY TALK

LOCAL and foreign businessmen are taking a keen interest in this week's ANC congress.

The key question is whether the new leadership of South Africa's biggest political party will give a clear indication of future economic policy.

Statements made during the past few months have created the impression among local and foreign businessmen that the ANC is softening its stance on nationalisation and redistribution.

In business circles the ANC's policies on centralised control of business and sanctions are viewed with deep concern and suspicion. Business confidence is at a low ebb and very little investment in new undertakings (which means more jobs) is taking place.

Although rather simplistic, the approach seems to be: why take the risk of building up or expanding a business if you will end up losing everything.

It is an open secret that many businessmen today are more interested in getting money out of the country than investing in their companies.

Foreign businessmen are visiting South Africa in record numbers, but one gains the impression they are more interested in selling to us than in investing substantial amounts of money.

The international economy has cooled off and everybody is looking for new business.

Whether we are going to enjoy strong economic growth after our long recession will mainly depend on a recovery of business confidence in the near future.

A contribution in this direction was made last week by Walter Sisulu, who said, according to reports, that to call for the intensification of sanctions is no longer realistic. He pointed out that certain countries have already decided to lift sanctions and said a proposal for the phased lifting of sanctions was "reasonable".

The proposal will, according to the reports, be discussed at the ANC congress.

The actual lifting of sanctions will make very little difference to our economic situation in the short term. But at least the pressure on our embattled business community will be reduced if the congress accepts Sisulu's thinking.

Foreign investment has to come — Hurd

(60) CT 10/7/91

DURBAN. — British Foreign Secretary Mr Douglas Hurd yesterday strongly emphasised the need for the socio-economic upliftment of the majority of South Africa's population.

He said his administration was spending nearly R50 million this year on projects such as building schools.

"We are doing more than anyone to help but it still represents a drop in the ocean," Mr Hurd said.

He said the South African government had to do a great deal in this regard. Money had to come from both local government and central government sources.

During a visit to Inanda, Mr Hurd chatted to several of the residents.

"Listening to their stories, you get an idea of the violence," he said. "Very few of the people have a regular job. Foreign investment has to come."

Mr Hurd had brief talks with Inkatha Freedom Party leader Chief Mangosuthu Buthelezi, whom he described as a "major" and "substantial" player in rebuilding South Africa.

At a press conference after the meeting, Chief Buthelezi said: "I told him that black South Africans need help now, that we need programmes and the money to go with them to assist black advancement and to lift the burdens that apartheid, sanctions and political intolerance have created."

He said he told Mr Hurd his party was ready to negotiate now and a multi-party conference would help end political violence in South Africa, as it would compel leaders of warring factions to deal with the issue together.

Mr Hurd also saw ANC leaders and top Methodist and Anglican churchmen before boarding an aircraft for Cape Town. — Own Correspondent

Immediate help needed — Hurd

60

JONATHON REES

BRITISH Foreign Secretary Douglas Hurd yesterday pronounced apartheid dead and called for immediate and massive new investment in SA. Bday 11/7/91

"It is time to put aside the worn out arguments about sanctions," Hurd told a Press conference at Jan Smuts airport at the end of his visit. "It is no longer necessary to condemn blacks to greater poverty in the cause of ending apartheid."

He said now was the time to start encouraging investment for SA's future, adding that SA could not afford to wait for a political settlement before addressing the legacy of apartheid.

He "warmly welcomed" President George Bush's decision to lift sanctions, saying the next step would be to remove restrictions on SA access to IMF funds.

It was important to create confidence so investment actually came to SA, he said.

He hoped lifting economic and sports restrictions would encourage the ANC and government to move towards negotiations to which there was no alternative.

SA must now proceed with nation building through investment to address the "fearful legacy of apartheid", although violence stood in the way of progress.

Police could not be everywhere at all times, but government had a heavy responsiblity to ensure the SAP acted impartially and effectively, he said.

Hurd said Prime Minister John Major was "very keen" to come to SA and was "extremely supportive of the reform process", but no date had been set for his visit.

Hurd said he did not see a role for international mediators to solve SA's problems because there was constructive dialogue underway between political leaders.

Britain's bilateral aid programme had contributed R45m to SA — the world's largest aid programme for SA, he said.

Following a request from government and in consultation with the ANC, Britain would help pay for hundreds of orphans to return to SA from Tanzania as part of its R4,6m contribution to the return of exiles.

Hurd visited Alexandra yesterday where he announced an additional R470 000 grant to the health centre.

See Back Page

Full return to world financial markets could be years away

Star 11/7/91

South African business got a much-needed confidence boost with the lifting of some United States sanctions, but a full return to world financial and export markets could be years away, analysts said yesterday.

Political turmoil, lack of clarity on post-apartheid economic policy, and remaining sanctions by many US local authorities, were tough barriers to investment, they said.

"The boost to confidence is terribly important but there will be little immediate effect on trade flows," said Jim Buys, chief economist of Anglo American, the country's largest company.

"There's not going to be a rush of guys banging on the door with their cheque books," added analyst Tony Twine of economic consultants Econometrix.

Wayne Mitchell, chairman of the American Chamber of Commerce, said: "It's an important short-term psychological boost and quite a bit of money might now come into the stock market, but the cure is not going to happen overnight."

Economists said President George Bush's decision to lift the 1986 Comprehensive Anti-Apartheid Act opened the door to a bigger prize — renewal of access to International Monetary Fund (IMF) finance — but a vast network of sanctions applied by US cities and states would remain in force.

"When the CAAA goes the battle only begins ... the whole question of city and local sanctions will remain to intimidate corporations," Mr Mitchell said.

IMF loans

Access to the IMF is in effect blocked by the 1983 Gramm Amendment, which requires Washington's IMF representative to block loans because of apartheid.

Mr Mitchell said the future of the Gramm Amendment would not come up for discussion in the US Congress until next year.

While South Africa is unlikely to require IMF loans because it has no balance of payments problem, renewed access would unlock the commercial bank finance its stagnant economy needs.

The economy recorded real growth of only about one percent annually in the 1980s and shrank again in 1990.

The government says unemployment, currently around 50 percent among the black majority, could make South Africa ungovernable by the mid-1990s unless international banks resume lending, and economic growth returns.

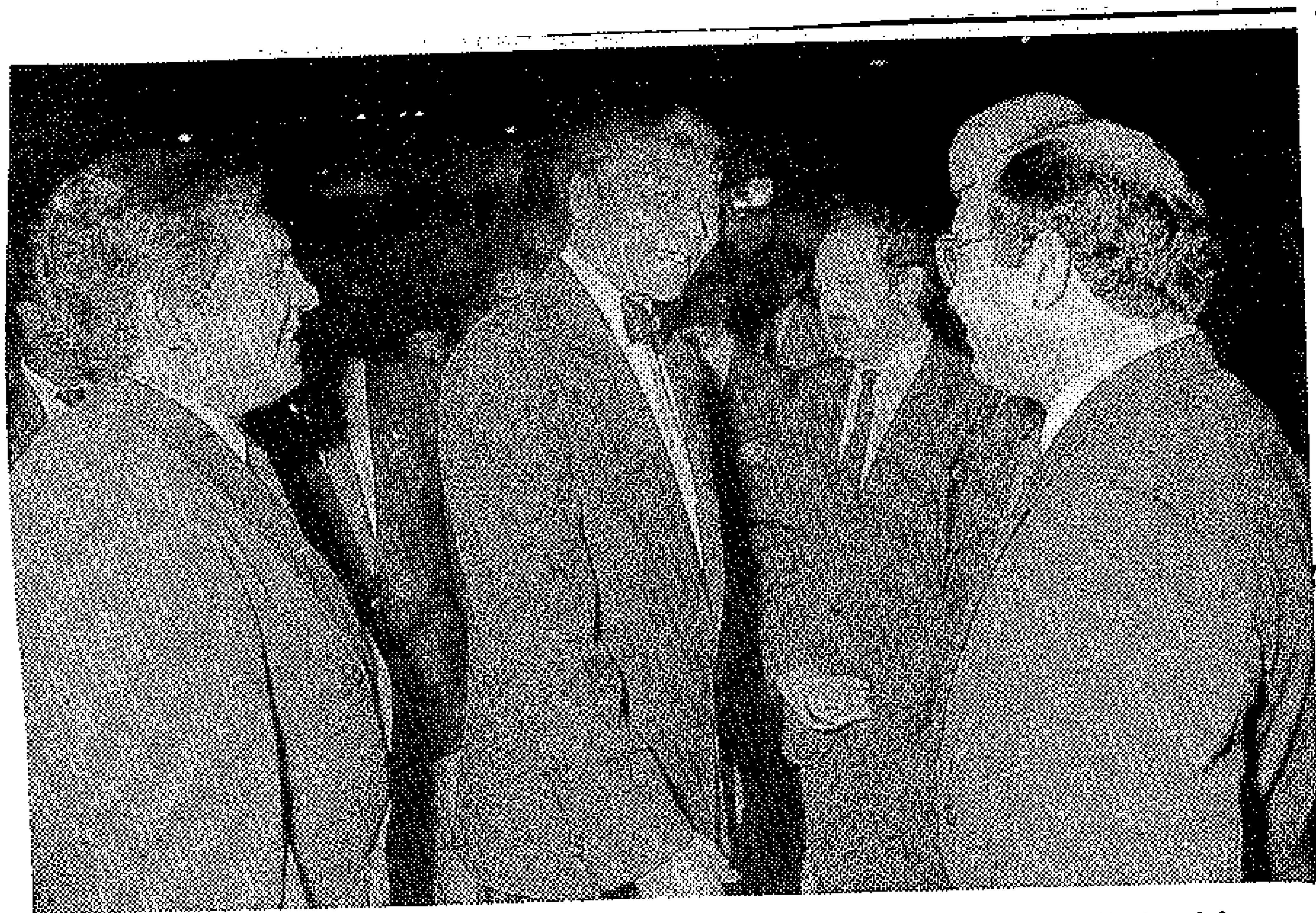
International banks cut off new credit to the country amid economic upheaval and a black uprising in 1985.

Mr Mitchell said 197 US companies had pulled out of South Africa since 1983, including majors like General Motors, Proctor and Gamble and publishers McGraw Hill. Only 36 US firms still operate in the republic.

Azar Jammine of Econometrix said it was unlikely that any US firms would rush to build factories in South Africa until the political situation clarified.

But he added: "Given a peaceful future, the sky is the limit for American businessmen."

Mr Mitchell commented, however, that South Africa had never accounted for more than one per cent of total US foreign investment and he said there would be hot competition from Japanese, Germans, Italians and even Eastern Europeans for the best South African investment opportunities. — Sapa-Reuter.



Picture: ROY WIGLEY, Weekend Argus.

□**GREETING:** ANC president Mr Nelson Mandela is flanked by businessman Mr Antonio Gouveia and Portuguese parliamentarian Mr Luis Manuel Costa Geraldes at a dinner at a luxury Cape Town hotel.

ARGUS 13/7/91 60

Mandela's plea to business leaders to stay in new SA

CLIVE SAWYER

Weekend Argus Reporter

MR NELSON Mandela has made an urgent plea to business leaders not to flee South Africa because of fears about its economic future.

However, the ANC is committed to restructuring the economy to correct imbalances of wealth and privilege caused by apartheid and will nationalise major industries to do so.

Mr Mandela addressed a group of four Portuguese parliamentarians who represent expatriates and South African Portuguese business leaders at a dinner at a Cape Town luxury hotel last night.

He said that the ANC did not advocate nationalising small businesses, but could not let the monopoly of major resources rest with a few multinationals.

"History has shown that every country that has gone through a traumatic experience, as we have with apartheid, has not been able to avoid some measure of State participation."

Reaffirming that economic sanctions should not be lifted until "liberation", Mr Mandela said that groundwork for future foreign investment could be laid now.

Work was proceeding on the establishment of a United States development bank in South Africa following a go-ahead from the ANC National Executive Committee, he said.

At the end of his 103-minute speech, Mr Mandela drew polite applause. The audience stood and a few clustered around him for autographs.

(60)

Big winners are companies who stayed in SA

Argus 15/7/91

Business Staff

WHILE companies that disinvested from South Africa in the 1980s say they have no regrets it seems the biggest winners as the economy takes off again after the lifting of most United States sanctions will be those who stayed.

Already, some companies that pulled out during the storm of controversy over trade links with South Africa are planning to return. One example is the British Whitehead Group, which makes stationery.

Mr Stephen Watson, the group's financial director, said disinvestment cost the group little, because it was "not very big" in the South African market.

"However, many people in our sector in Britain lost a great deal. Any company needs as big a base as possible and South Africa would have been a viable export base.

"Yes, we will return to South Africa, in a bigger way than before. I believe we will be back within the next six months."

Less forthcoming were other companies that pulled out, and that have no immediate plans to return.

Chase Manhattan Bank, one of the first to leave, said its decision was made as a result of economic as well as political factors. Before coming back to South Africa, it would have to study the effect of city and State laws that still prevent American firms dealing with South Africa.

Kodak said the situation after President Bush's announcement was "very complex". It has no plans to return — "and beyond that, we have no comment."

Companies that stayed on in South Africa in spite of the pressures to pull out are today patting themselves on the back.

One such is BMW (SA), whose financial director, Peter Barbe, is in no doubt the company gained by staying.

"We gained in that we maintained the loyalty, support and goodwill of our customers, suppliers and employees.

"BMW (SA) employs close to 3 000 people with about another 2 000 in our dealer network. When you take suppliers and affiliated organisations into consideration as well, the number could be as high as about 10 000 people employed by BMW (SA) in some way.

Caltex, another company that stayed, said in a statement from its head office in Dallas, Texas, that it was proud of the role it and other US companies had played in speeding up the process of change.

Companies that stayed in South Africa by changing their name and controlling shareholders are unanimous in saying disinvestment worked in their favour.

For Delta, which used to be General Motors before that company disposed of its South African interests, George Stegmann said that if GM wanted to buy a stake in Delta, "it would have to be on a basis that was mutually acceptable.

"They would have to pay for the privilege."

For Logos Pharmaceuticals, which before being sold to the Barlow Rand empire used to be Merck, Mike Norris said the disinvestment was not so much politically motivated as the result of a policy of having licensees rather than subsidiaries in smaller markets such as Greece, Israel and South America.

"We still have close ties, and get all the group's technology. The difference now is that the business is running a lot better than it did when they had it."

For Xeratech, which sells the products of its former parent, Rank Xerox, Rob van der Merwe said disinvestment, when Altron bought the company, had proved "extremely successful" for the local operation.

"It's very unlikely they'll be coming back. They're happy with the distribution channel."

For Information Trust Corporation, which used to be Dun & Bradstreet, Tony Lang said ITC did not want the American company back.

"We've built up the company over the past four years into one that gives the marketplace what it wants and has a far more positive image than Dun & Bradstreet had."

For ISM, which changed its name from IBM when the ownership changed, Brian Mehl said there was "no chance" the company would change its name back to IBM.

● A high-powered delegation by the Soviet Chamber of Commerce arrived at Jan Smuts Airport yesterday for a 10-day visit to South Africa to strike export-import trade pacts.

The five-man delegation, led by Vladislav L Malkevitch, president of the Soviet Chamber of Commerce, will meet representatives of the SA Chamber of Business (Sacob), Afrikaanse Handelsinstituut (AHI) and National African Federated Chambers of Commerce (Nafcoc) during their stay.

Mr Malkevitch told a press conference yesterday that their goal was to enter into economic dialogue with South African commercial associations.

Foreigners have growth role to play, says Stals

(60)

By Sven Lünsche

Star 17/7/91

Economic growth should preferably be triggered by the greater participation of foreign investors, Reserve Bank Governor Dr Chris Stals said yesterday.

"This is the real message of the lifting of sanctions," he told the annual congress of the Western Cape Agricultural Union in Cape Town.

"Foreign participation will bring with it not only the impulses required for a new expansionary phase, but the foreign exchange we need to support the balance of payments.

"It makes it possible for South Africa, with sound financial and economic management, to experience economic growth with financial stability."

Dr Stals said the slow collapse of international sanctions had raised the question whether the economy was ready for the challenges now being offered.

"We have been hiding behind the sanctions excuse for the past few years and it was easy to blame our economic woes on the policies of other countries," he said.

"The ball is now in our court and we must create an economic system that provides maximum benefits for all."

Dr Stals said the end to sanctions enabled foreign businesses to make their decisions freely on whether to invest in South Africa or in other areas.

There was increasing evidence that investors were making use of that opportunity.

"More and more foreigners seem willing to overlook the political volatility and are asking about the possibilites for economic and financial investments.

"But we must ensure that our trade partners and potential investors are offered an attractive economic environment to make this happen," Dr Stals said.

He admitted that recent political reforms had played a major part in the recent improvement in the balance of payments.

Foreigners muscle in on SA bank turf

By DIRK TIEMANN

A TOTAL of 32 foreign banks have opened representative offices in South Africa, raising fears of even more intense competition for domestic operators.

SA banks have suffered from eroded margins in the fight for top-quality business in the economic downturn. They also face demands to build up reserves to comply with new legislation.

They fear the new entrants may "pick the cherries" out of the lucrative trade finance business with major industrial groups which are increasing their dealings with the rest of the world.

At least three foreign banks want to set up subsidiaries offering the full range of services. France's Societe Generale, Bank of Taiwan and UK merchant bank Robert Fleming have set up or plan to start branches.

Biggest

Some of the biggest names in banking are among those that have opened representative offices. They include Banco Espanol De Credito, Deutsche Bank, Bank of Tokyo, Chase Manhattan, Standard Chartered, Commerzbank, Banco Portugues Do Atlantico and Credit Suisse.

Foreign representative offices serve as a liaison with SA banks and provide information about theit home markets.

Standard Bank senior general manager Graeme Bell says some of the newcomers have provided trade and working capital finance to SA corporations for several years.

Mr Bell says foreign banks can come in with cheaper funds:

"Direct lending is cheaper. We act as an intermediatary when we borrow and have to keep capital, reserve and liquid asset requirements and add a margin to the transaction.

"Most foreign banks have large dealing rooms. Apart from losing asset business, we could forfeit foreign-currency business arising from that. We are not squealing because Standard has always accepted competition.

"Many Spanish and Portuguese banks are coming to SA because it brings them closer to the Angolan and Mozambican market."

A Nedcor spokesman says SA banks have an advantage in being on their home ground.

He says "Competition for short-term finance business will intensify, but we have a good relationship with our major customers and know their business.

"We provide long-term finance to help clients set up plant. This gives us a foot in the door when it comes to trade finance."

Absa international division chief Malcolm Chapman says customers will benefit from the lower cost of funds.

But if SA borrowers cover their forex risk, which they must do through a domestic bank, this cost could negate the cheaper foreign money.

While foreigners are moving into the market, SA banks have not been idle in exploiting opportunities abroad.

First National intends applying for a banking licence in the UK and in Switzerland before the yearend. Senior general manager Neil Swart says the Bank of England is favourably disposed to a First National subsidiary in the UK.

First National also has a third stake in a Malawian leasing and instalment finance company and a full licence in Botswana. A branch will be opened there early next year.

Namibia

Standard has representative offices in London, Zurich and Hong Kong and a subsidiary in Taipei. It also has a Namibian subsidiary and management control in Swaziland.

Absa has a full banking operation in London and has extended its correspondent network to Eastern Europe

Nedcor has branches in Hong Kong and London. The annual report says the presence in Europe, the Far East and Africa is being expanded.

Nedbank's network of correspondent banks is being expanded as SA enters markets in Eastern Europe and the Pacific Rim.

Capital market rates leap on fears of foreign sell-off

(60)
CT 23/7/91

FEARS of a large scale sell-off by foreign investors in the wake of revelations about government's funding of Inkatha sent capital market rates to sharply higher levels yesterday.

Although the foreign dumping did not materialise, fresh buying dried up and rates remained high.

"The market was totally unnerved by the news and by what could still come out of the scandal," a dealer said.

Rates rocketed over 20 points with the benchmark Eskom 168 abandoning its mid-range of 16% to touch a high of 16,23% from its 16,02% close on Friday. It finished at 16,21%.

Government stock took an even bigger battering as some selling from Pretoria in the morning left the stock in an over-liquid position. Its RSA 150 stock climbed 26 points to 16,61%, its highest level since early Novemebr last year.

Indications had surfaced before the scandal erupted that foreign investment euphoria was subsiding and the latest news was compounding this.

Foreigners have been facing declining yields in the past few months as the discount between the financial and commercial rand narrows and local rates decline.

Another factor causing nervousness in the market was CPI data due for release today. If inflation, at 15,2% for May, showed an increase market rates could be expected to climb further.

However a drop to below 15% wasn't likely to have too significant an effect on rates because of generally poor sentiment.

The scandal also rocked the financial rand market as the foreign investment unit fell back to R3,21 to the dollar from Friday's R3,18. However, dealers expected the move to be temporary.

● Meanwhile, the JSE drifted slightly lower in thin and nervous trading yesterday.

The JSE All-Gold Index ended the day lower at 1 410 versus Friday's 11433 close while the Industrial Index slipped slightly to 4 041 from Friday's record high 4 047 finish.

The All-Share index slipped back to 3 523 from Friday's record 3 541.

Among gold shares, Vaal Reefs lost R5 at 237 and Driefontein 50c easier at R44 despite relatively steady world bullion prices.

Diamonds had De Beers down 25c at R89 while mining financial leader Anglos shed R2,25 at 122. — Own Correspondent and Reuter

Setback dealt to foreign investment

(60)

bday 23/7/91.

MATTHEW CURTIN

THE news that government had secretly funded Inkatha would set back — if not reverse — prospects of international investment in SA, American Chamber of Commerce (Amcham) executive director Wayne Mitchell said yesterday.

US investors would "sit tight", he said.

Despondency had replaced the euphoria which followed termination of the Comprehensive Anti-Apartheid Act 10 days ago.

Mitchell said SA's government was credited with scrapping apartheid, but the links between the Law and Order Ministry and Inkatha showed there were still "hidden agendas" at work. This would fuel the US pro-sanctions lobby's sentiment that sanctions had been lifted too soon.

Mitchell said Amcham had hoped to see US companies "engaging with SA business organisations within the year". Although that was still possible, the climate had changed dramatically.

Afrikaanse Handelsinstituut executive director Joe Poolman said yesterday that while he was surprised and disappointed by the revelations, their effect would be felt more keenly inside SA than out.

The action government had taken to dismantle apartheid outweighed any damage caused by evidence of police financing of Inkatha. Sanctions had been lifted because government had met specific conditions.

However, Poolman warned that foreign governments might be more wary of lifting sanctions denying SA access to international finance.

Foreign reluctance 'will fuel violence'

B/Day 24/7/91

THEO RAWANA

THE reluctance of foreign investors to invest in SA was increasing the risk of violence and support for a centrally controlled economy, Urban Foundation CE Sam van Coller said in Johannesburg yesterday.

Speaking at the launch of the National Black Distributors' Association, Van Coller said SA was trapped in a pattern of low economic growth.

"Developing countries need access to foreign capital to grow. For a mix of political and economic reasons, SA has not had access to overseas capital in recent years and this, more than anything, has stifled the economy," Van Coller said.

While the political constraints on economic growth were fast disappearing, the economic constraints were not.

"Because of violence and uncertainty about future economic policies in particular, foreign investors are, by and large, not prepared to risk investing in SA at present.

"The longer the economy continues to perform poorly because of (their) unwillingness, the greater the chances that violence will increase and the greater the pressure on extra-parliamentary political leaders to talk in terms of a substantial role by government in any future economic policy under a new constitution," Van Coller said.

Until SA could break out of this circle, the economy would continue to perform poorly and unemployment and poverty would increase.

Van Coller said the impact of a new constitution on the SA business environment would depend, first of all, on the political climate within which the constitution was born.

"Because of the diverse nature of the SA population, there has always been an inherent potential for enormous conflict in our society. SA's traditional response has been for one group to prevent all other groups from participating in the political arena.

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Co-operation

"That has now changed and the political arena is being opened to all. It is thus to be expected that we must go through a period of intense political competition as different groups at all levels in our society seek to gain control of power and resources," he said.

However, there were important opportunities in an open political environment for conflicting groups to recognise their interdependence and establish pockets of co-operation.

It was encouraging that support for the extreme positions of a centrally planned and controlled economic system on the one hand or a totally free market system on the other, appeared to be on the decline.

A US forecaster gives South Africa a poor risk rating, writes **Hugh Roberton**

Bank on turmoil, not investment

Star 24/7/91.

60

A COMPANY which specialises in forecasting risks for American businesses around the world, and which is widely consulted by banks and multinational corporations, has given South Africa a poor risk rating for the next five years.

Political Risk Services says in a report from Washington that the chances of turmoil in the country between now and mid-1996 are "very high" and forecasts mounting troubles for President de Klerk in trying to reconcile the differences between competing black groups.

In their latest survey the company also forecasts a "moderate" degree of turmoil in Zimbabwe in the next five years, with inflation there soaring to 25 percent, and it predicts that President Kenneth Kaunda of Zambia will be ousted in open elections later this year and will be replaced by a pragmatic civilian government under the leadership of Frederick Chiluba, a trade unionist.

Political Risk Services, which sells a 50-page report on South Africa for $295 (about R840), says President de Klerk's inability to stop fighting between the African National Congress and Inkatha, and the growing restiveness of whites, will challenge his efforts to forge a peaceful transition to multiracial government.

While the South African Government continued to propose and implement major reforms, "the possibility of a stalemate over the terms of the transition and growing organised opposition among whites threaten a peaceful evolution", the report says.

It adds that "increasingly militant statements by ANC officials over continued violence and the Government's role in it indicate the unlikelihood of getting a consensus among black groups".

The report says there is only a 40 percent possibility of a "reformist National Party" being the government in 18 months' time, and only a 40 percent chance of a "pragmatic ANC" coming to power in the next five years, although it does forecast a new government within the next five years.

Inflation will grow to 18 percent between 1992 and 1996, while the growth in the real gross domestic product will be only 1,8 percent in the same period.

Kenneth Kaunda . . . rule ending?

Zimbabwe, by contrast, will have an inflation rate of 25 percent between 1992 and 1996, with a four percent growth in its real gross domestic product, and there is a "moderate" chance of turmoil in the long term.

Commenting on President Robert Mugabe's plans for buying white-owned land for redistribution to blacks, the report says: "With the economy continuing to weaken and the youthful and urban population growing, the loss of foreign investment and white agricultural managers could hasten economic deterioration and undermine a stable and pragmatic government."

In Zambia, continuing economic decline coupled with pressure for democratic elections had forced President Kaunda to schedule elections for October.

"He may postpone the elections or use repressive techniques to ensure his victory, but the possibility of widespread violence makes such actions unlikely. Open elections will most likely produce a victory for the opposition Movement for Multiparty Democracy and lead to a pragmatic civilian government under the leadership of a popular labour leader, Frederick Chiluba," the report says.

Political Risk Services do not forecast events in Mozambique, Angola or Namibia at this stage.
— Star Bureau. □

Violence scaring off investors — Van Coller

(60) Star 24/7/91

Foreign investors were not putting money into South Africa because of the violence and uncertainties of future economic policy, Urban Foundation chief executive officer Sam van Coller said yesterday.

Speaking at the opening of the Black Distributors Associa tion in Johannesburg, Mr van Coller said South Africa's lack of access to foreign capital had also stifled the economy.

"While political constraints are now fast disappearing, economic constraints are not."

The longer the economy was hampered by the unwillingness to invest, the greater the chances were that violence would increase.

South Africa had become a society without the essential values necessary to hold it together in a pattern of stability.

Mr van Coller cited the increases in crime, conflicts among interest groups, increases in teenage pregnancies, alcoholism, suicide and divorce.

"Apartheid did everything possible to stifle economic growth in South Africa.

Conflicts

"It prevented market forces from operating, it shut out opportunities and thus removed any incentive for people to improve their own circumstances.

"It wasted resources not only in duplicate bureaucracies but also in duplicate facilities, it separated the capacity of the developed world from the needs of the to-be-developed world.

"It generated intense conflicts that stood in the way of levels of co-operation that are necessary to move forward. It excluded South Africa from the wider — and for others, much more open — world, thus restricting access to technology and trading opportunities.

"It drove away a substantial number of skilled South Africans when our pool of skills was not enough to meet the country's development needs."

If by the time a new constitution came into being, conflicting interest groups had learnt that through constructive negotiation, and not power-seeking, they could benefit their particular interest group, SA would "have some glue to hold it together", Mr van Coller said.

"Most leaders accept the need for effective markets aided by both public and private-sector interventions.

"They agree there will have to be dual economic strategies both to stimulate the formal economy and to bring the poor into the wealth-creation arena rather than leaving them on the outside." — Sapa.

Forte ponders return

(60)

S Times (Bus Times) 28/7/91

Business Times Reporter

INTERNATIONAL hotel group Trusthouse Forte, which was ahead of most disinvestors when it pulled out of the President Hotel in Johannesburg and the Park View and Edward in Durban more than 10 years ago, is taking a serious look at the South African market.

The 850-strong hotel chain would probably return firstly through a management contract for a hotel.

The group, which has been renamed Forte Hotels, developed and operated the President when it was SA's premier hotel.

"If the right property becomes available we will look at it," says James Beard, strategic development manager for international hotels in Forte. He is on his fourth visit to SA in 18 months.

Mr Beard says SA is an important market for Forte hotels around the world and the group has strengthened its sales drive here.

ANC, IFP join in bid to raise cash

Sowetan 31/7/91

(60)

By POLITICAL CORRESPONDENT

THE ANC and the Inkatha Freedom Party (IFP) will join Government in an initiative that could see large-scale European investment in South Africa in the near future.

Mr Thabo Mbeki of the ANC, the IFP's Chief Mangosuthu Buthelezi and the Minister of Constitutional Development, Dr Gerrit Viljoen will at a one-day conference in Frankurt, Germany, on October 8, declare "the New South Africa Open for Business."

Reform

The conference is arranged by the London-based Business International (BI) in collaboration with Standard Bank of South Africa.

Business International publicised the conference in the powerful British magazine *The Economist*, and the organisation's Ms Tracy Clarkson yesterday confirmed that it was being held in an attempt to find answers to some of the pertinent questions in the South African political scenario.

The conference is also being planned with one eye on political reform in South Africa and another on the progressive repeal of European Community and other country's sanctions against Pretoria.

Senior South African business people will also attend the conference, Clarkson said.

However, before investors can come to South Africa, BI believes that "companies will need to answer to some very difficult questions."

Trade bonanza on the horizon

60

Star 1/8/91.

The South Africa Foundation finds evidence of growing international interest in closer trade ties with this country, but forecasts that the brakes will be held on potential new investment until financiers feel assured about the shape of future economic policies, reports MICHAEL CHESTER.

SOUTH AFRICA must face the blunt reality that most overseas financiers will hold the brakes on investment until they see the shape of the economic policies in the post-apartheid era.

That is the message heavily underlined by South Africa Foundation executive director Kurt von Schirnding on return from an extensive tour of Eastern and Western Europe to sound out business and political leaders about the two-way trade and investment outlook.

Foreign investors, he says, have been heartened by signals from Nelson Mandela of a softening in ANC hardline socialist stances on economic policy, but seemed likely to remain cautious about investment decisions until the risk of nationalisation was completely wiped off the political agenda.

"There's still uneasiness about possible Communist Party influence at negotiations on a new constitution and economic strategies in general," he said.

"Trade union leaders, as well as the new generation of political leaders in Eastern Europe, are astonished that discredited communist ideologies could be even considered as an option in the new South Africa — especially when the whole world has seen proof of the inevitable economic devastations caused by Marxist policies.

"Most potential foreign investors will have reservations about major decisions until they see evidence of a commitment to free-market principles."

If the risk of Marxism were removed, however, the prospects for robust two-way investment and trade-flows between South Africa and Eastern Europe were excellent — within the constraints of the severe shortages of foreign exchange in the former Soviet satellites.

"There is enormous interest in South Africa, particularly in Poland, Czechoslovakia and Hungary, which feel they have an affinity with South Africa in the way each country is planning to open a new chapter in international relations as they break out of isolation."

Just as South African exporters were keen to increase direct trade and use Eastern Europe as a springboard to adjoining markets — in particular the European Community nations — so Eastern European exporters saw South Africa as a significant market on its own, and also a springboard into Africa as a whole.

Mr von Schirnding believes South African business should keep an especially sharp watch for opportunities to launch joint business ventures in Eastern Europe as State-owned industries laid out privatisation plans.

"Moving in to buy a slice of such industries could be an ideal way to find a foothold at bargain basement prices," he said. "There could also be important spin-offs in exchanges of technology and marketing know-how.

"What promises to give an edge to businessmen in South Africa when deals are negotiated is that most Eastern European countries are suspicious of domination by their wealthier neighbours in Western Europe and are anxious to secure a new economic independence from further afield.

"There's a formidable list of business sectors where closer ties could be forged."

He is also convinced that moves by Austria to abolish all remaining sanctions now look imminent, providing South African businessmen with more chances to create new trade conduits into Europe.

"Much now depends on an end to violence in our townships, an image of stability — and more evidence that the ANC is moving further away from a Marxist approach to long-term economic strategies."

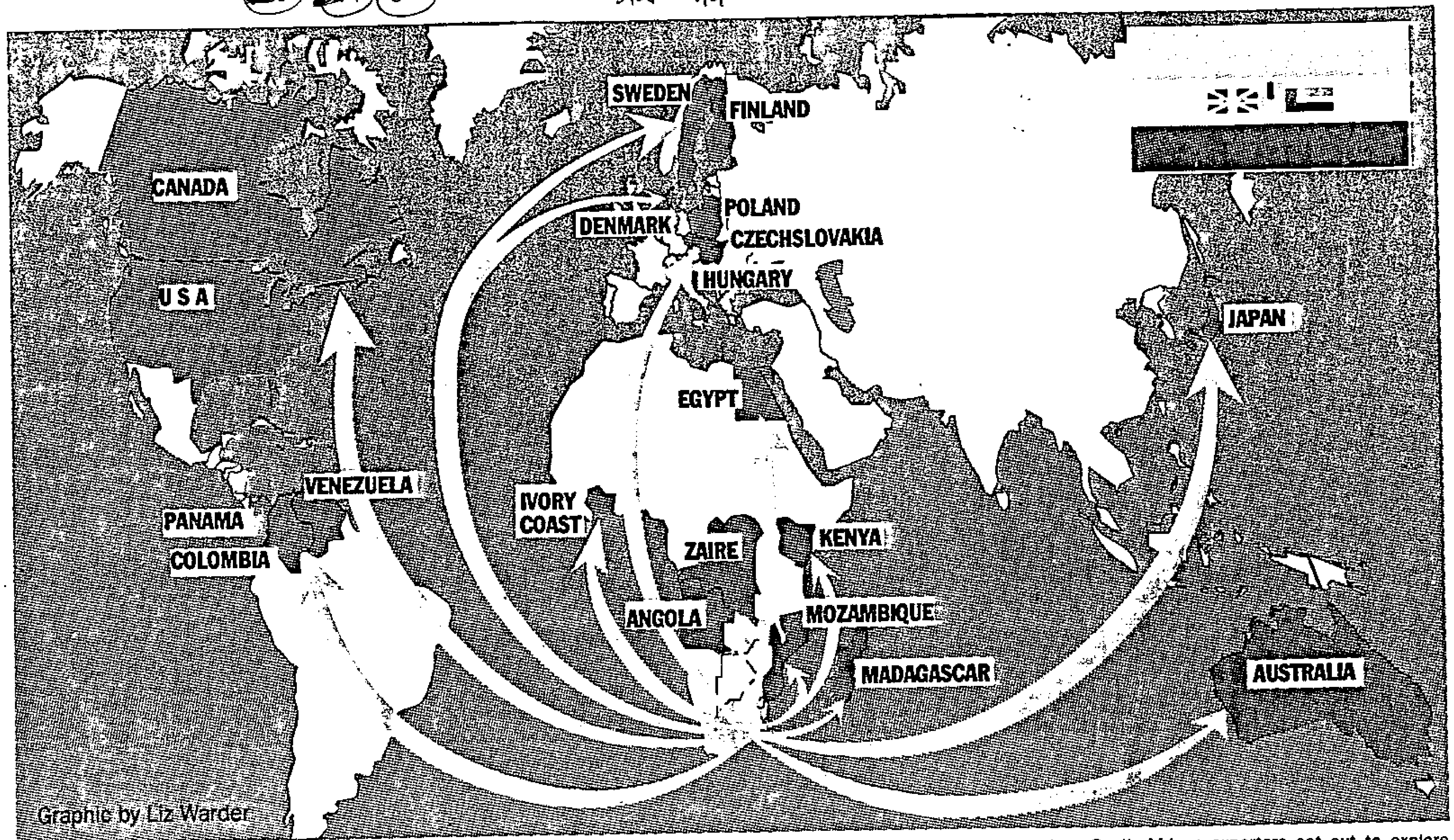
Eastern Europe is also one of the hunting grounds selected by the South African Foreign Trade Organisation to go searching for more export business in the next few months.

Safto has laid out its most crowded programmes of international trade missions on record as exporters come in from the cold with sanctions barricades coming down. No fewer than nine regions will be explored by trade missions in the next six months.

One that has inspired special interest is Eastern Europe — in particular Hungary, Poland and Czechoslovakia. A mission will go there next month.

The dynamism of the worldwide programme is shown in the accompanying map of export targets.

The Safto team reports that South African companies of all sizes have booked places to investigate new international business opportunities — not only in merchandise exports, but also in investment, technology transfers, banking, transport and tourism. □



Reaching out . . . the SA Foreign Trade Organisation has planned its busiest programme of overseas business missions on record as South African exporters set out to explore world-wide markets as sanctions barriers come down. No fewer than nine trade missions will be probing markets from North America to the Far East in the next six months.

Ramaphosa: businessmen must stay

Star 2/8/91

60

By Kaizer Nyatsumba
Political Staff

The ANC's economic policy, to be finalised within the next six months, will be "fair and just" and the business community will be happy with it, according to ANC general-secretary Cyril Ramaphosa.

Addressing the South Africa-Britain Trade Association in Johannesburg yesterday, Mr Ramaphosa said the ANC did not want local and international businessmen to pull out of the country at a time when they were most needed, and the organisation would keep this in mind.

He said economic success in the country could be attained if companies committed themselves to the future.

Companies which were now planning to pull out of the country were guilty of "economic treachery".

These companies were leaving at a time when they should be applying pressure on Pretoria to change.

Mr Ramaphosa said this view did not contradict his organisation's calls for the maintenance of sanctions.

The ANC, he said, while it called for the maintenance of sanctions to put pressure on Pretoria, also realised that those foreign companies already operating in the country could play an important role in getting the Government to change.

Mr Ramaphosa said the ANC looked forward to the time when South Africa's present trading partners, of which Britain was the second biggest, would invest in a democratic South Africa.

There would be an investment code which would make it easy for foreign companies to invest here.

He said South Africa's economic future was "clearly intertwined" with that of southern Africa and that an ANC government would play an important role in the region.

Mr Ramaphosa also called on the international community to maintain sanctions and reimpose those which had already been lifted.

Sanctions, he said, should be used to get the Government to agree to an interim government and a constituent assembly.

Ramaphosa courts business

DARIUS SANAI

BUSINESSMEN need not pack their bags and leave SA in fear of future ANC policies, the organisation's secretary general Cyril Ramaphosa told the SA Britain Trade Association (Sabrita) yesterday.

In one of the most conciliatory speeches on economic policy delivered by an ANC leader, Ramaphosa said that economic success in SA depended on the commitment of the business community.

He said the ANC's economic philosophy would be finalised before the end of the year and the business community would be pleased with the results.

Ramaphosa ruled out blanket nationalisation and punitive measures against big business as a means to redistribute wealth.

But he added that some nationalisation of private companies was inevitable as the ANC "would still need to respond to the needs of the people to restore peace and harmony in SA".

He said that the ANC's economic policy would be the "fairest, the most just and the most equitable" system available to SA, geared to continue the economy's position as the most succesful in the region.

The ANC and its allies had learnt from the mistakes of eastern Europe, the Soviet Union and other African countries, and the resulting economic framework would be unique to SA, he said.

He criticised the "economic treachery" of Anglo American and other companies which were exporting capital, saying the SA economy needed all its assets if it were to succeed.

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2/8/91 BD

Don't scare off investors

C press 11/8/91 (60) (3**)

MONEY TALK

WORLD-WIDE investments by multinational companies from Europe, the US and Japan are set to become a key creator of wealth in coming years, according to a United Nations study.

The UN Centre on Transnational Corporations (CTC) states that investments by these companies have been growing three times faster than world trade since 1983.

Experts in Geneva say the study will have an important influence on policymakers all over the world.

A key implication is that international transactions are becoming increasingly dominated by these multinationals. Patterns of trade, technology transfers and the flow of money show a close correlation with their investment decisions, making them the principal force in structuring the world economy, according to Peter Hansen, executive director of the centre.

How large the flow of capital has become as a direct result of their investment decisions is highlighted by the CTC's calculation that the outflow of direct foreign investments by the multinationals grew by no less than 29 percent a year between 1983 and 1989. In 1989 alone the total amounted to R540 000 million.

The most impressive growth in foreign investment emanated from Japan. Its companies increased their foreign investment about six-fold during the 1980s. Within 10 years the total value of Japanese foreign investments may surpass that of the US, which would push the Americans into third position as they have already been overtaken by the Europeans.

A worrying feature for small countries such as South Africa is that the investments of the multinationals are concentrated within the three big blocks. They account for about 80 percent of foreign investment and the rest of the world put together for only 20 percent.

The UN document makes required reading for policymakers in South Africa because we are badly in need of development capital, one of the scarcest commodities in the world today. If we do not attune ourselves to the thinking of these corporations, we shall be the losers. But we need not even start to do that if we are not able to create a stable political climate conducive to profitable investment. And talks of nationalisation should be placed on the back burner. These companies have shown they are simply not interested if the fruits of their labour will be grabbed by politicians.

Visit by Japanese group heralds 'breakthrough'

Sowetan 15/8/91

(88) 60 (88)

By JOSHUA RABOROKO

ACTIVE facilitation of International investment has become the urgent challenge facing the South African banking sector following the G-7 summit announcement that the major Western economies stand ready to assist post-apartheid recovery.

The new head of NedPerm Bank's Asset-Based Funding Division, Mr Christopher Beatty, spelled out the challenge when he lifted the veil on a planned visit to South Africa by senior executives of Yamaichi Securities, Japan, and Yamaichi International (Europe).

Yamaichi is one of the largest Japanese Securities Houses. The visit is being laid on by Hamish Donaldson, a London-based consultant and personal contacts of Beatty's.

The visit will come after the world's seven major industrial nations (Group of Seven), including Britain, Canada, France, Italy, Japan and the United States cited in a declaration "an urgent need to restore growth to help reduce inequalities of wealth and opportunity" in South Africa.

It will also come after delegates from the International Monetary Fund and its sister association, the World Bank, visited South Africa following the lifting of sanctions against South Africa by the US.

Beatty pointed out: "The fact that such a visit is to take place within weeks of the American and Japanese decisions to ease sanctions and so soon after the G-7 summit in London suggests an 'irreversible change' of perceptions in international investment circles.

"The visitors, from London and Tokyo offices of Yamaichi, will be here in early August. I have been asked to give an appraisal on the economic and business scene.

"Nedfin Bank will obviously do all it can to facilitate this exploratory visit. The party is hoping to meet a cross-section of business and political leaders.

Beatty believes is premature to speculate on particular areas of interest. However, such a senior party would hardly be sent to South Africa unless the company was weighing investment prospects or considering extending its activities to the region.

He added: "We believe this to be the first such visit in the new investment era that could follow the G-7 commitment."

"On a macro level, access to the IMF and the World Bank is obviously of major importance to the country - but it is also that South African bankers develop relationship with overseas groups so that additional investment channels are opened up.

"The danger of financial service sector nationalisation, has, I believe, receded. Our sophisticated First-World banking system is a national asset that should be compromised in the kick-start phase to national renewal.

projects that are inherently un-

Short-term help seen for CPI

Star 24/8/91.

CAPE TOWN — The tax adjustments announced by the Minister of Finance could result in the Consumer Price Index (CPI) rising less in the short term than would otherwise have been the case, says Johan Louw, the chief economist of insurance giant Sanlam.

"As far as the switch from GST to VAT is concerned, the envisaged recomposition of the Consumer Price Index makes it very difficult to determine the net effect of this change.

"At this stage, we think it should bring about only a small once-off increase in the inflation rate."

He says the higher petrol prices — 13c a litre for conventional fuel and 8c for diesel fuel — and excise duties on liquor, tobacco, TV sets and cars, on the other hand, are expected to cause this rate to rise by an estimated 0,7 percentage point in September.

(The forward and backward linkage effect could push the inflation rate still higher in time).

"All in all, we foresee that the inflation rate (after the tax adjustments) will be just over 14 percent by the end of the year.

"For 1991 as a whole, we estimate a figure of between 14,5 percent and 15 percent.

This could decline to an average rate of about 13 percent in 1992," Mr Louw concludes. — Sapa.

Gold, platinum take it on chin

Star 24/8/91.

FINANCE STAFF and REUTER

THE gold price yesterday fell to its lowest level in a year in the aftermath of the failed coup by hardliners in the Soviet Union.

Over the past week gold has fallen by almost $9 to be fixed yesterday afternoon in London at $353,70.

Platinum prices also took a hard knock, despite the temporary closure of two mines by Impala, the second-largest producer in the world.

It was set at $331,50 an ounce yesterday, its lowest level since December, after a close of $344 on Thursday, and in the wake of selling by Japanese investors.

The decline in the gold price, coupled with a recovery in the rand against the dollar over the week, hit the rand gold price — the price SA gold mines receive.

The rand gold price started the week at R1 054 immediately after the coup, but over the week plunged to close yesterday at R1 018.

The decline had a devastating effect on gold share prices on the JSE. Over the week the gold index shed 125 points to 1 144 yesterday.

Gold's failure to budge on news of the abortive coup in the Soviet Union, shows once again that the precious metal has lost its place as a safe haven in political crisis, analysts say.

Monday's coup by hardliners in the Soviet Union initially tacked $5 on to gold's price.

But values had retreated to the minus column by midday as threats of potential gold sales by the Soviets worried the market.

The Soviet Union, the world's third-largest gold producer, has a stockpile of 2 000 tons, and the market feared the economically ailing country would sell more gold to boost its foreign exchange reserves.

The coup's speedy demise resulted in a brief rise, as anxiety about Soviet sales waned on Wednesday.

Investors are not interested in trading gold, analysts say, and many have switched to more robust markets, such as the dollar, stocks and government bonds.

"I think part of the problem for gold is that world financial markets have matured and people are looking to other vehicles," says Jeffrey Nichols of American Precious Metals Advisors, a Florida-based consulting company.

"Gold is not particularly sensitive to geopolitical anxieties. Its traditional response (to global crises) is no longer valid. People prefer to hold dollars as opposed to gold," he says.

When Iraqi President Saddam Hussein's troops stormed into Kuwait in August 1990, gold prices on New York's Commodity Exchange rose just $3.

In mid-January, when Gulf War ground fighting erupted to dislodge the Iraqis, gold gained more than $6 in Sydney, Australia, the first market to respond.

But the next day it crashed a spectacular $30 in New York on expectations of a quick victory for the allies.

● Scores of miners at GFSA's Doornfontein gold mine have been on strike since Tuesday, the company confirmed yesterday.

It said the apparent reason for the strike was a resistance to alternative employment one level lower than existing positions in order to avoid retrenchments.

An ultimatum to return to work was issued to those employees who participated in the illegal strike.

The employees did not respond to the ultimatum, with the result that about 6 000 employees out of a total of 7 000 have been dismissed.

Government set to woo foreign insitutional investors

Star 24/8/91

STAR FOREIGN SERVICE

60

BONN — THE South African Government will make presentations to institutional investors and bankers in Germany next week, preparing the ground for its first public Eurobond issue since 1985.

Deutsche Bank, the biggest German bank, and favourite to win the mandate for a public issue, is hosting presentations of institutional investors in Frankfurt on Wednesday.

Representatives of the South African Ministry of Finance will be present.

However, a senior Deutsche Bank official says no decision has been made on the timing or size of a public bond issue.

South African Government-backed borrowers, such as the Department of Post and Telecommunications and Transnet have been active in the private placement markets of Germany and Switzerland this year.

The Centre for the Study of the South African Economy in London estimates that borrowers have raised about $300 million from this source in the first half of this year.

However, almost all of these funds have been used to refinance the redemption of outstanding bond issues made in the early 1980s.

There has been no public bond issue by a South African borrower since 1985.

The Government has said that it would like to make a big, public bond issue in the name of the Republic of South Africa and would like to raise new money.

Bankers says the lifting of US sanctions in July made it possible for institutional investors to participate in a public issue.

The involvement of large investment institutions would be vital to ensure the success of a public issue in the region of Dm150 million to Dm200 million.

But they say political sensitivities remain great.

For example, some of the biggest borrowers, such as the Province of Ontario and Ontario Hydro, will not deal with SA-linked banks.

Investment spur as govt seeks votes

LINDA ENSOR

CAPE TOWN — The investment environment in the run-up to national elections and/or a referendum would be positive, Southern Life investment GM Carel de Ridder said at an Institute of Life and Pension Advisors' function last week.

"Positive sentiments will prevail and government policy can be expected to be stimulating, especially fiscal policy, so as to generate support from the population," De Ridder said. BDay 26/8/91

He expected uncertainty about the form of the new government to set in closer to the election or referendum, having an adverse effect on capital and stock markets.

Taking a longer-term view, De Ridder said it was possible to extrapolate from the experience of the SA economy in the '60s and '70s to construct high-road and low-road scenarios respectively.

The high-road scenario assumed that government would follow free market principles and a policy of monetary discipline, while still being actively involved in the economy and in the redistribution of wealth. Government spending as a percentage of GDP would not rise much above the present 35%, the tax rate would not rise dramatically, inflation would be in the region of 10% and the rate of exchange would be moderate.

The low-road assumed a socialist government controlling the economy and using tax increases to redistribute wealth, but constrained by the requirements attached by the IMF and other donor agencies to loans. 60

De Ridder said that even should a socialist government come to power under a new constitution, South Africans should not expect any worse than they had already experienced.

Africa losing investors' interest

By Derek Tommey

The opening of major car plants would do more to create jobs than two years of effort by the Small Business Development Corporation, some people claim.

Along with this claim goes the belief that in the new South Africa there will be new car plants aplenty.

But more than a new South Africa will be needed to attract large scale investment by the international motor industry, says Ronnie Kruger, Volkswagen general manager (public affairs).

He was speaking at a meeting with media representatives yesterday.

What South Africa also needed would be economically viable companies operating in a free market situation and an economy growing strongly enough to divert the attention of foreign investors from other growth areas, he said.

South Africa was in competition with other areas of the world for new investment and had to offer greater growth and profit prospects than others seeking new investment.

At present this is certainly not the case as figures issued by Volkswagen last night show.

Car sales by Volkswagen Germany grew 50,76 percent in the first quarter of this year, compared with the same period last year. Its market share for the period also rose to 28 percent.

But in South Africa, sales rose 10,48 percent.

The Group's worldwide sales showed a healthy increase with a first quarter total of 801 905 units, up from 748 968 in 1990.

Substantial increases were recorded in a number of other countries outside Europe. Argentinian sales were up by 47,62 percent, while Mexico recorded a 17,11 percent jump.

Three years ago Africa was seen as the only market in the world where sales could rise higher than the inflation rate, he said.

Motor companies were interested in opening up in South Africa because they knew that if political problems could be resolved the area could become the springboard for world penetration.

But two things had happened since then, he said.

The first was that African economies had not improved. Volkswagen has a factory in Nigeria which last year produced about six cars. The reason was that it could not afford to buy CKD kits for want of foreign exchange.

The second was the collapse of communism in Eastern Europe.

Suddenly an underdeveloped market taking 500 000 units a year and with waiting lists of 16 to 17 years opened up to major motor manufacturers, and everybody went in to try and get a share of the market.

Volkswagen bought the company which used to produce the Trabant and was now making the Polo in a new factory. It had also bought Czechoslovakia's Skoda.

The expected enlargement of the European market had also resulted in Volkswagen joining forces with Ford to make a multi-purpose vehicle in Portugal. It had also enlarged its production facilities in Spain.

These investments were costing Dm15 billion to Dm16 billion (R22 billion to R23 billion).

Volkswagen also had two factories in China making Audis for the hierarchy.

Volkswagen no longer had the means to help South Africa reccover economically because it had its own agenda, he said.

"We at Volkswagen SA and the other motor companies will certainly do our share to help the economy to recover.

"But to do that, to create more jobs and to get more people trained for these jobs, you have to have a financially viable country," he said.

Current strikes were not doing anyone in the motor industry any good; they were not doing the workers any good and they were not doing SA's growth any good.

Washington Letter
by SIMON BARBER

60
CT 27/8/91

After Soviet collapse, SA is small fry to investors

THE past week's events in the Soviet Union (if it can still be called that) pose a massive challenge to South Africa. The longer it delays in getting its political and economic act together, the higher the premium it will have to pay for foreign investment and the more likely it will become just another messy, Third World backwater.

The death of Soviet communism marks the end of the Cold War as definitively as the Red Army's capture of Berlin signified the end of World War II. The victorious allies, this time without Uncle Joe Stalin to hamper them, will once again seek to reconstruct the vanquished foe. In this instance, the much-overused Marshall Plan analogy is apt. Just as the US recognised its own overriding self-interest in helping restore the once thriving industrial economies of post-war Europe, so now the West and Japan will wish to help put the Russian federation back on the economic path down which it was headed before the October 1917 interruption. As in 1945, the loser's technology, skills and infrastructure base is essentially extant beneath the social and political rubble.

Real new order

The degree to which the West's energies and resources are likely to be focused on this task over the next decade or more should not be underestimated, the current debate over aid notwithstanding. To be sure, the US is unwilling to pour money down a "rathole", as Secretary of State James Baker put it last weekend, but Washington's European partners are considerably less hesitant and appear to be prevailing.

A genuine new world order — not the trite and wishful one trotted out by President Bush's speechwriters — is being born and with it, quite possibly, a dozen or so new countries, each rebelling against a statist past and desperately seeking integration into the market-based global economy. The manner of their birth and their growth thereafter will be of all-consuming interest, especially to their European neighbours, both in economic and security terms.

Compete harder

South Africa's own transition, however historic, is of picayune significance in comparison. Its continent might care if it sank into the Indian Ocean tomorrow but in the broader sweep of things its continent doesn't matter very much either. Happily, its needs are relatively modest. Nonetheless, it will have to compete harder than ever if even those needs are to be met.

In the present euphoria, all the Soviet Union has to do to trigger serious capital inflows is to pass Mr Baker's "rathole" test, the criteria for which are becoming increasingly more relaxed. The theory now is that Western investment and credits will be their own best guarantee of return by helping lock the transformation to market economics in place.

South Africa, by contrast, is still obliged to play by the rules that obtained towards the Soviet Union prior to last week. That is to say, investment, official foreign assistance and loan guarantees continue to be discouraged or restricted on the basis that they will go to prop up the existing order. This is one of the penalties that must be paid for not mattering.

Attract capital

If the country's future had a direct bearing on Western commercial or security interests, policies towards it would not be dictated by moralists. President Bush and his Secretary of State would not be cringing at the thought of having to certify to Congress that Pretoria had met the conditions of the Gramm Amendment and so could have access to the IMF. It is also unlikely that 140-plus state and local governments would be vitiating Bush's decision to lift the Comprehensive Anti-Apartheid Act's ban on new investment by maintaining sanctions of their own.

Since it cannot make itself matter, South Africa's only option is to make itself so attractive a destination for capital that investors will not only select it over opportunities elsewhere but overlook the constraints placed on them in their home markets.

To achieve the kind of long-term inflows it needs to combine real growth and the closure of what is politely known as its "social deficit", South Africa will have to do a lot better than that. Serious investors, as well the politicians who must decide whether to support serious aid packages, want to know what's beneath the wig. Thus far, neither the government nor its principal negotiating partner have given them much grounds for optimism. Nor, for that matter, has the South African business community which, with certain exceptions, has been notably unwilling to take much of a plunge itself.

Assurance needed

Even though many outsiders believe reality will set in once a new regime is in power, they remain unnerved by the rhetoric of the self-styled government in waiting, rhetoric that all too often sounds ominously reminiscent of what has just been tossed out in Moscow. The ongoing violence — a phenomenon markedly absent during last week's Soviet showdown — does nothing to offset such qualms. Neither do corporate scenarios long on the problems the country faces and short on practical policies to deal with them.

Some have suggested that agreements with the IMF or the Overseas Private Investment Corporation, which provides insurance for US investors against expropriation and other forms of state theft in developing countries, would ease such fears. Yes, but with whom would the agreements be signed? If the present government, what assurance would that be that the next one would abide by them? If the next one, by then it could well be too late.

All of which might be secondary concerns if the outcome of South Africa's transition either promised or threatened to reshape the economic and political face of the planet. Since it doesn't, South Africans of all political persuasions are going to have to reach a confidence-inspiring consensus on how they propose to run their economy when it comes under new management and do so pretty quickly.

If they don't they may find that investment funds, not to mention the billions of dollars of aid money sought by Congressman Stephen Solarz, have moved elsewhere.

Down a rathole, even.

Foreign banks lining up to enter SA — registrar

(60) BDay 28/8/91

ROBERT GENTLE

THE Reserve Bank was continuing to receive many applications by foreign banks to set up operations in SA, Registrar of Deposit-Taking Institutions Hennie van Greuning said yesterday.

"There is a lot of interest and we are processing their applications," he said.

He was not at liberty to disclose exact figures, but banking sources believe up to 10 foreign banks could be involved. These include requests for representative offices and for full banking licenses.

There were already 32 foreign banks in the country, mostly via representative offices, according to a KPMG Aiken & Peat study released yesterday.

Certain local bankers have privately expressed concern about foreign representative offices not being subject to the same capital constraints under the Deposit-Taking Institutions Act as local banks.

Van Greuning has dismissed the argument, saying that even if a representative office facilitated the granting of loan to a local corporate, its parent overseas would be subject to capital requirements.

Standard Bank divisional GM Rocco Roussow said the key issue was that SA banks were not able to gain access easily to international capital markets because of the debt moratorium.

This put them at a disadvantage to overseas banks — and therefore their local representatives — when it came to granting foreign loans to local SA clients.

In an interview yesterday Société Générale MD Peter Gray said the bank was doing good volumes of business here.

Société Générale, France's fourth largest bank, operates through its wholly owned subsidiary the International Bank of Johannesburg (IBJ), acquired in May.

Gray said the bank was mainly active in the corporate market, providing banking services to public and private sector corporations as well as international companies based in SA.

Key areas of business were trade finance, provision of confirmed letters of credit, and foreign exchange activities in which Société Générale used its international dealing network for spot and forward currency transactions.

Since the move into IBJ, turnovers had more than doubled, Gray said. Forex turnover, for example, was running at about R750m a month. About 40% of the bank's R600m local asset base was foreign denominated business.

Société Générale would also be embarking on a "major drive" to provide services to offshore brokers and investment banks for their clearing and settlement requirements relating to their activity in the SA financial markets.

Foreign banks look to corporate market

B/Day 30/8/91. SHARON WOOD (60)

SA BANKS will not welcome foreign banks lending directly to corporate clients, say banking sources.

Spokesmen agreed yesterday that the foreign banks setting up representative offices in SA were aiming for niche markets, with corporate lending top of the list.

Nedbank international division executive GM Derek Muller said foreign banks were generally quite happy to deal through the local banks because of their longstanding relationship with SA banks.

Domestic banks usually acted as intermediaries between foreign banks and corporate clients.

SA banks must expect competition, he said.

Standard Bank international division GM Rocco Rossouw said foreign banks probably perceived they could offer something SA banks could not offer, which was probably in the corporate market.

But Standard Bank was confident it could look after its corporate clients.

Rossouw said the key disadvantage facing SA banks was they could borrow money overseas only at a premium of about 1% above the London Inter-bank Offered Rate (Libor) because of the debt moratorium.

At the time of going to press the Registrar of Companies had not responded to Business Day inquiries as to what the official line would be if SA banks had to compete unfairly.

Investment interest grows

LINDA ENSOR

CAPE TOWN — Foreign interest in investing in the Cape is picking up, with 70 known job-creating investments having been made in the last two years, says Western Cape Growth Organisation (Wesgro) executive director David Bridgman.

Over 550 jobs were created indirectly.

Bridgman says in the past year 367 businessmen from 31 countries — many of which did not have contact with SA for over a decade — have contacted Wesgro. B/Day 30/8/91.

However, there is still concern over links with SA.

"While a number of well publicised officially sanctioned business delegations have visited SA, many countries still do not wish to acknowledge business contacts with us and this is a situation we must recognise," he says.

DBSA 'could be financial powerhouse of Africa'

B/Day 30/8/91

LESLEY LAMBERT

THE Development Bank of Southern Africa (DBSA) could become the World Bank of Africa, distributing and allocating international development resources in sub-Saharan countries, Sacob director-general Raymond Parsons said yesterday.

Addressing the Scandinavian-South African Business Association in Oslo, Norway, Parsons said the bank's expertise in channelling limited funds to many competing projects could be put to good use in Southern Africa now that political obstacles were falling away.

"The DBSA was originated with this aim of a broader Southern African perspective in mind," he said.

Currently, the bulk of DBSA funds flow into South African projects. Activities outside SA are limited mainly to Lesotho, Mozambique and Namibia.

Referring to current debate on the possibility of SA joining the Southern African Development Co-ordinating Committee (SADCC), Parsons said it could happen soon if SA "played its cards skilfully".

It would have to be sensitive to fear in the region about its economic domination. "Southern Africa does not wish to be re-colonised by the new South Africa," he said.

But the SADCC could not afford to ignore the value of SA's role in the region. With only 40% of Southern Africa's population, SA was responsible for more than 80% of its GNP. It harvested more than 50% of the region's maize, about 90% of its wheat and supplied 70% of its meat. Hundreds of thousands of southern African workers were employed in SA, Parsons said.

In recent years, the value of the SADCC's trade with SA was about four times intra-SADCC trade, while about 70% of the region's trade volume passed through SA.

SA's total trade with southern Africa amounted to R6bn in 1987. Its non-bank investments in Africa were R3,4bn in 1988. The value of SA's exports to the rest of Africa rose by 40% in 1989 and by an estimated 22% in 1990.

Looking further north, he said economic co-operation between Africa's four economic powers — Nigeria, Egypt, Kenya and SA — could treble SA's economic growth rate with significant benefits for its southern African neighbours.

Foreign firms keen to expand

(60) MG 31/8/91

TOM HOOD, Business Editor

FOREIGN interest in South Africa's new industrial development incentives unveiled in May far exceeds local business interest.

The Regional Industrial Development Board has already received a number of applications, with much interst coming from foreigners.

The Cape has emerged as South Africa's only metropolitan area to receive concessions under the new regional industrial decentralisation proposals.

Dr David Bridgman, executive director of Wesgro, says Wesgro has already helped a number of foreign firms with applications.

"It appears that Cape business is not yet aware that the new incentives are applicable in Cape Town itself, and also applicable for expansions to existing plants."

Dr Bridgman said Wesgro was in a position to assist both local and foreign firms seeking these incentives.

This awareness lag was not unexpected. A similar time-lag existed in those areas which got their first incentives under the old programme in 1982. It took some time for people to realise the opportunities.

"The government is keen to encourage new manufacturing and is offering tax-free grants of up to R8 million over five years to companies making new investments in manufacturing capacities."

An an example, a new investment qualified for a tax-free grant over five years of 40 percent of the initial investment.

The new proposals, which were announced in Parliament in May this year, follow a round of negotiations between rEgional development advisory councils (RDACs) for the various areas of South Africa and homeland governments.

The new scheme is very different from the old programme. It offers incentives for industrial decentralisation regardless of location throughgout South Africa and the TBVC states.

In metropolitan Cape and in the pepriphery of Durban 60percent of the full package is available, while central Durban and the PWV, are excluded from the scheme.

The scheme offers tax-free grants for five years for new industrial investment. For the irst two years the payment is determined by the capital invested in the establishment of the business. For the next three years the incentive is based on the profitability of the business.

An important aspect is that this new incentive is available to existing manufacturing concerns in the Cape considering an expansion to the operation. These tax-free grants can significantly enhance the profitability of new expansions based on the profitability of the business.

These tax-free payments should equal the company tax paid by the business, giving a five-year tax holiday for new industrial investments throughout South Africa.

The incentive is available for both new plants and sgnificant extensions to existing businesses.

Mbeki: Foreign firms must start preparing for investment now

Political Staff 10 ARG 24/9/91

JOHANNESBURG. — Foreign businessmen and governments interested in investing in a future democratic South Africa can start making preparations now, ANC international affairs director Thabo Mbeki said.

Speaking at a Press conference after top ANC leaders held a meeting with French Industry and Trade Minister Dominique Strauss-Kahn and his delegation in Johannesburg yesterday, Mr Mbeki said the ANC's position on sanctions was unchanged.

He said the organisation's national congress in Durban in July had decided in favour of a phased lifting of sanctions in response to political progress made in the country, and nothing had changed since then. However, countries which wanted to invest in a future democratic South Africa had to start making preparations now.

"There is a delay between a decision to invest and the actual investment taking place. Nobody can take the decision to invest in South Africa today and invest tomorrow.

"We will come to the point when it will be agreed that the ban on investment will be lifted, but it is important that countries interested in investing in South Africa start making preparations now," said Mr Mbeki.

Leading the ANC delegation was president Nelson Mandela.

Mr Strauss-Kahn said the hour-long meeting was "informative and emotional".

Foreign investors up holdings of JSE industrials

(60) AEG 20/9/91

SVEN LUNSCHE

JOHANNEBSURG. — Foreigners may have been net investors on the JSE in the first half of this year, although they slightly reduced their holding in South African mining stock.

In a study of foreign ownership of local mining shares, Davis Borkum Hare analyst Manny Pohl says that total foreign holding in mining shares was 13,8 percent at the end of June this year, slightly down from 14,1 percent in December 1990.

The investment was valued at R23,78 billion at the end of June.

Foreigners have been steady sellers of local mining stock since 1982, when they controlled in excess of 33 percent.

Dr Pohl notes, however, that overseas interest in the JSE over the past few months has been focused on industrial shares as reflected by the 40 percent surge of the industrial index.

"There may thus have been a net inflow of funds into equities," he says.

He ascribes the increased interest over the past few months to a number of factors:

- The stabilisation of the commercial rand and the decrease in the financial rand discount from 25 to 11 percent since the beginning of the year which has increased the total return on SA shares to foreign investors.
- Foreign investors have imparted a political risk to holding South African shares. This has changed with the recent rapid political reforms and foreign investors are once again looking at South Africa for investment opportunities.

However, US investors are still prevented from investing by a range of state and municipal laws.

Turning to mining shares Dr Pohl says that relatively poor performance of base and metal prices have mitigated against investments in this sector.

Furthermore the revival of the gold mining industry in North America and Australia has provided international investors with an alternative source of mining equity investment.

A breakdown of foreign holdings shows that the largest decline was recorded in local mining houses. Foreigners now only hold 4,4 percent of their total equity compared with 5,2 percent six months ago.

The foreign interest in diamond mines, almost exclusively De Beers, has dropped from 22,8 to 21,3 percent, but the listing of De Beers Centenary in Switzerland has made it more difficult to assess the exact foreign holding.

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Foreign investor interest in SA shares picking up

Star 20/9/91

60

By Sven Lünsche

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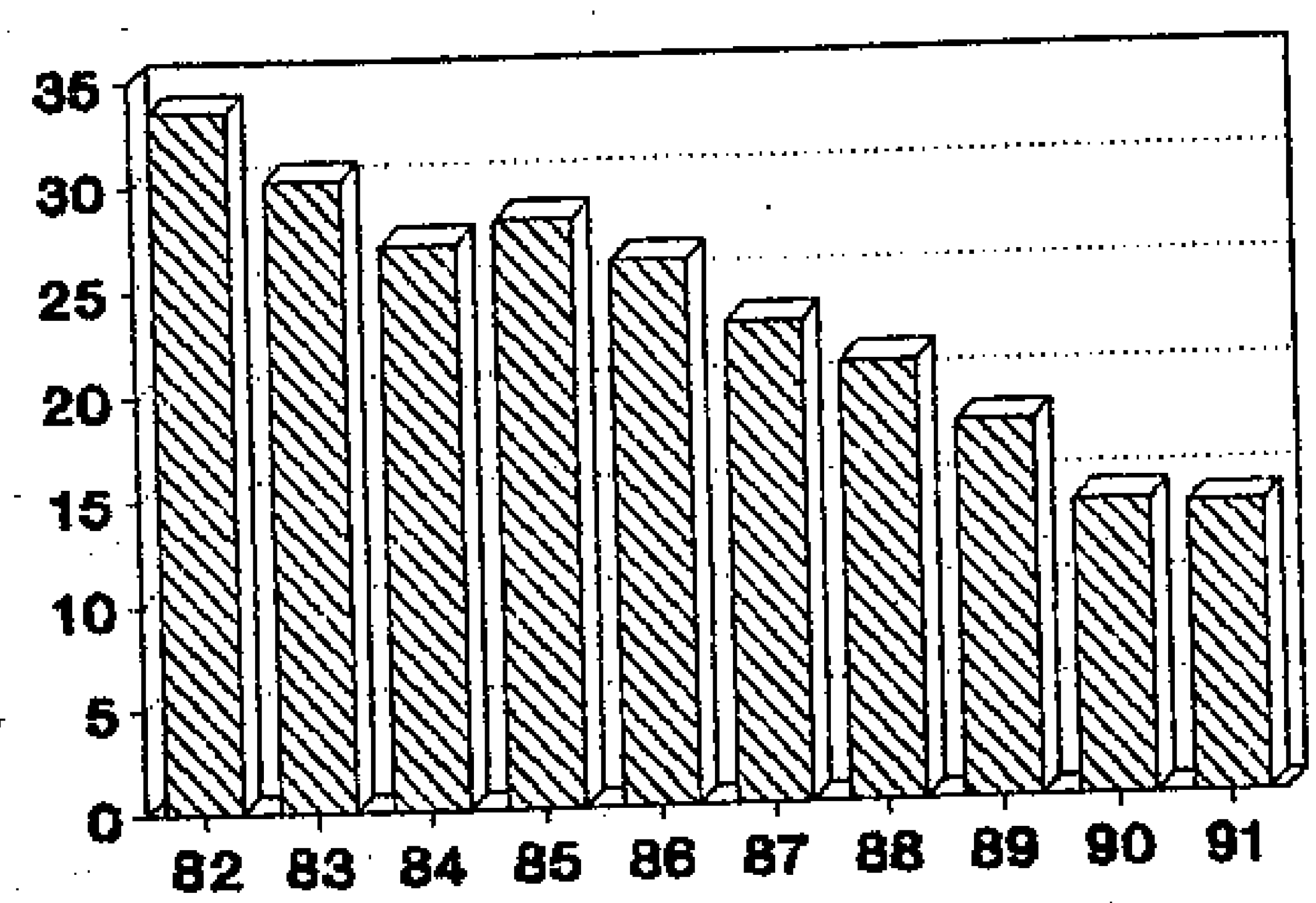
The decline from 4,4 percent to 3,9 percent of the total issued share capital of platinum mines under foreign ownership was anticipated given the extremely volatile platinum price and negative investor sentiment.

Against the trend foreigners are now holding a larger share of SA gold stocks — 24,7 percent against 24,2 percent — largely as a result of an increase in investments from continental European investors.

Dr Pohl adds, however, that US involvement in gold shares in particular and SA mining shares in general, at 3,3 percent (3,4 percent in December), seems to be at an all-time low.

UK investors' holdings in total mining shares are down from five to 4,9 percent and those of other European investors has dropped from 5,2 to 5,1 percent.

Finally, Dr Pohl says, although the foreign holdings in Eskom declined from 44 percent in September last year to 43 percent in May 1991, foreign holders have accumulated further stock with a nominal value of R600 million.



Foreign ownership of SA mining shares (Percentage of shares in issue).

ANC chiefs go wooing

S Times (Bus) 29/9/91

(60) By DAVID CARTE

ANC bosses Thabo Mbeki and Cyril Ramaphosa will take part with Finance Minister Barend du Plessis and Reserve Bank Governor Chris Stals in a Hong Kong conference wooing foreign investment to SA.

The two proponents of sanctions and disinvestment will address what is billed as the definitive seminar on business and investment opportunities in the post-apartheid economy of SA.

More than 150 delegates are expected at the conference on October 11. More than 100 will represent the Far East. Several SA institutions will attend to meet investors interested in SA. They will fly from Hong Kong to the IMF meetings in Bangkok.

Mr Mbeki will speak on the evolving political dispensation and Mr Ramaphosa on the role of foreign investment in the new SA.

Mr Du Plessis will discuss the post-sanctions economy and Dr Stals the role of monetary policy in promoting foreign investment. Other speakers will be Mike Brown, economist at stockbroker Frankel Max Pollak Vinderine, Francis Klein, managing director of French Bank of SA, Dries du Toit, senior portfolio manager of Sanlam, Rob Angel, managing director of Engen, Ken Maxwell, director of JCI and Peter Arthur, a partner at Webber Wentzel.

The conference, which aims to attract the biggest names in international investment finance, is being organised by Frankel Max Pollak Vinderine, attorneys Webber Wentzel and French Bank.

Frankel Max Pollak reports unusual interest in its SA-based conference in February next year. Chief executive Sidney Frankel expects more than 100 foreign delegates.

Call to liberalise exchange control

B/Day 17/9/91 (60)

SA must do away with exchange control regulations imposed on non-residents if it is to attract long-term capital, says Price Waterhouse Meyernel national taxation director Chris Frame.

In a statement, he said the only way of gaining a net addition to the economy was to create the right conditions for foreigners to invest.

"Our economy is being run on old money, industry is operating on a capital base that is far too narrow and we are in desperate need of more participation by foreign companies."

Government should also make it worthwhile for overseas investors to pump funds into the economy by guaranteeing repatriation of income and capital. SA could not become the "engine of Africa" if it was shackled with a paternalistic and restrictive investment code.

"Once we are totally acceptable to the rest of Africa we will have a grand opportunity to be the world's springboard for the continent," Frame said.

SA could not afford to jeopardise this chance and its economic future because of a "misguided desire to control our destiny".

ANDREW GILL

He said no country could exist entirely off its own capital base and that capital had become a truly international commodity. SA needed to do everything possible to attract and encourage international capital flows in a highly competitive environment, especially with recent developments in the Eastern Bloc, which had seen demand for international capital far exceeding supply.

"SA simply cannot afford to lag behind with trade and investment liberalisation or it will degenerate into another example of the African economic nightmare," he said.

Recent capital account flows have illustrated SA's daunting long-term capital position. Although capital outflows amounted to only R2,9bn in 1990 from R4,3bn in 1989, most of the improvement came in the form of short-term, trade-related finance.

The short-term money is erratic and can be easily withdrawn, analysts warn. Long-term capital flowing out of the country in the first six months of the year amounted to R900m compared to R1,9bn for the whole of 1990.

Foreign firms queue to fund tram network

(60) TANIA LEVY

THREE foreign financial institutions are keen to fund Johannesburg's proposed tram network.

City council planning director Ian Symon said yesterday the council had been approached by Italian, Belgian and French financial institutions, as well as some of SA's "big institutions" interested in backing the proposed R1,5bn light rail system.

Plans are based on the findings of the Masstran Consortium, private consultants appointed by the Transport Department, who recently completed a four-year study into a mass transport system for Greater Johannesburg.

Symon declined to name the interested parties. B/Day 17/9/91.

He said the foreign institutions had proposed mixtures of loans and investments in the form of capital and rolling stock.

He said detailed planning of a R500m starter tramline could start in July if the finance was found and the general plans were approved by the public and council.

Construction would start in 1993 and the line would come into operation in 1995.

Symon said the starter line could be built on two existing lanes of Louis Botha Avenue, running from Alexandra to the CBD. Rails would run at ground level for most of the route but would have to be above ground where the land was too steep, such as at Louis Botha's "death bend" in Orange Grove.

Symon said the R500m needed over five years to put the line into operation should be seen in perspective. Local authorities and other government bodies spent R1bn a year on transportation in the Johannesburg metropolitan area.

He believed he would be able to come up with a "menu" of fundraisers for the council to choose from.

The list could include loans or investments by financial institutions; government funding; a redirection of some of the council's transport budget; a metropolitan licencing fee added to existing road taxes and/or surcharges on either businesses in the area of the new transport corrdior which benefited or on developers adjacent to the tram line.

Call to use life funds for development

B/Day 16/9/91 (60)

LINDA ENSOR

CAPE TOWN — Suitable outlets had to be found for the investments of contractual savings institutions, Finance Minister Barend du Plessis said on Friday.

Addressing the conference of the Cape Assurance Industry Liaison Committee, Du Plessis pleaded for proactive and innovative thinking in this regard.

He said the future of the country had to be secured by the proper use of life funds which had traditionally been invested in inflation-hedging assets such as equity and fixed property. There was a need for the institutions to provide risk capital for growth to the private sector.

"There are various ways in which contractual savings institutions can channel funds to specialised development agencies such as the Small Business Development Corporation, the Development Bank of Southern Africa and the Independent Development Trust, which support socio-economic projects.

"Schemes have been devised to use pension fund contributions as a leverage to gain access to normal channels of funds for home financing, but the results so far are rather limited. More needs to be done to tap the resources available to finance socio-economic projects."

Du Plessis said the contractual savings institutions would be well-advised to pay attention to the infrastructural needs of black urban areas which had a great need for office blocks and shop facilities.

Turning to the question of foreign investment, he said the political clout of unions, which had resulted in high wage and salary increases, was one of the reasons why SA was no longer attractive to foreign investment.

He said the increases obtained in a situation of widespread unemployment were unrealistic.

"No successful economic country has that relationship between unemployment and rising wages."

He said foreign investment was attracted to countries where profits could be made and this required productivity and a stable labour force.

The fact that SA's foreign debt — which stood at 180% of annual export earnings in 1985 — was now at 70% made the prospects of raising capital on foreign markets very promising.

Business, environment 'go together'

B/Day 18/9/91

PAUL ASH

MANY foreign aid agencies, poised to play a major part in financing development in SA in the future, will not become involved in projects without assessing environmental factors.

This is the view of economists Frank Vorhies and Mike 't Sas-Rolfes, who believe the local business community is not paying enough attention to the relationship between environmental and economic issues.

(60)

While many SA businesses have started environmental impact programmes, others still perceive the green revolution as a threat.

Vorhies and 't Sas Rolfes are behind Eco-Plus, an initiative aimed at informing businesses about the link between economic development and the environment.

Sanctions had shielded SA from the effects of growing environmental awareness in Europe where instituitons and businesses were now concerned about their role in the environment, 't Sas-Rolfes said.

"Once SA is accepted back into the international community, the country will be exposed to various pressures, possibly in the form of 'environmental sanctions' as First World consumers force companies to change their attitudes," he said.

One of Eco-Plus's first projects is a course on economics, politics and the environment which will be presented under the auspices of Cape Town University's environmental evaluation unit in December.

The course will expose SA businesses to various environmental and economic philsophies and trends, and show how various approaches can used to further economic development while at the same time improving the environment.

Bid to scale up foreign investment

SA's leaders sought out by world business

B/Day 11/9/91 (60)

PATRICK BULGER

PRESIDENT F W de Klerk, Nelson Mandela and Mangosuthu Buthelezi are being invited to address the world's business and financial leaders at a conference early next year which is designed to trigger large-scale international investment in southern Africa.

The conference at Davos, Switzerland, will give the leaders the opportunity to meet the CEOs of the world's most influential business, financial and aid institutions.

It is intended to highlight southern Africa as a potentially lucrative investment region in competition with Eastern Europe and Latin America.

The organiser of the conference is the Swiss-based World Economic Forum, a non-profit organisation whose mission is to promote contact between its 700 member companies, which include the world's leading multinational corporations, and the world's political leaders.

The forum's Africa manager Frederic Sicre visited SA at the weekend to brief local political organisations and to set up a preliminary investment conference in ~~Switzerland~~ next month.

Although the attendance of the three leaders at the Davos conference is still being secured, representatives of government, the ANC and Inkatha will definitely attend the preliminary southern Africa investment conference in Geneva.

The October conference will be attended by Economic Co-Ordination and Public Enterprises Minister Dawie de Villiers, ANC international affairs head Thabo Mbeki, an Inkatha representative and Development Bank of Southern Africa chairman Simon Brand.

Other participants will be government ministers from southern African countries and Southern African Development Co-Ordinating Conference chairman Simba Makhoni.

Sicre said Mandela would be briefed about the conference over the next few days and that negotiations were in progress to finalise the participation of De Klerk and Buthelezi.

The October conference will concentrate on southern Africa's investment potential in the light of political developments in SA and other southern African countries. Sicre said the conference would target business opportunities in southern Africa.

The meeting will focus on the new political order in SA, whether the southern African region can become a major world economic player, who will shape SA's future business environment, business strategies for kick-starting the SA economy and regional strategies for long-term growth.

It will be attended by about 150 senior executives from the US, Europe and Asia.

"Judging from the response we are having from the international community vis-à-vis this upcoming forum, we hope to be able to reinforce the co-ordination and co-operation schemes already drawn up for the regional context by establishing greater economic co-operation at the highest level," Sicre said.

SA 'must use bait to lure funds'

B/Day 12/9/91

ANDREW GILL

SA's government should realise it was in tremendous competition with other areas for capital and would have to offer better incentives if it was to attract foreign money, Europe and Africa chairman of US-based multinational Monsanto, Martin Kallen, said yesterday.

In an interview, he said disincentives like high tax rates, forex regulations and administrative structure had to be reviewed, especially in view of SA's distant geographical position and the relatively small size of the market.

The company has assets of more than $9bn and annual net sales of just under $9bn, 42% of them outside the US.

Sales in SA have grown consistently in recent years, coming close to $300m last year despite the recession.

Monsanto's involvement in SA included agriculture, pharmaceuticals and NutraSweet but, said Kallen, there was little scope for increased capital investment in the country because of the relatively small market.

There was little chance of the company using SA as a springboard to the southern African region, partly because of its upmarket product range and also because of the limited spending power on the continent.

This was something SA businesses should take cognisance of when looking for new markets, he said. They should be looking at industrialised markets rather than the limited African market.

Only Monsanto's agricultural arm would be aiming at other areas on the subcontinent for expansion, Kallen said.

Foreign investor perceptions about SA were badly distorted and needed to be addressed. Violence was a big problem for investors.

Nationalisation fears, however, had taken a back seat and investors were confident the recent changes in Eastern Europe and the Soviet Union had "doused the flames" in SA.

Kallen said there should not be a need for excessive redistribution policies in the coming years as balances were redressed.

If government stopped spending money on unnecessary projects and cut down on sectors like defence spending, the money could be put to use in social investments.

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No 'quick fix' for input

CT 25/9/91. 60

Incremental flow of foreign investment

By AUDREY D'ANGELO
Business Editor

THERE is no "quick fix" to bring substantial foreign investment into SA, David Bridgman, executive director of Wesgro, warned at its AGM last night.

"Instead we must expect an incremental flow as perceptions of our political prospects and our business and economic prospects gradually improve."

However, Bridgman said, there had been some foreign investment. Wesgro was receiving inquiries from other prospective investors, particularly about joint ventures with SA companies.

It was important to give such people as much help as possible, to encourage others to follow their example.

Discussing reasons why substantial foreign investment was not yet flooding in Bridgman listed high air fares, high company tax rates, few air connections, restrictive regulations, the financial rand and — above all — lack of capital expenditure by local residents among deterrents.

But the main reason was that most potential investors were waiting to see what sort of government, constitution and economy the new SA would have, and how it would be run. They were likely to wait until the new government had a track record of four or five years.

"Anyone who talks a lot to potential foreign investors, as I do, hears of a variety of obstacles," he said.

"Our tax levels are too high. With company tax at 48% in SA and 35% or less in major western countries, and with 10 year tax holidays being offered by aggressive developing countries like Singapore, our rates are seen as too high.

"Our productivity levels are low and the whole structure of our labour regulations is orientated towards production for the domestic market, making it difficult to compete in export markets.

"Our society is beset by regulations. We require visas from most countries — a nuisance factor for business — few air connections are available to SA and the flight costs are very expensive.

"The morass of regulations and duty surrounding imports make our products uncompetitive on world markets."

And, he emphasised, "foreign investors do not like the financial rand. This, like other two-tier currencies around the world, makes them uneasy by reminding them of our government's ability and desire to involve itself in the financial markets of the country.

"More recently, people quote concern over the ongoing violence in SA. An environment of social instability is a difficult one to invest into."

But, Bridgman said, the real reason foreign investment was not substantial was that "for so long as the period of political negotiations concerning the structure of our new society continues, investors will consider our country to offer a very high level of political risk.

"Further, even when a new constitution is concluded, the bulk of investors will wish to be assured of the economic implications of this constitution and would even wish to see it establish a track record."

Out of Africa up for grabs

CT 30/9/91

(60)

From IAN HOBBS

LONDON. — British and continental investors are expected to snap up the chance to invest in SA's private game reserves, starting with the beautiful Phindi Izilwane reserve in northern Natal.

The South African Conservation Corporation (SACC) has started the capital rising drive through Hambros, seeking to raise an initial R80m through Hambros, which is offering units of £21 600 each to selective venture capital funds and wealthy individuals.

SACC's executive chairman is conservationist David Varty, the MD is businessman Alan Bernstein and Hambros deputy chairman Christopher Sporborg will be non-executive director.

The offer of Phindi units is the first private initiative to raise venture capital in Britain and Europe — looped through off-shore companies to minimise tax and currency exposure.

Phindi — Zulu for "return of the wildlife" — will use the new capital to expand to 178 beds and increase present revenue of R5,3m to a projected R60m-plus by 1995.

● Phindi already features on the charter holiday packages announced last week by British Airways and SA Delight Holidays, which together will bring at least 10 000 new long-haul tourists to SA over the next 12 to 14 months.

SA: going nowhere?

Citizen 29/9/91 (60)

MONEY TALK

IT is no secret that new investment in South Africa's crucial manufacturing industry has reached an all-time low. Yet it is this sector that must provide new job opportunities for our rapidly growing population.

Various reasons are being advanced for this, including political uncertainty, unrest, stayaways, low productivity, sanctions, the poverty of our neighbours – which makes trade difficult – and even the long distances between South Africa and the world's big markets.

Pepkor group chairman Christo Wiese pointed out that high company taxes are another serious problem. At a maximum of 48 percent, this is one of the highest rates in the world and compares, for instance, with a maximum of only 32 percent in Britain.

Wiese says our rate is too high to stimulate investments in new manufacturing facilities and cripples efforts to compete on world markets.

A British factory can sell a product on international markets at eight percent less than a similar local organisation.

Wiese believes the country needs an umbrella strategy to make all sectors of the economy internationally competitive.

He says the new South Africa is confronted by massive problems that will not simply go away if a new government, acceptable to the outside world, gains power.

"The problems will continue to exist and the degree to which the new South Africa will bring about an improvement in quality of life will be determined by the success with which a new government tackles these problems."

He warned that while the new South Africa could become a wonderful place, "it could just as well develop into a hell on earth if it simply exacerbates poverty and the disintegration of social services, accompanied by even greater violence".

These are strong words from one of the country's top business leaders. Yet if people in his position are unwilling to invest because of our high taxes, politics or whatever, one should pay attention.

The scarcest "commodity" in underdeveloped areas such as Africa is entrepreneurs with capital. They are the people who take risks to start new factories and other businesses. If we cannot regain their confidence, we may well turn out to be just another poor country going nowhere.

Anglicans to review curbs

Sowetan 9/9/91

By ISMAIL LAGARDIEN
Political Correspondent

BLACKS must be the main beneficiaries of foreign investment, the Anglican Church's Synod of Bishops resolved yesterday.

In an about turn the synod, under the leadership of Archbishop Desmond Tutu, agreed that sanctions had served their purpose, and that the time had come to review the feasibility of continuing them.

In this regard, the synod has proposed that a consultative conference be held to discuss lifting sanctions and how best new investments in South Africa should be used.

The Anglican church has always been in favour of sanctions as a peaceful means of combating apartheid. The about turn came after the admission by Justice Minister Kobie Coetsee in Bloemfontein last week, when he said that economic sanctions had made Government abandon apartheid.

Instability

The synod, which met at Modderpoort in the Free State, resolved that foreign investment was crucial for the redevelopment of South African society.

However, the violence and instability in the country was the biggest obstacle for potential investors, and it was up to the Government to act swiftly to end the violence.

The synod agreed that a "consultation" was to be convened as a matter of urgency to investigate the channeling of new investment in new ways.

"In the past, the allocation of incoming investment has been controlled by business and Government interest, dominated by white South Africans, and the main beneficiaries of growth have been whites.

"We are anxious that sanctions should be lifted as soon as possible but we are aware that, for the vast majority of South Africans, the changes of the past 18 months have brought little if any tangible improvement to their daily lives.

"We decided that, in view of the complex issues involved, we would convene as a matter of urgency a consultation with appropriate experts representing diverse opinions," a spokesman for Tutu's office said.

SOWETAN
Building the Nation

PRO Housing

Foreign aid can make impact here

60

Sowetan 26/9/91

THE chief executive of Perm, Mr Hugh Maclachlan, has told representatives of foreign governments in South Africa that their governments, at this time of transition, have a critical input to make, internally and externally on the country's future.

By JOSHUA RABOROKO

Welcoming diplomats to a presentation by Necor/Old Mutual at Permpark in Johannesburg, he said foreign countries could make an impact on South Africa by becoming major players in business to appreciate the urgency with which the South African economy must be rejuvenated.

He said: "Your influence cannot be gainsaid in securing a change of attitude among the major players towards the business opportunities that exist in this land."

Emphasising that Perm was committed to playing its part in the socio-economic and political process in South Africa, Maclachlan said he believed, however, that the future would look better from an economic point of view if all members of the private sector had been alerted in the past to the opportunities that exist, and had seen the needs of the future.

"For that is what will have to be done by the private and public sectors, as well as political organisations, if South Africa is to progress as country and become an economic force to be reckoned with in the world and in Africa."

Speaking later in the day at Emaphupheni, a housing scheme developed near Benoni by the Perm, he cited the housing development as an apt illustration of a social compact akin to the compacts suggested by the Nedcor/Old Mutual scenario.

As part of Perm's commitment to provide housing for a broad range of market sectors, including the traditional housing market, the company has also developed innovative schemes such as Emaphupheni in which its has co-operated with local communities to meet their needs.

"The fact that we have progressed so far down the road in overcoming problems through participative decision-making by business on the one hand and the local community on the other, is a living demonstration that social compacts can work if the required amount of managerial commitment is given by all parties concerned," he said.

"Where we feel it is appropriate, we at Perm stand ready to share the knowledge we have gained in putting together this concept of Emaphupheni, together with the developers and the community, with other business interests which have the housing needs of all our people at heart."

After the ceremony at Emaphupheni, Mr Chris Liebenberg, chief executive of Nedcor, and Mr Colin Adcock, chairman of Nedcor chairman's Fund, presented a cheque for R375 000 towards a school in the community.

The presentation marked the announcement of the Nedcor Chairman's Fund.

Foreign trade delegations eager for business

Sowetan 3/10/91

PATRICK BULGER

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ABOUT 100 foreign trade delegations have visited SA in the past year as trade with the rest of the world normalises.

Trade and Industry Department figures show that between June last year and July this year 75 trade and investment delegations visited the country. Since then there have been more delegations — the largest being a French team headed by Trade and Industry Minister Dominique Strauss-Kahn.

Twenty-two delegations have come from the UK and western Europe, 22 from central and eastern Europe, 16 from the Far East and Australasia and six from Africa.

Significantly, a delegation of Danish businessmen will visit SA next week even though Denmark is prohibited from trading with SA.

A Danish embassy source said the delegation was aware of the Danish position on sanctions and that the visit was a preparatory fact-finding mission. The source said no decision had been taken at yesterday's meeting of the Danish foreign affairs committee on Denmark's opposition to the lifting of EC sanctions on iron, steel and Krugerrands.

The source, however, said the Danish inclination was to lift trade sanctions sooner rather than later.

Members of the Danish delegation have interests in immunisation technology, mining equipment and textiles. Their visit coincides with a visit by an Italian business team from the Lombarcy region.

While sanctions make some countries anxious about dealing with SA, trade ties are being forged with dozens of countries.

"There is no doubt that business will develop from these visits," said SA Foreign Trade Organisation national operations general manager David Graham.

Trade exhibition organiser Josua Joubert said foreign companies were still appointing agents and concentrating on direct sales.

Angola, Zimbabwe seen as primary investment targets

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Star 7/10/91

By Ramsay Milne
Star Foreign Service

NEW YORK — Angola and Zimbabwe are likely to join South Africa in the next decade as the primary targets for foreign investors tapping into the African continent, according to a wide range of US investment experts and businessmen.

Quoted extensively in the US Journal of Commerce, an authoritative industrial and commercial publication with semi-official links in Washington, the experts believe that South Africa, southern Africa's most industrialized nation, would serve as the "economic engine" for the region, with its wealth of natural resources and a potential market of 150 million consumers.

Trading bloc

Already loosely aligned into a mix of economic and political partnerships, southern Africa could eventually produce Africa's first significant trading bloc, according to the experts quoted in the report, most of whom represent major US corporations or investment institutions.

South Africa would make a starting-off point for the area, says William Moses, a research analyst at the Investor Responsibility Research Centre in Washington. "It's like companies using Vienna to take advantage of Eastern Europe."

Millard Arnold, a senior associate with the Carnegie Endowment for International Peace, says one trading zone that could emerge in a post-apartheid Africa would encompass South Africa, Mozambique and the 18 current members of the Preferential Trade Area.

The group was started by the Organisation for African Unity about 10 years ago to promote trade in the region.

Its members are Angola, Botswana, Burundi, the Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Rwanda, Somalia, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe.

Fairly free

Another possibility was for Mozambique and Zimbabwe to join the Southern African Customs Union, which already allows for fairly free trade among its five member countries, Mr Arnold says.

This would give goods entering Mozambique's ports improved access to South African consumers.

But, Mr Arnold warns, the region has a long way to go before it is able to set up a trading bloc that would help foreign investors.

Nonetheless, even though the area would not be economically viable for five to 10 years, US investors should be looking at the area now to remain competitive.

"US companies are unfamiliar with Africa and don't see the niches to be carved out of it, as Europeans do," he says.

"It takes two to three years to be up and running. By the time we get there, it may be too late."

Investors put off by high risk factor

Star 9/10/91

60

FRANKFURT — International investors appear ready to return to South Africa, but some bankers said at a conference on Tuesday that worries persist about its political and economic outlook.

"At the moment bankers are flooding the country," said Caspar von Hauenschild, head of Bayerische Vereinsbank's International division.

SA business and political leaders addressing the conference expressed confidence that SA would remain on course with its market oriented policies.

But some said at the one-day conference, "South Africa — Open for Business", that doubts about the nation's political future were causing banks to consider it a greater risk than less economically developed countries.

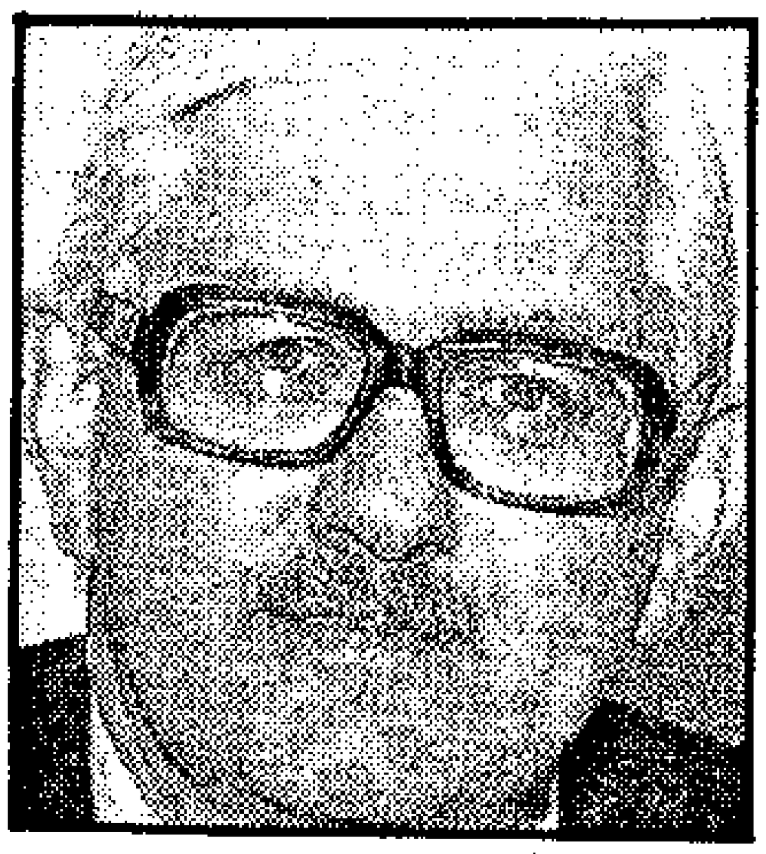
Mr Von Hauenschild said the perception of risk associated with SA was forcing the country to pay the highest premiums on its international debt. Also, bankers noted that international bank lending to SA was currently concentrated in the short-term — most loans carried maturities of one year or less.

Stephen Denning, director of the World Bank's South Africa division, said the bank was prepared to resume lending to SA, but only with international consensus.

Last month SA launched its first public bond issue in six years — a Dm 400 million five-year issue — ending a self-imposed exile from public capital markets which began in 1985. The deal was lead-managed by Deutsche Bank.

"The comeback was expensive ... they had to pay 200 to 250 basis points above what German federal bonds pay," Mr von Hauenschild said.

Investors' concerns have been fuelled recently because of fresh talk from Nelson Mandela and the ANC about the possibility of nationalisation, as well as the renegotiation of loans.



Dr Gerrit Viljoen . . . rosy view of SA economy.

Thabo Mbeki . . . nationalisation must be an option.

"This (ANC reaction) was almost to be expected after the strong subscription to the new bond," said Conrad Strauss, managing director of SA's Standard Bank Group.

The SA bond, launched on September 19, was originally for Dm 300 million, but the demand was so strong it was raised to Dm 400 million four hours into trading.

At a press conference in Frankfurt yesterday, Minister of Constitutional Development Dr Gerrit Viljoen accused the ANC of sticking to its "unfortunate" economic policy demands "in order to strengthen their negotiating position".

ANC secretary for international affairs Thabo Mbeki did not respond to the charge, but he stressed the ANC position that a fairer distribution of wealth had to occur in any new SA and that nationalisation must remain an option.

Mr Mbeki also warned the SA Government not to negotiate any new loans or other forms of credit during "this transitional phase". Such agreements would have to be renegotiated by a new government, he insisted.

Giving a rosy view of the South African economy, Dr Viljoen said a "sound, modern economy" had been built despite the "handicap of apartheid".

The present Government recognised the dire need for priority channelling of funds to support the poor and disadvantaged, but, he added, "we believe in redistribution through growth, not in the bizarre concept of growth through redistribution".

Pressed to state specifically how the ANC stood on the question of nationalisation, Mr Mbeki said: "There is a whole series of political issues to be discussed. One of them is what do we do about the issue of this over-distribution of wealth. One of the options we have to look at is nationalisation. But privatisation is also an option."

Speakers at the conference said that while the longer-term outlook for SA's economy was positive, complete removal of international economic sanctions and strict adherence to market oriented policies were essential.

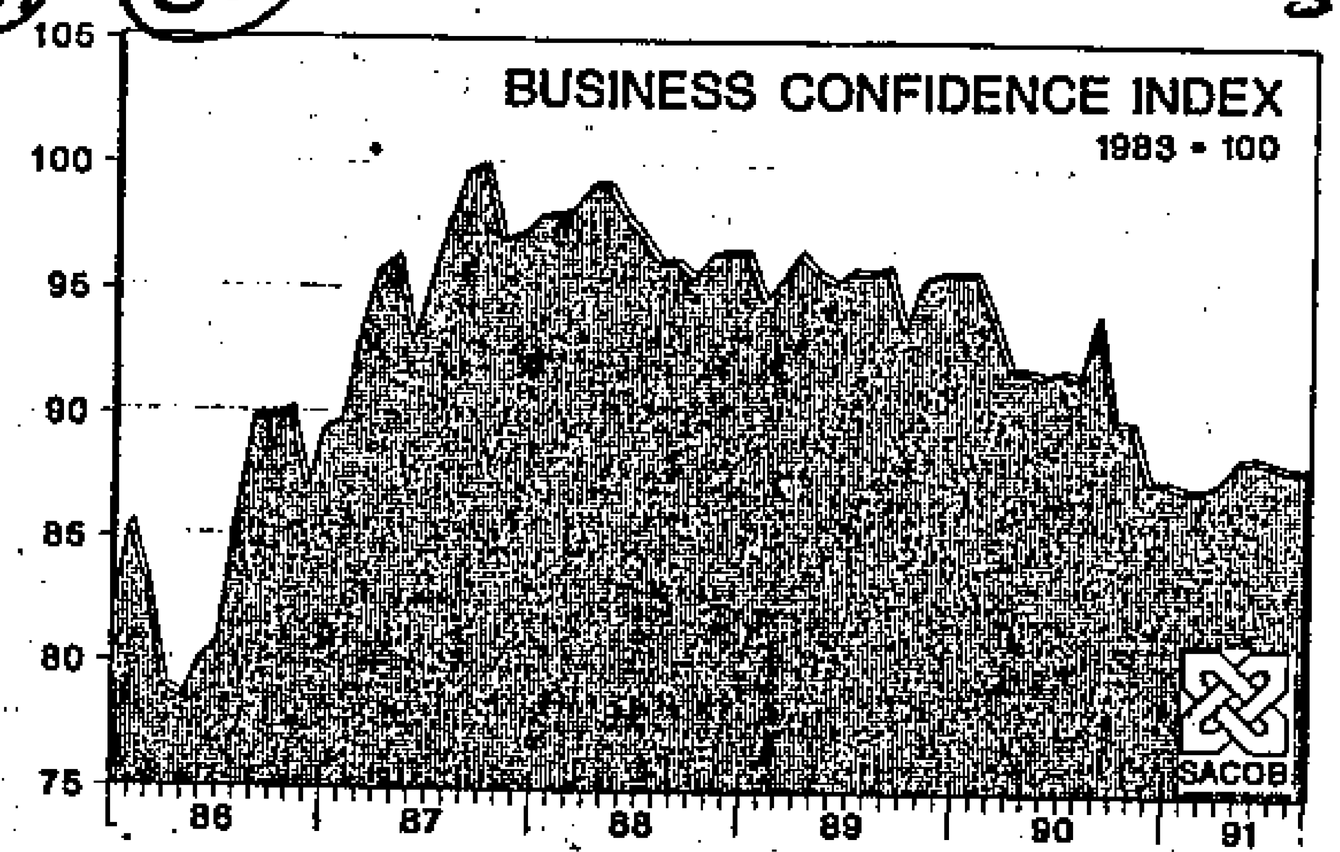
"If sanctions do not disappear we will be faced with the inevitability of having to abort the recovery of the South African economy," Dr Strauss said. — Star Foreign Service and Sapa-Reuter.

Business confidence now hostage to political process

(60)

Star 9/10/91

By Sven Lünsche



The economic upturn could be held back by recent political developments, particularly the confusion surrounding the ANC's economic policies, the SA Chamber of Business said yesterday.

Presenting the Chamber's September Business Confidence Index, chief economist Dr Ben van Rensburg said business confidence "has recently been a hostage of the political process".

The BCI remained unchanged in September at 88,2. (see graph)

Business uncertainty had been heightened in recent weeks by renewed talk of nationalisation, reconsideration of international debt obligations, as well as the introduction of VAT, Dr van Rensburg said.

"The political posturing by key players appear to have negated much of the progress that had been made in narrowing the ideological gap in the economic debate.

"The statements by the ANC have undoubtedly served to make both foreign and local investors jittery, and could dampen the recovery in investment spending anticipated following the introduction of VAT."

As such they may have served to prolong the economic recession, Dr van Rensburg says.

There were also fears that opponents of VAT will use further industrial action to change the government's policy.

"It is now essential that the necessary poverty safety nets are rapidly put into place, so that targeted assistance to the people who really need it can be introduced before the temporary zero-rating of the additional foodstuffs comes to an end in six months."

On the economic front business confidence has been dented by the lower gold price and the decline in retail sales and employment figures.

On the other hand business confidence is being boosted by prospects of an upswing in exports once the world economy picks up.

"SA's improved international relations are undoubtedly starting to pay dividends in the form of an improved export performance, in spite of depressed commodity prices and lower world economic growth.

"It seems clear that the next economic upswing will be export-led," Dr van Rensburg says.

INVESTMENT PACKAGES FOR FOREIGN INVESTORS

DIRK TIEMANN at the AHI conference

60

GOVERNMENT was giving serious consideration to offering investment packages to foreign investors, said Department of Trade and Industry director general Stef Naude.

Mr Naude told the Afrikaanse Handelsinstituut in Port Elizabeth that growing international competition for investment funds made it necessary to consider long-term industrial investment incentives.

S Times (Bus) 13/10/91

Mr Naude said such incentives existed in many countries around the world and were very attractive.

Mr Naude added: "South Africans must not be naive. The lifting of sanctions will not see investors just flooding back.

"In 1989 direct foreign investment totalled R200-billion, but only R30-billion of this amount went to developing countries. The rest was invested in the so-called Triad, comprising he European Community, the United States and the Far East."

Mr Naude said investment packages were essential to swing those "cold" investment decisions made by trans-national companies who needed to be competitive in world markets with a South African product.

Mr Naude said that the Triad also dominated direct investment in most other countries, leading to a "clustering" of 30 countries around the Triad in which the trans-nationals were investing.

"Developing countries run the risk of being left in the cold in this process, hence the importance of developing investment packages."

Mr Naude said government would soon take a decision on the Industrial Development Report, which called for a supply side package to stimulate industry through lower company tax, higher savings, realistic exchange rates, lower inflation, a disciplined workforce, disciplined government spending and abolition of the surcharge on capital goods.

The IDC report also recommended that pressure be exerted on industry to become more competitive. Protection would gradually be reduced and the general export incentive scheme would be phased out over the longer term.

Mr Naude said SA has also been approached by several countries for the signing of bilateral trade agreements. Central and Eastern European countries and Latin America have signed such agreements to attract trans-national investment.

These agreements create a stable business climate by addressing issues such as: conditions of entry into the local market by foreign investors; standard treatment of these investors; transfer payments; compensation in case of nationalisation; and settlement of disputes.

Mr Naude said his department was also aware of the critical role that technology played in development. A policy paper had been drawn up which would go before government soon.

ANC allays fears on investments in SA

(60) CT 14/10/91

JOHANNESBURG. — In a document likely to allay some foreign concerns about the economic policies of a future ANC government, the organisation has outlined a comprehensive policy on foreign investment which guarantees investors that their assets will not be nationalised without fair compensation.

Designed to attract primarily high-technology corporations, it also assures foreign investors that they would be free to repatriate profits.

The policy is contained in a speech which was to have been delivered by secretary-general Mr Cyril Ramaphosa to an investment conference in Hong Kong on Friday. Mr Ramaphosa cancelled the trip because of a family illness.

The speech is understood to have been based on a draft policy statement devised at an ANC/SACP/Cosatu seminar on foreign investment held in Johannesburg last month, and on consultations with the UN Centre for Transnational Corporations. Parts of the policy are likely to become law should an ANC government come to power.

The document says the poor state of primary commodity markets meant SA had to diversify its exports into manufacturing, and foreign investors would be crucial "in our effort to restructure and regenerate the SA economy".

Foreign investment, it says, would also be critical as a source of foreign exchange: "We want to make certain that when our upswing begins, as it will when we enter a democratic era, it is not constrained by balance of payments problems."

An ANC government would, in particular, encourage stronger links with transnational corporations which are the repositories of advanced technologies and know-how, and can provide crucial conduits to international markets.

It said the ANC may also encourage the participation of foreign firms in labour-intensive sectors, but it expected local capital to be more prominent there.

It is understood that the ANC and its allies would be loath to establish new regions such as the existing border areas where firms are exempt from environmental, labour and other legislation. However, they are unlikely summarily to withdraw existing exemptions for fear of disrupting local economies.

The document says the most important way to attract foreign investment is by creating a general economic climate conducive to investment.

"Elements of a favourable economic climate include: Strong and growing domestic and regional markets; political stability; consistent and predictable economic policies; and the prospect of sustained economic growth.

"We are intent on providing all of them — our emerging economic programme is designed to achieve these objectives," it adds.

This, it says, would reverse the consequences of misconceived NP economic policies which provoked a weakening of foreign investment in SA. "Disinvestment programmes merely accelerated a trend that was fundamentally a response to the crisis of the apartheid economic system," it asserts.

"We do not hesitate when we say that an ANC government would be willing to guarantee foreign investments against nationalisation without fair compensation. Moreover, we envisage an economic system where foreign investors will be free to remit funds in the appropriate currencies — for the purpose of repatriating profits, or purchasing inputs," it says.

Investors free to repatriate profits

ANC unveils plan to lure foreign firms

B/Day 14/10/91.

(60)

ALAN FINE

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The document says the poor state of primary commodity markets meant SA had to diversify its exports into manufacturing, and foreign investors would be crucial "in our effort to restructure and regenerate the SA economy".

Foreign investment would also be critical as a source of foreign exchange: "We want to make certain that when our upswing begins, as it will when we enter a democratic era, it is not constrained by balance of payments problems."

An ANC government would, in particular, encourage stronger links with transnational corporations which are the repositories of advanced technologies and know-how, and can provide crucial conduits to international markets.

The document says the ANC might also encourage the participation of foreign firms in labour intensive sectors, but it expects local capital to be more prominent there.

It is understood that the ANC and its allies would be loathe to establish new regions such as the existing border-areas where firms are exempt from environmental, labour and other legislation. However, they are unlikely summarily to withdraw existing exemptions for fear of disrupting local economies.

The document says the most important way to attract foreign investment is by creating a general economic climate conducive to investment, including: strong and growing domestic and regional markets; political stability; consistent and predictable economic policies; and the prospect of sustained economic growth.

"We are intent on providing all of them — our emerging economic programme is designed to achieve these objectives."

This, it says, would reverse the consequences of misconceived NP economic policies which provoked a weakening of foreign investment in SA.

"We do not hesitate when we say that an ANC government would be willing to guar-

☐ To Page 2

ANC plan

(60) ☐ From Page 1

antee foreign investments against nationalisation without fair compensation. Moreover, we envisage an economic system where foreign investors will be free to remit funds in the appropriate currencies — for the purpose of repatriating profits, or purchasing inputs," it says.

The document argues that worker repression and "fancy incentive schemes" — such as tax breaks — to attract foreign investment would be irrelevant if the right climate existed. The efficacy of such incentives was ambiguous, at best.

However, it adds, "highly desirable and expensive domestic or foreign investments might require some special financial arrangements — such as those provided for the Columbus stainless steel project. And we might consider reciprocation for export performance or some other form of foreign exchange earning or saving."

The document also proposes co-ordination between the countries of Southern Africa in respect of foreign investment.

It repeats the ANC view that an interim government is a crucial step in the attainment of foreign investment.

"Capital will not be cheap or abundant on international markets during the early '90s, and there are other strong contenders for investments and loans — in Eastern Europe, Asia and the Americas.

"Southern Africa will have to prove its economic soundness before we can really expect substantial inflows of foreign capital," it concludes.

B/Day 14/10/91

Meeting to woo foreign investors to go ahead

Star 17/10/91

Finance Staff

The R280 million international loan meeting organised by the Independent Development Trust is set to go ahead despite rumours the ANC is opposed to the issue.

A spokesman for US merchant bank JP Morgan, which is leading the loan issue, told Reuters in London yesterday the bank and the IDT were proceeding with its European meeting to woo potential investors.

Speculation at the IMF meeting in Bangkok was that the bond issue could be shelved after a J P Morgan spokesman on Tuesday said there was doubt whether the European meetings were still on after the ANC apparently withdrew support.

The IDT issue was said to carry ANC's president Nelson Mandela's stamp of approval. However, there is understood to be opposition from certain quarters in the ANC to all new financial loans to SA.

J P Morgan officials said the IDT bond would be spent on projects such as schools, water schemes and health care.

● Finance Minister Barend du Plessis met the leading Soviet economics official, Grigory Yavlinsky, at the IMF meeting in Bangkok today, Magnus Heystek reports.

No details of the content of the meeting were released.

Beauty is a magnet for for the large corporates

Business Day 21/10/91

CAPE Town has all the qualities to become the corporate centre of South Africa, says Western Cape Growth Organisation executive director David Bridgman.

The beauty and charm of the city, which attracts droves of tourists annually, also provides a quality of life for executives which makes them wish to locate there.

Offering a wealth of recreational activities as well as all the amenities of a thriving metropolis, Cape Town is already home to large multinationals.

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Assurance

All the petrochemical companies, Shell, BP, Caltex and Engen (formerly Mobil (SA)) have their headquarters in the city, which also houses the head offices of the biggest life assurance companies in SA.

Bridgman says 15% of all non-mining companies quoted on the Johannesburg Stock Exchange are headquartered in the Cape.

Cape Town City Council economic development coordinator Philip Theron says there has been a flood of inquiries from Japanese, Taiwanese, German, French and British government representatives and companies wishing to establish head offices in the city.

The SA Parliament is located in the city and will probably continue to be so under a new government and is thus well suited for foreign offices and trade consuls.

Quality

"In age of electronic communications, corporate headquarters can be well located in Cape Town, which offers managers a better quality of life, a factor which has become a key ingredient in attracting and keeping good managers," says Theron.

Wesgro considers it likely the normalisation of relations between SA and its international partners will see a large number of foreign corporations locating in Cape Town, which is well placed to capture more than its normal 18-20% share of such new offices.

The city, with a population of about 3-million, has all the infrastructures, such as an excellent harbour and rail, road and air linkages with rest of the country and the world.

Private backers set up organisation to promote foreign investment

BDay 23/10/91

960

SIMON WILLSON

PRIVATE investors have set up an organisation to promote foreign investment in SA, particularly in small- and medium-sized businesses.

The Centre for the Promotion of Foreign Investment is scheduled to start operations in Johannesburg next month. Funded by five individual backers, the centre is intended to be a non-party political and profit-making venture.

Heading the centre as executive director will be current American Chamber of Commerce executive director Wayne Mitchell, who is leaving Amcham at the end of the month.

Although funded by private individuals, the centre will subcontract high-profile companies to provide consultancy services to potential foreign investors.

Mitchell said last night that major corporations had initially been approached to underwrite the project, but had sought too much direct involvement in its operations.

"Our backers will essentially be sleeping partners unconnected with the day-to-day running of the centre. Although we now have the start-up finance, we will be looking for additional funding further down the line through equity participation."

"We are sensitive about the affirmative role we will have to play. We have identified companies in SA that are looking for foreign joint-venture partners, and our objective is to match up foreign companies with these SA enterprises."

Top of the centre's list for investment promotion is the Pacific Rim, specifically Hong Kong, Singapore, Malaysia and Japan.

Mitchell said this week's decision by the Japanese government to lift trade and investment sanctions had been foreshadowed several months ago by an increasingly favourable Japanese perception of SA's prospects.

Subsequent promotion drives would be targeted at EC countries which have traditionally had relatively low levels of involvement in SA, such as Spain and Portugal.

The centre aimed to include previously hostile territory for SA investment promotion — such as the Scandinavian countries — in later marketing efforts.

The centre would hold regular SA investment seminars at home and abroad. It also planned to conduct feasibility studies on investment opportunities in SA.

"The centre could play a meaningful role in helping to identify and exploit opportunities for the medium-sized entrepreneurs who operate outside the arena dominated by the handful of major conglomerates in SA," said chamber CE Klaus Volker Schuurman.

Sacob international trade manager Bess Robertson warned, however, that SA's foreign trade was likely to perform better than foreign investment in the short term.

Doubt deters investors

LINDA ENSOR

CAPE TOWN — There was a reticence among foreign business to invest in SA because of the political uncertainty, Cape Chamber of Industries president Ernest Wilson said in his presidential address at the chamber's general meeting yesterday.

Wilson, re-elected president for another year, said there was a lack of confidence inside and outside the country, and the question mark over SA's constitutional future would inhibit the recovery of the economy.

Several foreign delegations had visited SA recently, but while they were willing to trade, there was a reticence about investing here. BDay 23/10/91

"Investment needs are urgent in almost every sector of our manufacturing industry but neither local nor overseas investment is likely on the scale we require until the future constitution has been hammered out by the new and old constitutional players."

Wilson said the country was in a "catch-22" situation in that economic growth was impossible without stability and stability depended on economic growth. Industry was concerned about the increasing burden being placed on its thin line of middle and senior management.

Foreign input encouraged

Sowetan 24/10/91

PERM'S chief executive yesterday told visiting foreign diplomats that their governments' input into South Africa's transition was critical.

Welcoming diplomats to a Necor/Old Mutual presentation at Permpark, Perm's Mr Hugh Maclachlan said foreign countries could make an impact by persuading major players in business and politics to help rejuvenate the South African economy.

Speaking later in the day at Emaphupheni near Benoni, a holistic housing scheme developed by Perm, he cited the complex as an illustration of the social units suggested in the Nedcor/Old Mutual presentation.

He said the development was a "a living demonstration that social compacts can work if the required amount of managerial commitment is given by all parties concerned".

Investment and skills needed — Ramaphosa

Star 1/11/91

South Africa would be unwise to alienate investors or drive out skills, says ANC secretary-general Cyril Ramaphosa.

He told the conference: "The ANC has been unwavering in its commitment to a non-racial, non-sexist South Africa.

"It is these commitments plus our acceptance of the link between investment and redistribution being critical for future stability that will enable the ANC as a political organisation to unify a divided society around common objectives."

Mr Ramaphosa said South Africa had a potentially dynamic private sector and that the government of the future had a duty to ensure the potential was fulfilled.

"But this is not an invitation to complacency on the part of the private sector. It does not mean business as usual.

"It means we have to face new challenges and find new ways of meeting those challenges.

"The private sector, in co-operation with the public sector, must go out and create job opportunities, especially for those people, the black people of South Africa, who through no fault of their own were sent off the field before the economic game started."

Mr Ramaphosa added: "At present in the public debate one side fears that redistribution will stop investment, while the other side fears the pursuit of investment will be at the expense of redistribution.

"Both are legimate fears, but we must go beyond expressing our fears as if they were iron laws of economics."

Mr Ramaphosa told the delegates that the ANC was concerned about the additional and potentially serious long-term obstacles to investment.

"This is a concern that is very strongly shared by our alliance partners," he said.

Participation

"Addressing these problems requires a very high degree of participation by all the key actors in society and the economy.

"The Nationalist Government is not capable of either addressing these problems alone or of involving all the key actors."

Mr Ramaphosa said that the overwhelming proportion of investment in South Africa came from domestic sources and that this would continue for economic reasons.

"However, foreign investors can, and we hope will, play a valuable role in taking a democratic SA along the path to prosperity.

"Our general objective is to revive investment within a framework that maximises our capacity to eradicate poverty." — Sapa.

Blueprint details investor needs

B Day 1/11/91 (60)

LESLEY LAMBERT

FOREIGN investors need more than political stability and the promise that a future SA government will not become a latter-day Robin Hood.

They want widespread agreement on new economic policies and specific details of tax policies and incentives for the next decade.

Francois de Selliers, a Belgian businessman in SA, has drawn up a blueprint for the type of economic environment which would make SA an attractive destination for foreign investment. The document, based on consultations with foreign investors and local businessmen, has been submitted to Cabinet and is being shown to the trade union movement.

De Selliers, MD of Port Elizabeth-based textile producer Industex and formerly a director of the merchant banking and foreign exchange divisions of Banque du Benelux in Brussels, says there are "hundreds of millions of rands in Europe waiting to be invested in SA should a proper economic plan be enacted".

He argues that recent reports by Sacob, the IDC and the State President's Economic Advisory Council emphasise the philosophical aspects of economic policy but fail to make practical recommendations.

De Selliers sets out to clarify specific issues which foreign investors feel government should address. He suggests ways in which organised labour could assist the process of economic restructuring, and identifies some of the contributions foreign investors could make.

The objectives of his plan are similar to those of most other economic restructuring proposals. However, his proposals on how these objectives could be achieved are specific, and he reiterates that their success will depend on agreement between government, labour and business.

The plan is based largely on the assumption that economic growth will be export-led. To improve international competitiveness, De Selliers says government would have to remove all unnecessary regulations such as price fixing, restrictive trade practices and commodity control boards. It would also have to commit itself to a reduction in corporate tax rates to 40% after four years and 35% after a further five years.

Tax reform would have to be accompanied by non-discretionary incentives to support investment in new machinery. These incentives could take the form of a 30% cash grant of the purchase price and the removal of all non-refundable taxes, duties and levies on the purchase price. Government would also have to commit itself to the lowering of input costs by reducing inflation, import duties and labour costs.

De Selliers recommends that import duties be reduced to give industry the time it needs to adjust to the removal of protective legislation. He recommends that the authorities increase protection, then begin to decrease it after three years by reducing import controls and formula duties and reducing ad valorem duties to 10% over 10 years.

To attract the foreign investment required to boost economic growth, government would have to clarify legislation affecting foreign investment and address certain restraints such as double tax liabilities and withholding tax on dividends.

It would also have to modify exchange control regulations in order to reduce administration in the banking community. This could include allowing foreigners to distribute dividends and pay management fees and royalties offshore without Reserve Bank approval, subject to certain limitations to prevent repatriating all profits.

De Selliers also recommends that the use of financial rands be restricted to, say, share or bond purchases and that government eventually remove the dual currency system and all other exchange controls.

To support government's commitments to fiscal and exchange reform, De Selliers says companies should undertake to make capital investments equal to their annual tax depreciation amounts during the next five years. They should also agree to commit at least 1% of their annual turnover to research and development and should work with organised labour to achieve stability in the labour market.

Organised labour should, in turn, undertake to improve productivity and contribute to social and industrial peace by abstaining from political stayaways, boycotts and strikes for three years. It should also agree to limit wage or salary increases to, say, 5% a year for the same period, provided that individual companies agree to distribute quarterly special bonuses of, say, 20% of the previous quarter's taxed profits.

For its part, industry could undertake not to retrench for three years and to use short time and layoffs to counter economic downturns.

Central to the plan is the development of an export-oriented industrial sector. To achieve this, government should first consider equalising all incentives offered by GATT affiliated countries and eliminating trade tariff barriers.

Then it should replace existing export incentives with short-term tax incentives or subsidies which could be phased out and replaced by a reduction in the corporate tax rate of companies which perform well in export markets.

Industry's contribution could be to develop products demanded by foreign customers, while organised labour could agree to assist actively in promoting access to all world commercial and financial markets.

To create employment, De Selliers says government could offer incentives such as low-interest loans or capital grants to industrial developments which broaden the job market. These actions would have to be accompanied by improvement of welfare and education facilities.

BY DON ROBERTSON

Foreign firms poaching SA business

S/Times (Buss) 3/11/91

A MOVE by foreign construction companies into markets in neighbouring countries is raising the ire of South African groups.

Many foreign firms receive help and incentives from their governments.

Charl van der Merwe, chairman of Murray & Roberts, says Scandinavian companies enjoy benefits, particularly if they bring in finance.

"It will become an issue and if SA should qualify for international aid, it could affect activities in this country as well," says Mr Van der Merwe.

Managing director of Group 5 and president of the SA Federation of Civil Engineering Consultants (Safcec), Peter Clogg, disagrees that it is a major problem.

But he concedes that it is more difficult for SA companies to qualify for Government assistance.

Geoff Price, a consultant with project manager Philip Loots & Associates, says the problem arises in countries such as Botswana, Mozambique and Lesotho, where foreign construction groups are able to submit low tenders as a result of Government assistance.

"This is particularly true of Italian companies.

"Iraqi firms are operating in Botswana and Taiwanese groups are able to offer deferment of national service to workers on large railway and road contracts.

"Brazil is also encroaching on Sub-Saharan Africa."

Mr Price says unsuccessful approaches have been made to the SA Government for help.

In addition, most incentives for SA companies doing work in other countries will be scrapped in March.

Mr Clogg insists that if SA companies are able to negotiate at least 75% of a contract in a neighbouring state, they could qualify for assistance from the Industrial Development Corporation.

Other countries are not so strict and assistance is more easily obtainable.

Bigger

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Mr Van der Merwe says that in countries such as Botswana, where there is considerable construction activity, foreigners have the advantage, particularly if the aid emenates from their country.

Barry Sawyer, director of Design, Planning International, a division of Stauch Vorster, agrees that foreign groups enjoy an advantage over SA companies. But he says SA does not have the export finance to compete against them.

Like Mr Van der Merwe, he believes that with increasing foreign activity in SA, companies here will face a bigger problem — particularly from the Italians, French and Germans.

FM INVESTMENT CONFERENCE FM 8|11|91 60

Reaching for the right climate

The Reserve Bank Governor sees a green light for growth

FM 8|11|91

After the longest recession since World War 2, it may now be safe for animal spirits to come out to play.

Looking ahead to 1992, Reserve Bank Governor Chris Stals told the *FM* Investment Conference last week: "Prospects for a revival in the economy have improved significantly in recent months."

He said monetary policy in the year ahead would be "cautious but perhaps more relaxed." And, though he opposes "unrealistic extraneous injections, like the artificial creation of more money by the central bank" to initiate recovery, he is not averse to "stimulants of the right substance" to "reinforce normal market forces."

After this signal from the central banker, what business needs is reassurance from the ANC that investment per se is worthwhile in the longer term. And a measure of this came, too, at the conference, from ANC Secretary-General Cyril Ramaphosa.

Obviously, any statement on economic policy by the ANC is treated with caution by the business community. That policy is still in its formative stages and subject to ebbs and flows of a variety of viewpoints within the organisation — as well as to strategic manoeuvring ahead of negotiations. But, for what it was worth, Ramaphosa spoke more of investment than of redistribution.

The ANC, he said, was "acutely conscious of the need to successfully reintegrate our economy into the world economy. What is under consideration in our think-tanks . . . is a simple but powerful inducement package based on assurances rather than financial or industrial relations incentives and allowances. There are successful international precedents for this. More details on this approach will emerge relatively soon."

The tone of the speakers at the *FM*'s 21st annual Investment Conference ranged from cautious to upbeat.

Governor Chris Stals . . .
things are looking up

Apart from political considerations, Stals had one serious reservation about the future: the strength of inflation. In reply to a question from the floor, he said a central bank's objective is always to get inflation lower, so the target for inflation is zero.

On the other hand, he suggested, progress had been made; a development which would be more fully reflected as the new weighting of the CPI basket was phased in over the next year — a process which began in August.

He is, at least, satisfied that "the rate of growth in the money supply and domestic credit extension and the level of interest rates are now more in line with the requirement of an environment conducive to growth with stability."

The green light for some policy relaxation has come from the balance of payments.

At a time when the current account is likely to show a surplus of R3bn-R4bn — a conservative estimate — the capital account is improving. The net outflow in 1991 may be even smaller than the R2,9bn last year — "easily less than R2,5bn."

For 1992, the prospects are "comforting." Commitments to repay foreign loans with formally fixed maturities add up to less than US$1bn.

Against this background, it will be possible to maintain a relatively stable exchange rate against a weighted basket of currencies.

***FM*'s Nigel Bruce and ANC's Cyril Ramaphosa**

"We now have greater scope to accommodate a sustainable upturn in the economy — particularly if foreign finance is used to finance imports of capital goods."

Foreign funds and, in particular, real capital investment, might be more readily available than seemed likely a year ago, when a huge capital drain to eastern Europe was expected. Morgan Guaranty Trust MD Rimmer de Vries told the conference this is not imminent. He argued that these countries have to prepare themselves to absorb foreign capital.

There are other factors:

- ☐ The present Latin American current account deficit of about $12bn is not likely to rise much;
- ☐ The needs of the Gulf countries "are likely to be a two-year phenomenon, freeing $25bn a year by 1993-1994";
- ☐ Japan is expected to run a much larger annual current account surplus — probably about $50bn more in two to three years' time than the 1990 surplus; and
- ☐ The US current account deficit can reasonably be expected to be significantly smaller than 1990's $100bn, freeing funds for other borrowers.

So the capital requirements of eastern Europe will be met relatively easily by world markets.

De Vries, however, balanced this optimism with some sobering long-term projections: if there is no change in present government policies and business attitudes in the US, Europe and Japan, the steady drift towards forming protectionist blocs will reduce growth everywhere over the next two decades.

In the near future, he foresees only a modest recovery in the US. The significance of this for SA is that the benefit which a boom confers on commodity prices will be that much less. Gold is now included in the commodity category of exports.

Its changing role was described by another speaker, Alfred Schneider of the Zurich Swiss Bank Corporation, who concluded that gold prices "will increasingly reflect the fundamental relationship between supply and demand, as is the case with base metals." Fortunately, demand for gold fabrication is likely to grow and will "sustain a solid basis for demand for gold."

Some encouraging factors are emerging on the supply side, according to Gengold MD Gary Maude, who spoke on SA's gold mining prospects. In the Eighties, new opportunities were created by the development of comparatively inexpensive leaching technology which added substantially to the supply.

'Ignore ANC nonsense'

REMBRANDT Group executive vice-chairman Johann Rupert yesterday urged businessmen to "stop pandering to and listening to the nonsense dished up" by trade unions and the ANC. (60) (2170)

On a visit from London, Rupert told the Cape Town Afrikaanse Sakekamer SA would never attract overseas capital until investors were no longer told the country would go under within four years unless it was helped soon.

8/Day 8/11/91

lowed soon afterwards. This Mr Gibbins said he had found

Clean up or lose out, foreign investors warn SA business

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Star 9/11/91.

South Africa is about to begin The Big Clean Up, writes JAMES CLARKE.

SOUTH Africa is being bundled into taking action to clean up its environment — but the pressure is coming from outside, not inside.

In the last two months there has been an unprecedented number of moves to begin the big clean up.

Fear is the driving force.

Industries from fish exporters to metal fittings manufacturers are inundating environmental consultants for advice.

Overseas trading partners — themselves pressured into cleaning up — are sending out letters asking their South African counterparts: "What are YOU doing? We need to tell our shareholders."

One local company whose production was geared to supplying a German-based international company was recently told that its production methods were not in line with acceptable environmental standards. It was given three years to come up to scratch and this was to have entailed large capital expenditure and changes in management.

Three months later the Germans cancelled the contract, saying they had found a company which already complied with their standards.

Commenting on the incident, Dr Dirk Grobler, head of the CSIR's division of environmental services, said that while such contract cancellations were still rare, the German incident was "an indicator of what lies ahead".

Europe, North America and Japan are determined to clean up and stablise their impacts on the global environment and this is causing them to be wary of whom they do business with. Japan's policy is to grab the high ground in environmental sensitivity because it sees it as good for business. But Europe is also spending billions going green.

Energy conservation and the avoidance of waste production have become part of a new industrial ethic. There are the first signs of this happening here too. Some industries have even become leaders in the "green revolution".

But, generally, environmental conditions in South Africa are below par for a country whose trading partners consider her "industrialised" rather than Third World, and the Government's attitude has been to protect industry rather than people.

The fear of a crippled "Spaceship Earth" baked by the greenhouse effect and bombarded by ultraviolet rays coming through the ozone holes has become entrenched in the northern countries.

South Africa has no such global perception.

This could be because it lacked television at a crucial period in the world's history. Unlike the rest of the world, South Africans never experienced the sight in 1969 of their planet appearing "live" on the screen as man, for the first time, left Earth. The sight of the blue and shining planet had a profound effect on western thinking. Nine months later came Earth Day.

Signs that South Africa is about to start the Big Clean Up include:

- The President's Council has called for more power, staff and money for the Department of Environmental Affairs and recommends bigger fines for polluters. It wants an end to secrecy regarding energy resources and pollutants and tougher controls over marine fishing. It wants firms to employ environmental management systems and it wants an annual report on the environment tabled in Parliament.
- Businessmen and industrialists attending last week's SA International Conference on Environmental Management (the conference was packed out) stated they were urgently devising new voluntary environmental standards.
- Industrialists of the Industrial Environment Forum — formed by South Africa's biggest corporations — have committed themselves to doing annual audits to demonstrate how they are improving their environmental management.
- In the last two months there have been dozens of conferences — international and regional — on environmental issues.
- The CSIR produced a frank report on Waste Management and Pollution in South Africa — finding both needed urgent attention. The report-back is next week.
- There have been several workshops and seminars on environmental management — Audi is holding a big one in Midrand on Monday.
- The ANC, PAC and Inkatha have issued position papers aligning themselves with the global ethic of allowing only development which can be sustained without diminishing the environment for future generations.
- The Minister of Environment Affairs last week launched a comprehensive policy for coastal zone management, saying if developers do not voluntarily comply, he would declare the entire coast a limited development area.
- The suggested Bill of Rights contains the following clause: "Everyone has the right not to be exposed to an environment which is dangerous to human health or well-being or which is seriously detrimental thereto, and has the right to the conservation and protection of that environment."

SA firms spend R1,3bn on foreign acquisitions

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S Times (Buss) 10/11/91.

By TERRY BETTY

SOUTH African companies gained control of several foreign firms in deals worth more than R1,3-billion in the year to June 1991.

The figure is based on information supplied to Ernst & Young by nine companies.

But the true amount is probably much higher because another five companies which made acquisitions abroad did not disclose the prices.

Ernst & Young Corporate Advisory Services managing director Claire Herbst says the R1,3-billion accounts for only about 16% of the amount spent at home and abroad by SA companies on merger and acquisition (M&A) activity in the year.

Among the deals are Voltex's purchase of the Bennet & Fountain Group in the UK and Anglo American's acquisition of Elkebies Muhl Prettin from the German Government through Minorco.

Safmarine bought Belgium's CMB Transport.

Mrs Herbst says that since June, Liberty Life has acquired joint control of Sun Life.

It is not clear how much of this involved a flow of cash from SA. In some instances funds would have been raised abroad.

Exchange control general manager John Postmus says foreign investments have been spurred by the narrowing discount between the financial rand and the commercial unit from 40% in the early 1980s to about 10%.

Mr Postmus says permission for a foreign acquisition is granted if it provides a long-term advantage for SA, such as securing markets for exports or getting cheaper imports.

Unfortunately the inflow of foreign capital has not matched the outflow.

Mrs Herbst says 11 foreign companies are known to have invested in SA in the year to June 1991. Six gave the prices of the deals, which totalled R55-million.

Junk

Mrs Herbst says capital inflow was not only slowed by political factors, but sagging world economies were also responsible.

The greatest damage was caused by the collapse of the US junk-bond market which financed most major foreign acquisitions in the 1980s.

Although the number of deals fell by only 12%, the value of acquisitions dropped by 51% because more expensive conventional finance had to be obtained.

Junk bonds are low-grade, high-risk investment instruments that may yield high returns.

Senbank chief economist Nick Barnardt says hundreds of millions should be flowing into SA to supplement the shortage of domestic funds.

He says SA desperately needs the money to spur investment in new projects, which does not come only through M&A activity, but from share issues taken up by foreigners.

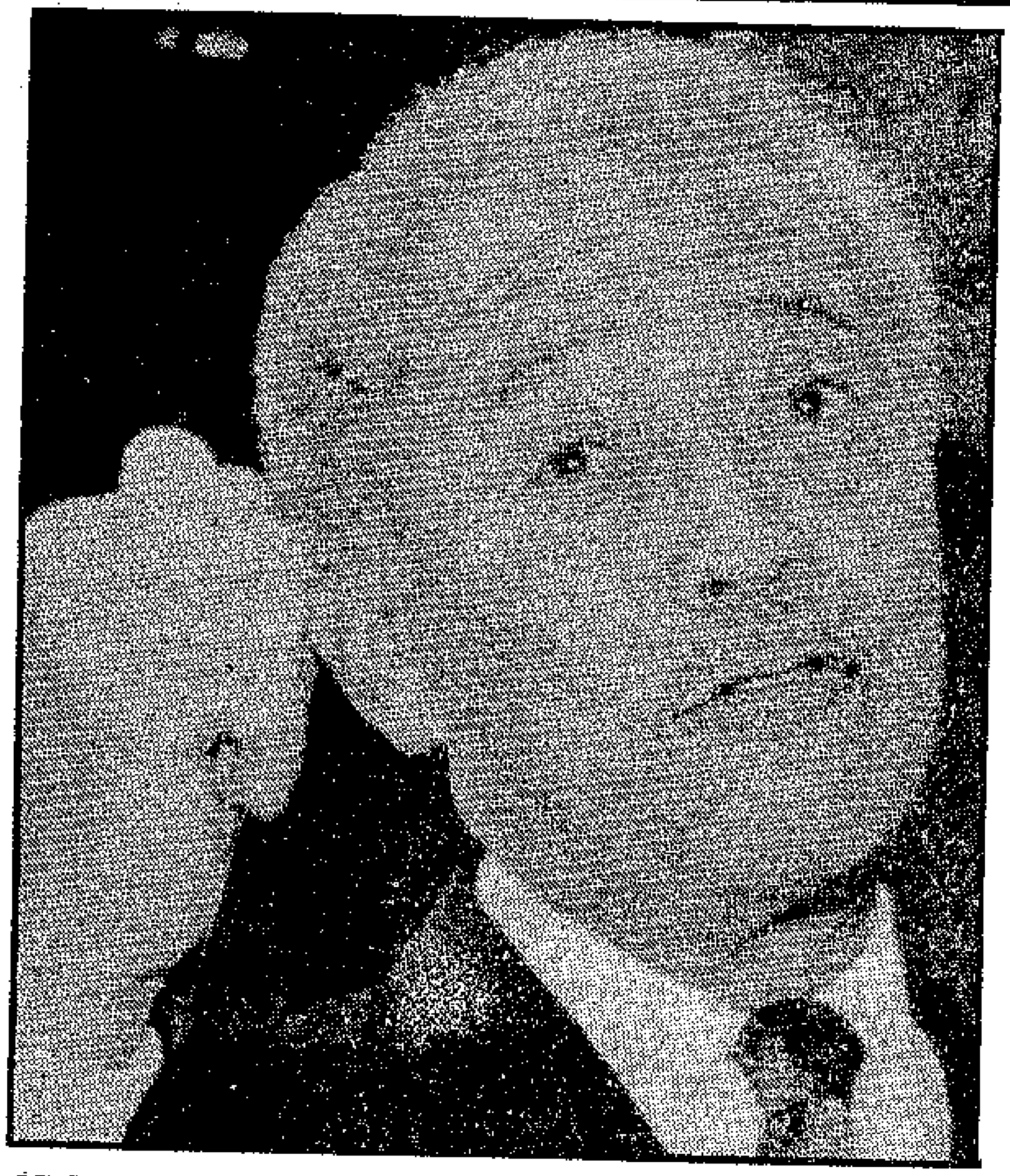
Beware! Those $$$$$$s can extract a high price

MONEY TALK

WITH New York mayor David Dinkins visiting South Africa during the past week, sanctions were in the news again.

While Dinkins's visit was mainly political, the vast majority of important visitors during the past year have been businessmen interested in making contact with the "new South Africa". Many of them have mentioned the possibility of investing again in this country.

South Africans should approach new investment by foreigners with great circumspection. We need to do some careful planning on the best way to attract the right kind of investment. It should, for instance, always be borne in mind that our currency is weak against those of our biggest trading partners. This could result in us eventually paying through the nose for what was originally a relatively small investment.



VISITING VIP ... New York's David Dinkins.

C/Press 17/11/91

At the moment we are getting so precious little foreign investment that we may well use the time to carefully evaluate our priorities.

For instance, there are already rumours that certain large American companies are carefully planning to eliminate local competition when they return to our markets. We should not restrict their entry, because that would mean uninformed bureacratic interference in the market place, which often does far more harm than good. But neither should we go out of our way to welcome back those companies which, before divestment, were mostly interested in "milking" profits out of their local subsidiaries.

(60)

We should rather create special measures to encourage those types of investment that will benefit us by creating jobs and producing goods suitable for the export market. We do not really need service industries and franchises which add precious little to our economy, while at the same time costing us a packet in "fees" payable to the parent company in America or elsewhere.

Some experts believe that the exchange control system should be used creatively to discourage this kind of investment.

Whatever we do, now is the time to put our heads together and set down priorities for foreign investment. Above all, we should stop making fools of ourselves by making conflicting appeals to foreign businessmen. South Africans should at least be able to stand together when faced with the extremely competitive international business. That is the hallmark of every successful trading nation in the modern world.

Foreign investment trend reversed in SA

ROBERT GENTLE

THE number of foreign non-US companies with direct investment or employees in SA increased by 23 to 456 in 1991, reversing a four-year-old declining trend.

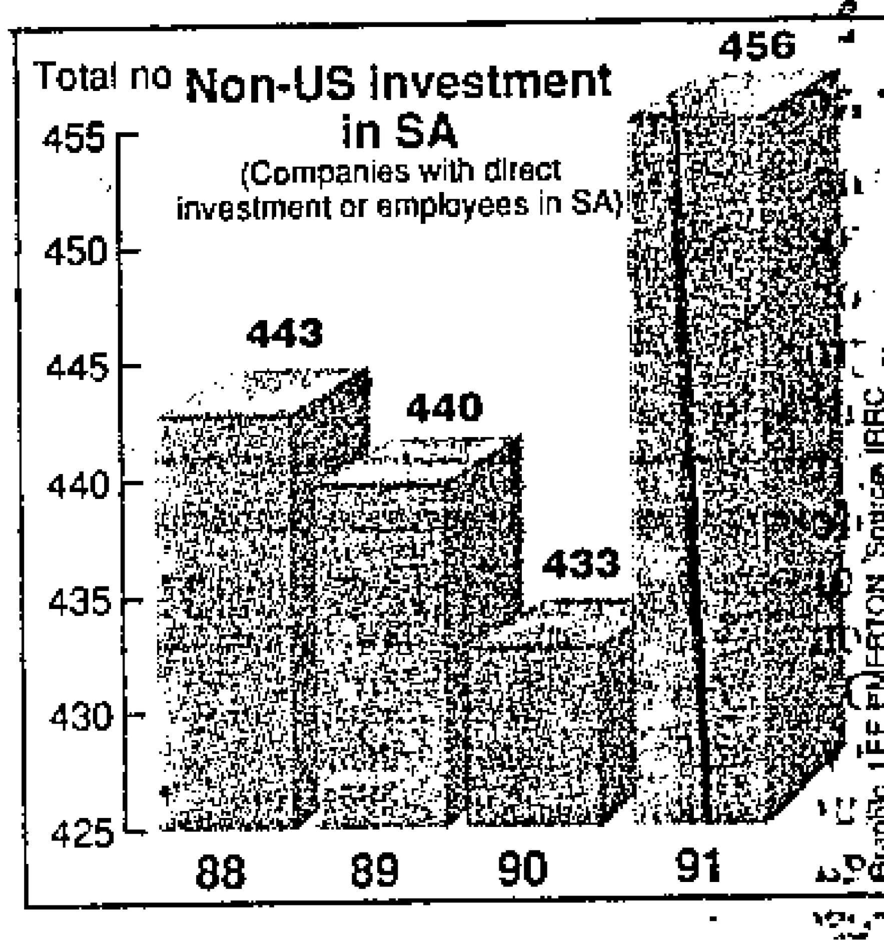
This emerges from statistics published by Investor Responsibility Research Center (IRRC), an independent research organisation based in Washington DC.

The IRRC's 1991 edition of International Business in SA, published this month, shows that of the companies that still have direct investment or employees in SA, 156 are British, 132 are German and 104 are American. BDay 20/11/91

However, it says in a Press statement that the trend in the US is still towards disinvestment rather than investment.

No US company has made new investments in SA since President George Bush lifted the ban on new investment in SA in July this year. And although the number of US disinvestments has dropped from a high of 56 in 1987 to only one in 1991, the number of US companies present in SA is "the lowest it has ever been".

The total number of disinvestments from SA since 1984 now stands at 403, says the report.



Of this total, 215 (or 53,3%) came from the US, 87 (or 21,5%) from the UK and 34 (8,4%) from Germany.

By contrast, France, the Netherlands, Switzerland, Belgium and Sweden together accounted for only 30 (or 7,4%) of the total.

The trend among foreign companies towards establishing non-equity links (such as licensing or distribution agreements) with SA companies continues to increase, the report says. A total of 363 foreign companies have such links, of which 192 are American.

At least two US companies — Federal Express and Lotus Development Corporation — have established non-equity links with SA companies since Bush lifted sanctions.

Foreign investment in SA up – US report

STAR 27/11/91

By Hugh Roberton, Washington Bureau

Foreign investment in South Africa increased last year and there was also a rise in "non-equity" links between foreign and SA firms, says a new report issued by the Investor Responsibility Research Centre.

The IRRC is an independent, non-profit organisation which, among many diverse activities, monitors US and other foreign investment and trade links with South Africa.

The 1991 edition of the IRRC's report on international business in South Africa says the number of non-US firms with direct investment or with employees in South Africa increased by 23 during the year.

But the report stresses that no new US companies invested in South Africa during the period, although there was an increase in US companies entering into licensing, distribution and other "non-equity" agreements with companies in South Africa.

It notes that the number of non-US companies with direct investments in South Africa declined slightly each year from 1988, when there were 443 such firms, down to 433 firms last year.

But, in the past year the decline was reversed and the number of companies with direct investments in South Africa grew to 456.

The report notes that "the trend in the US is still towards disinvestment from, rather than investment in, South Africa".

It adds that no US company has made new investments in South Africa since President George Bush lifted sanctions in July.

"Although the number of US disinvestments has dropped since 1987, the number of US companies with direct investment, or employees, in South Africa is the lowest it has ever been," the report says.

There are now only 104 such US companies as opposed to 322 in 1984.

By contrast, there has been an increase in the number of US companies with non-equity links in South Africa.

(60)

Crime brings gloom to business

STAR 27/11/91

By Michael Chester

The dramatic increase in violent crime has plunged businessmen into gloom and raised the risk of a new wave of white emigration, say researchers at a noted economic think-tank.

The Econometrix research unit has warned that business has been pervaded by a sense of gloom without parallel.

Its latest analysis of the economic outlook says the impact of violent crime on business confidence has been even more devastating than earlier bouts of gloom caused by political violence and the sanctions blockade.

The savagery of the crime wave is blamed on unemployment, hunger and "the spirit of anarchy which has arisen out of an atmosphere of mass action on an almost daily scale".

Econometrix director Dr Azar Jammine added: "For the first time since the large-scale emigration of white skills in the mid-1980s, there is widespread talk of leaving the country.

"The risk of a fourth wave of white emigration, together with the loss of vital skills for the economy this would entail, has increased dramatically over the past month."

The first three exoduses were all inspired by prospects of political upheaval — following the Sharpeville drama, the Soweto riots and the Rubicon controversy. New talk of emigration was centred on the fear of more violent crime.

The atmosphere of business gloom had been further exacerbated by the nationwide strike called by Cosatu on November 4 and 5. The indirect psychological harm inflicted on business confidence could turn out to be far more detrimental than the multimillion-rand economic cost of the strike.

"In addition to these factors and in spite of the lifting of many international economic sanctions," said Dr Jammine, "the stand adopted by the ANC from time to time in regard to such matters as nationalisation or reneging on foreign loans issued to the National Party regime has harmed confidence further.

"As each day goes by it is becoming ever more apparent that foreigners will not invest in this country before they feel more certain about the nature of the economic system in a new South Africa and feel more assured that political transition will not blow up into a civil war," he said.

Pyramid structures deter the investors

B/Day 27/11/91

SOUTH Africa should be prepared to play to international rules if it wants to attract foreign investors to the Johannesburg Stock Exchange.

One of these is to disallow listed pyramid structures.

The US, UK and most other common market countries have outlawed pyramids because they allow parties with a relatively small financial interest in the company to exercise control.

The active contested bid activity in these countries works in favour of minority shareholders and it keeps management on its toes, says stockbrokers Ed Hern, Rudolph director of corporate finance Tak Hiemstra.

"Foreign fund managers who show interest in our market have indicated they foresee this as a problem.

"Now that we have a code that regulates friendly and hostile takeover offers we need to facilitate this activity.

"One way would be to collapse pyramid structures.

"A good start would be not to allow any new pyramids and to commence the phasing out of old pyramids," he says.

The Financial Services Board seems to be bent on freeing the markets and improving liquidity.

Addressing this issue could go a long way in achieving both.

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Interest

Hiemstra says: "It is in the interest of a free market not to allow people to control a web of companies with interests as low as 1% in some of them.

"Theoretically, collapsing pyramids could reduce market liquidity, but as absolute control cannot be assured, the 'fixed blocks' of shares could become tradeable.'

JSE listing and equity markets GM Richard Conellan says pyramid structures has been an issue on the market for a long time and is continually up for discussion by the committee.

LIFTING OF SANCTIONS WILL MEAN NEW AND EXCITING TIMES LOCALLY

60

WITH the lifting of most forms of international sanctions, many multinationals are re-examining business opportunities in southern Africa — with their primary focus being on South Africa as the dominant economy of the region.

Many local companies are also looking with renewed interest at establishing a presence abroad.

Ernst & Young corporate advisory services MD Claire Herbst says: "These developments are new and exciting for South Africans, who for so long have had to watch a stream of disinvestment from this country and endure pariah status when investing abroad."

The investment boom that followed the Second World War was characterised by companies establishing branches from grass roots as they imported capital and expertise to exploit growing markets.

The next wave of investment is likely to be different as with sanctions came disinvestment and the transfer of ownership of many multinational businesses into local hands.

Bday 27/11/91

Flourished

Herbst says most of these businesses have flourished and continue to dominate their market niches.

"In an environment where markets are not growing — SA is entering its third year of recession — and where local companies dominate market share, this time around foreign companies are more likely to invest by acquisition in order to gain access to our market of some 30-million consumers.

"Only companies with unique products or technologies are likely to take the more competitive route of opening branch offices."

The high level of economic concentration in SA is another factor potential investors need to bear in mind.

Through their direct and indirect holdings in myriad commercial and industrial institutions, economic activity is

CLAIRE HERBST

dominated by a handful of conglomerates.

Among the big companies are Anglo American, Gencor, Barlow Rand, SA Breweries, Rembrandt and Anglovaal.

Behind these corporations lie an even more powerful group, the major life assurance companies, which have succeeded in tapping the savings of the nation for several decades.

These groups are the dominant institutional investors on the Johannesburg Stock Exchange and in the capital and money markets, as well as major providers of finance in the property market.

As exchange controls prohibit unrestricted foreign investment, these giant institutions are forced to invest their cash flows locally.

With so few players by international standards, the liquidity of the JSE is poor

This means foreigners interested in investing in SA through acquisitions are unlikely to be able to use the JSE as the point of entry.

Instead, they need to identify local partners and negotiate acquisitions direct.

Herbst says over the past six months, Ernst & Young has noticed an increase in cross-border merger and acquisition activity.

The firm has handled "the second stage" sale of several management buyout companies that have again been sold.

"In one of the cases we have handled, the original seller repurchased the company at a substantial profit to incumbent management.

"In another case, the purchaser was a large international competitor of the original disinvesting parent.

"This transaction was also done at a full price.

"As about 25% of foreign MBOs had buy-back clauses, more activity can be expected in this area," Herbst says.

Many potential investors are still at the early stages of assessing the SA market.

European companies appear to be the most active, although preliminary interest is being shown by some companies from the Far East.

American investors appear to be cautious in view of continued sanctions at state level.

Investigations

"However, I have been pleasantly surprised at the number and quality of discreet investigations emanating from the US," Herbst says.

She says most SA executives are painfully aware of the series of of financially disastrous foreign expansions of the '80s.

Companies such as Barlows, Malbak and Sage had to go through steep learning curves in understanding business abroad.

Most recently, Foschini and the Lewis family failed to acquire a UK-based retailing group for which they made a hostile bid, although they still retain a substantial minority stake.

Herbst says: "Against this background, the increased interest of SA companies in investing abroad is interesting.

"Explanations include an increased awareness of the need for global thinking based on successful role models such as Anglo American, Liberty Life and Richemont, combined with an urgency for foreign diversification in the face of a changing local business environment."

Exploiting one of the world's last outposts

B Day 27/11/91 (60)

EXCITING opportunities created by the normalisation of South Africa's situation internationally and the creation of a European free-trade zone next year will favour a revival in mergers and acquisitions in this country.

Senbank senior GM Estienne du Toit says the last flurry of merger and acquisition activity was brought about by disinvestment and poor economic performance.

"Now it's a new ball game and many overseas companies are investigating opportunities in southern African markets.

"Re-investment, the lifting of sanctions and the impact of the Europe 1992 factor on world markets will prompt some companies to consider repositioning themselves by merger or growth through acquisition," says Du Toit.

Merchant and corporate bankers are in for a busy time as the regional dominance factor looms larger in the minds of SA industrialists, whether they are gearing up for sharper competition from abroad or positioning themselves as targets for acquisition by multinationals.

"Many overseas companies have told us they see Africa as one of the last great unexploited markets and SA as the gateway to Africa," Du Toit says.

"They can get a foothold in Africa by taking over an SA company or through building alliances involving a strategic stake in a local company."

Du Toit says SA companies must be ready to meet the challenge of a European free-trade zone which will favour consolidation and heightened competitiveness.

To remain competitive, SA companies may have to achieve economies of scale through merging with rivals or taking them over.

"SA companies are also looking at teaming up with overseas conglomerates to catch up on technology developments they missed out on during the sanctions era," Du Toit says.

Welcome words, but they don't plan to spend more

S/Times (Buss)
1/12/91.
(60)

By TERRY BETTY

BUSINESSMEN have applauded President De Klerk's call. But none approached by Business Times is ready to invest any more than planned.

Premier Group chairman and chief executive Peter Wrighton says business should invest and create jobs. The transformation to a democratic society will be inhibited unless the economy grows strongly.

Mr Wrighton says Premier has shown its commitment by voting capital expenditure of more than R500-million this year, rescuing companies in the group that were in trouble and stepping up its export business.

LESLIE BOYD: Take a leaf from the German book

BEN VAN RENSBURG: Political and economic uncertainty

EUGENE VAN AS: Lower interest rates would do a lot of good

Reasons

The Government must encourage consumer spending through the R220-million poverty relief programme. He recommends reducing interest rates of more than 20% that have applied for the past three years and hurt small business and new project decisions by manufacturers.

Anglo American Industrial Corporation (Amic) deputy chairman Leslie Boyd says "neither lack of funds, the level of violence, nor political issues such as nationalisation and the future economic structure of the economy, have impeded the Anglo American group's investment in SA".

But he gives three reasons why it is difficult to identify investment opportunities:

- With the world economy in recession and no clear signs of a significant recovery, it makes no sense to build additional facilities when many plants are operating below capacity.
- The depth of SA's recession is intensified by tight monetary control in an effort to reduce inflation.
- In pure economic terms, the investment environment is poor and does not compete with many other countries.

Hands

The "kick start" in terms of tax is a step in the right direction. However, it applies only to exports and should be extended.

For investments in Eastern Europe, the German Government allows for 50% depreciation in the first year, with 20% to 30% of the capital funded in cash by it. The investor retains 100% ownership in the investment, says Mr Boyd.

Murray & Roberts chief executive David Brink says President De Klerk's plea "is a timely and valid challenge".

"South Africans cannot wait for overseas investors. We must take our future in our own hands.

"This does not imply that businessmen should gamble by investing where they are unlikely to get sound returns, but rather it is time to have courage."

Mr Brink says M&R is pressing ahead with its capital expenditure programme, but it is small — in hundreds of millions, not billions.

M&R is expanding capacity and has made acquisitions in the cement industry.

"This demonstrates our confidence in SA. While the situation is bleak, we have resources in hand to be key players in implementing the investment decisions of the large corporates."

Pace

Barlow Rand finance director Evert Groeneweg endorses President De Klerk's words, saying: "Anybody sitting on the fence will miss the bus.

"In the past 10 years Barlow has invested about R10,3-billion of capital in developing and expanding its business, two-thirds of this being in the past five years.

"Our plans show this pace is likely to continue. In 1992 alone we expect to spend a further R1,7-billion.

"At least 50% of this has been expansion oriented. This trend is unlikely to change even though SA's productive utilisation is only about 80%.

"Barlow has also spent about R750-million in the past five years on research and development of products. It also invests in people and in the last financial year 74% of the permanent workforce underwent various forms of training."

Mr Groeneweg says all business should play its part. The burden of investing cannot be left to big business alone.

South African Chamber of Business chief economist Ben van Rensburg does not believe SA will go the same route as Ghana — a possibility suggested by President De Klerk if business fails to heed his call.

PETER WRIGHTON: Premier spending R500-million

"But Sacob and businessmen in general agree that not enough is being invested now when there is a desperate need for job creation and renewed economic activity.

Exorbitant

"I place the ball in the Government's court. One cannot expect business to invest when there is political and economic uncertainty.

"These factors, coupled with our high taxes and high inflation, mean businessmen require a high investment yield.

"In SA the average share earnings yield of listed companies is about 18% compared with 7% to 10% in many countries and 2% in Japan."

Dr Van Rensburg says businessmen will not invest more unless something is done to change the negative view of the investment environment.

The Government's economic policies are a bigger deterrent to investment than political factors.

The Government should reduce taxes, bring down inflation and look at its spending through a microscope. If State spending falls, less tax will be needed and inflationary pressures will be reduced. This would facilitate a drop in interest rates.

Sappi executive chairman Eugene van As says the world is in a recession. Low commodity prices have hurt SA, a major producer.

Market

Mr Van As believes businessmen have to look for growth through exports because SA's economy is stagnant.

Sappi has three export-oriented projects on the drawing board.

Lower interest rates would boost investment. Real interest rates are not too high, but the nominal ones are exorbitant, making it difficult to achieve profits.

Mr Van As says the economy is depressed and it is difficult to get excited about investing.

Old Mutual chief economist Dave Mohr says businesses will not invest merely because President De Klerk asks them to do so. It is difficult to see businessmen investing now when uncertainty about the future is affecting profits.

Mr Mohr says businesses will start investing only after the upswing is under way. He believes this will probably be from mid-1993, about a year after conditions start improving.

Sanlam senior general manager; investments, Ronnie Masson says businesses will not invest while there is so much surplus capacity. People invest when they need to increase production. But that is not possible when they do not have a market.

INVEST OR DIE

FW's blunt warning to business

(60)

S/Times (Buss) 1/12/91

By CURT VON KEYSERLINCK

PRESIDENT De Klerk has told businessmen and industrialists to invest now to promote economic growth and employment — or risk the loss of their total investment in South Africa.

He told businessmen at the Sunday Times Top 100 Companies banquet in Johannesburg this week:

"The total investment which you as entrepreneurs here represent tonight is at stake. Not next year's balance sheet; not next year's profit-and-loss account. Your total investment.

"Unless we succeed in creating dynamic growth in this country we will not be able to live up to the aspirations and expectations of even the moderate and reasonable portion of our population.

"Just as in the constitutional field, we have reached a crossroads in the economic field, and vacillation now may prove lethal later. Rational thinking coupled with an exceptional readiness for risk taking is needed now."

President De Klerk said that business and the trade unions should not sit back and wait for the Government. They must assume co-responsibility in achieving sustained economic growth.

"The challenges of our time demand of you as entrepreneurs to think creatively, invest courageously and redefine your own particular part to some extent.

"The same applies to trade unions. Instability in the labour field destroys business confidence.

"We cannot wait for the constitutional ship to berth before the economic ship sails. As a matter of fact, we need the economic ship to break the waves if we are to succeed constitutionally.

"And if ever there was a time when we needed the economy to perform, when we needed SA entrepreneurs to show their confidence in this country, it is now.

"I am not making an emotional appeal. I'm making a business appeal. And the appeal which I make is: show your faith and your confidence in this country and the country will reward you.

Fate

"Fail to do so and wait like Nkrumah for the political heaven to come first, then you might suffer the same fate as the entrepreneurs of Ghana.

"I am calling on you therefore to realise that in important business decisions we have reached a moment of truth. We are at the crossroads. Show your confidence. This country deserves it."

President De Klerk said there was a view that sanctions, disinvestment and the withdrawal of loan funds from SA were the main causes of the economic dilemma and that removal of these restrictions could restore the potential for economic growth to 5% or 6% a year.

People who believed this were making a serious mistake. Although it was an important pre-condition for restoring growth, it did not provide any guarantee it would be realised.

The inevitable conclusion was that SA and its peoples themselves had to take steps to ensure long-term prosperity and stability.

"We have embarked on a tremendous undertaking — an undertaking which in many other countries has failed to realise that which was the goal initially. But an undertaking nonetheless. If we do not do it, we are sure of doom and failure.

"We must do more than what is standard. We must do more than merely applying the old trusted principles. We are not living in ordinary times.

"The goal should be to change rapidly to a new gear of high economic growth and employment creation. We need to get a strongly growth-oriented economy going at full force and running on all its cylinders.

"Other countries have succeeded in doing so. So can we."

PRESIDENT DE KLERK: Beware of Ghana's economic collapse

Metro fares up

Business Times Reporter

(401)

S/Times (Buss) 1/12/91

FARES on SA Rail Commuter Corporation's Metro services will increase by 15% from January 1.

The increase is needed to keep up with inflation and to improve cost coverage, says chairman Bart Grove.

"Fares paid by commuters will still constitute only 27% of the cost of providing the service."

Dr Grove says Metro fares will be cheaper than other forms of transport — up to 50% in some cases.

The corporation will spend more than R250-million in the period to March 1993 to secure stations for efficient policing.

Policing

Another R18-million is being spent in the current year on improving passenger facilities on stations and trains.

The security programme has been speeded up and all 370 stations where Metro services are provided should be secure by March 1993, says Dr Grove.

The Commuter Corporation says passengers can make big savings by buying season tickets.

South Africa faces crisis of identity

S Times (Buss) 1/12/91.

60.

BILL JAMIESON of the Sunday Telegraph in London, paints a depressing picture of a land in the torment of change

THROUGH the concrete canyons of Johannesburg came a burst of AK-47 gunfire.

Pools of blood, shattered glass, four corpses and 50 spent cartridges littered the floor of the First National Bank in the central business district.

Another day, another armed robbery: this time the gunmen were caught by helicopter-borne police.

It has become all too frequent an occurrence.

"We are," said First National's Gerry Christy, "now fighting a war."

A few blocks away in Commissioner Street, I was caught up in a demonstration of 10 000 Inkatha supporters with white head-bands and Zulu shields, protesting against township violence with an awesome command of the central streets of Johannesburg.

Their average age was about 15 and each carried steel bars, or wooden staves, sharpened to a point. A bystander said the staves were waved and carried for ritual purposes only. You could have fooled me.

This is a city and this is a country in which the drama for its heart and future has reached a turning point. SA is not facing only great violence. It faces, unless action is taken, economic oblivion.

It is an economy of contrasts. Inflation is at 15%, prime rate is 20,25%, industrial output is down 4,2% and retail sales down 1,8%.

The industrial index of the Johannesburg Stock Exchange, a hothouse created by exchange controls and restrictions on buying overseas equities, is soaring, Anglo American in the van.

But there is appalling violence at Anglo's President Steyn mine in the Free State. More than 80 miners have been killed in tribal fighting — ostensibly over the introduction of 10% VAT — between the members of the Sotho tribe in the mine hostel and the Xhosa.

The details, omitted by the press here, suggest a ferocity that almost defies belief.

Each evening in Johannesburg's central business district brings the sound of police sirens, an event now so commonplace as to barely figure in conversation. Businessmen are advised to leave the area at night — or stay in their hotels.

In the northern suburb of Saxonwold, the dinner party redoubt of South Africa's rich English liberals, the moment of truth dawned.

Famous for rattling their 22-carat diamonds and lifestyles in support of the liberation struggle behind high-voltage security fencing, 400 turned out for an anti-crime rally. It was like Glenda Jackson supporters in Hampstead throwing a benefit for the police.

The Democratic MP for Houghton (the constituency where Harry Oppenheimer lives) demanded that the Government and the African National Congress end "the terror of lawlessness".

He said the whites of northern Jo'burg were "as mad as hell and they're simply not going to sit back and take any more".

I looked across Pretoria from the top floor of the new Reserve Bank.

From here, the view of three economic dilemmas is sharply focused.

The first for Reserve Bank Governor Chris Stals is how to hold inflation in check in the face of vast social spending pressure: about 17,5-million people (47% of the population) live in households below the minimum living level of R695 a month. About R15 billion would be needed to raise these households to the minimum living level.

The second dilemma is how, in the absence of rising gold and commodity prices, which have in the past lifted this country out of crisis, to kick-start the economy.

According to Johannesburg Consolidated Investment economist Ronnie Bethlehem, merely to balance off the increase in the economically active population here would require "a highly unlikely" growth in jobs of 4,2% a year and a staggering growth in gross domestic product of 13,1%.

That is a measure of the crisis ahead of constitutional talks this month.

But the real nightmare is that ANC statements about nationalisation and talks of "reviewing" foreign-debt commitments not only put the skids under foreign confidence but render absurd the notion of International Monetary Fund and World Bank millions heading for South Africa.

Given the $100-billion that the World Bank estimates will be needed for Eastern European reconstruction, what chance has Southern Africa?

Economists here are convinced a flood of capital and aid is a pipe dream until a radical economic strategy is devised, one that turns on its head every colonial socialist nostrum that has brought the rest of Africa to its knees.

Leon Louw of the Free Market Foundation believes that, if SA is to be spared oblivion, it has to become a low-tax, investment-attractive and entrepreneurially driven economy.

He believes no money will come until foreign investors can both earn competitive returns and remit them. Not only do exchange controls and tariffs have go to, but the ANC has to abandon "redistributive" taxation.

A corporate tax cut to 15% from 48% and the lifting of most blacks out of the tax net offer the best hope of creating more black employment. This would achieve ANC economic aspirations and turn SA into a powerhouse for the regeneration of sub-Saharan Africa.

This is important for the West. SA provides 80% of our platinum, used in cleaning exhaust emissions. It has the largest reserves of gold, chromium, rhodium, vanadium, uranium and, through a joint venture between Gencor and Anglo American, is about to build one of the world's largest stainless-steel plants.

It provides 40% of Africa's industrial production and generates 60% of its electricity. If the lights go out in SA, they will go out across the sub-Saharan continent.

The lives of most Africans depend on SA not muddling through, but being a big success story.

What has fuelled the rise in the market is the privatisation of the Post Office pension funds which are now allowed to buy equities.

These are the funds the ANC would like to take into public ownership.

Ironically, more Anglo American stock is now owned by the black National Union of Mineworkers than the Oppenheimer family.

The politicians have put more privatisation on the back burner. But it is impossible to see how anything like the social programme of a new government can be fulfilled without big privatisation receipts.

Above all, what is required is vision: the tribal conflicts that mar Alan Paton's "beloved country" need to give way to a greater sense of citizenship and a sense of the economic power Southern Africa could become.

The trouble with SA is that everybody knows what he wants. What really matters is a grasp of who they wish to be.

Give a people a sense of who they are, and there is no stopping them.

Slovo said he respected members who were critical of the notion of "democratic socialism", but emphasised that some sup-

cratic" in the phrase was justified.

● See Page 14

Foreign investors hold onto their funds despite renewed interest

BDay 6/12/91

DARIUS SANAI

POTENTIAL foreign investors are still holding onto their funds despite visits by trade delegations from more than 50 countries this year, a survey by Business Day has found.

They cite fears of violence and political instability as their main reasons for not investing.

Trade delegations from more than 50 countries visited SA in 1991, including top private sector representatives from Germany, France, the UK, Netherlands, Italy, Greece and Czechoslovakia as well as countries which have traditionally been opposed to trade with SA, such as Canada and Denmark.

But diplomatic sources representing most of these countries said yesterday that investment in SA would not start until a political solution had been found and an end to the violence was in sight.

Sources close to the US embassy said that the future lifting of state and local sanctions would have little effect on trade and investment because of political instability in SA.

"There's a lot of interest, but no jumping in," the sources said.

Another informed source said that many US firms saw little reason to invest in SA because its economy was smaller than that of some US states, and was perceived as inherently risky.

Some countries, notably Netherlands and Austria, recorded an increase in imports from SA. Exports to Netherlands were up 4,4% in the first seven months of 1991 over the same period last year.

Austria recorded an increase of 3,9% in the value of imports from SA for the first nine months of 1991 over the first nine months of 1990, said Austrian Trade Commissioner Leopold Birstinger.

But Birstinger said that Austrian industialists were adopting a "wait and see" attitude towards SA despite the relatively high level of trade already conducted between the two countries. Austrian imports from SA totalled R326m in 1991, making the central European country SA's eighth biggest trading partner.

Trade representatives of other countries echoed the Austrians' sentiment, saying that most firms were reluctant to invest in SA because of the levels of violence and political instability.

A spokesman for the commercial section of the Dutch embassy said that while trade with SA had increased during the past nine months, investment had been minimal.

He said Dutch and other European firms were interested in using SA as a stepping stone for trade with southern Africa.

Hotel group keen to invest in SA

MARCIA KLEIN

INTERNATIONAL hotel group Hyatt Hotels and Resorts is looking at prime sites in Johannesburg, Cape Town and Durban to open its doors in SA.

Hyatt's corporate marketing director for Europe, Africa and the Middle East, Allan Edgar — who is in SA investigating opportunities — said in an interview yesterday SA had all the necessary ingredients to facilitate Hyatt's entry into the country. B\D4 6/12/91

Although the local industry was depressed, this was merely a reflection of worldwide trends. SA had the infrastructure and the service levels necessary for international tourism.

"We have been closely monitoring the changing scene in SA, and we believe that the country offers enormous potential," he said.

Edgar, who was director of marketing for the Carlton Hotel for two years from 1985, said that based on his knowledge of the SA hotel and travel industries, the time was ripe to include SA in his company's portfolio.

He said Hyatt was considering various possibilities in the country, including management contracts and partnerships.

The hotel management group operates 159 hotels and resorts worldwide, with more than 59 000 rooms.

It has 12 hotels under construction in the US, Asia/Pacific, Europe and South America.

Foreigners look at small SA banks

S|Times (Buss) 15/12/91 (60)

15/12/91

By DIRK TIEMANN

FOREIGNERS are looking at some of South Africa's small banks for potential takeovers or mergers.

One bank which has attracted interest is Discount House of SA. It has held talks with several potential foreign partners.

Executive chairman Colin Dunn and managing director Mark Thompson went to Europe for discussions with 12 financial institutions, but decided to go it alone, at least for a year.

Market talk was that Discount House had arranged a takeover deal with a German bank, but that it had fallen through at the last minute because of political considerations.

Mr Thompson denies that talks with any foreign bank have reached finality.

Better

He says: "We would like to build up a track record as a bank and acquire a foreign exchange licence.

"That should help to clinch a better deal a year or so from now. A bank of our size is attractive to a foreign one seeking an entry into Southern Africa and Africa. We are small and a major stake would cost a fraction of the price of a larger bank."

The specialised role of discount houses has changed under the Deposit-Taking Institutions Act. They now fall under the same rules as all the other banks. Most seek to establish a niche in merchant banking where competition is becoming tougher. Some foreign banks are expected to join the fray.

Rand Merchant Bank executive director Russel Loubser says small banks that do not have a niche will be forced to find shelter.

Mr Loubser says foreign bankers are here to hold exploratory talks, "but they are not jumping in, boots and all".

A major foreign shareholder can be a big asset if a genuine two-way relationship is developed. The SA bank would benefit from access to the international market.

Mr Loubser says RMB is not looking for foreign interests.

A representative of a German bank in SA says there are several interesting prospects, including Investec, Discount House, RMB, Finansbank and UAL.

The Board of Executors could be added to this list. It announced this week that it was looking for an acquisition in the financial services sector or a possible foreign association.

An official says, however, that there is no rush to move into SA because of the preoccupation with Eastern Europe.

Most banks on foreign shopping lists have a strong infrastructure which makes them attractive. But there are other small banks whose role in the market is becoming less well defined and which could find the competition too tough.

Republic Ratings recently published a risk evaluation of all SA banks, partly in response to the many inquiries from foreigners.

The tail-enders included Prima, District Securities, African Bank and Mercantile Bank.

The credibility of many small banks has been tainted by the recent failures of Alpha, CIB and Pretoria banks.

Many small banks struggle to meet capital requirements and find it difficult to issue acceptable guarantees.

Martin & Co director Richard Jesse says several small banks are likely to disappear in the next three years.

Gm. Imp 2/1/89

Sanctions cost jobs — Mandela daughter

60

21/1/89

CT.

SEATTLE. — The daughter of black nationalist leader Mr Nelson Mandela has expressed doubts about sanctions against SA, saying they had taken their toll on the country.

"There are lots of people without jobs. What do you do with those people? Fow how long will they be prepared to go on like this?" Ms Makaziwe Mandela said this week.

"I don't know if those companies that have pulled out will reinvest in South Africa."

However, sanctions and boycotts had helped erase job security for many whites, she said.

"For the first time the whites, who have always had job protection, are now competing with blacks for the unskilled jobs."

Ms Mandela, 34, was in Seattle for an address at Shoreline Community College. She is the daughter of Mr Nelson Mandela and his first wife, Evelin. — Sapa-AP

SA-Africa trader plans expansion

CAPE TIMES 2/2/84 Financial Editor 60

AN international conglomerate which has discreetly moved huge quantities of South African exports to black African countries in recent years stepped into the limelight last night, announcing that it would expand its operations in this country.

Sicotra/Aeroleasing of Geneva, with African operations based in Kinshasa, is extending its air charter service to South Africa.

And its general manager of operations, Mr William Esson, said it would be in the forefront of expanding trade between Africa and Europe. He emphasized that his company considered South Africa to be "a vibrant part" of the continent.

The Deputy Minister of Foreign Affairs, Mr Kobus Meiring, and top officials from Zaire were among guests at a reception at the Mount Nelson Hotel at which Sicotra/Aeroleasing explained the range of its activities. It transports good with a fleet of lorries, "a small armada of riverboats", modern executive jets and cargo planes and has a huge hangar and maintenance depot in Kinshasa.

Mr Esson said the company considered the future development of Africa would be strongly linked to Europe. The distances involved and the lack of facilities had so far hindered this. His company was opening up new markets on the continent and would increase its presence in South Africa.

● Full report — Page 11

provide their house with services. Packing up are Mr Hassan Aziz (l
Achmat.

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CAPE TIMES 2/2/89

Financial Editor

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● Full report — Page 11

Pilots meet bankers in bid to buy SAA

CAPE TIMES 2/2/89

Own Correspondent

JOHANNESBURG. — The SA Pilots' Association was holding discussions with bankers in London and South Africa to raise the preliminary R2 billion estimated to acquire SAA, a spokeswoman, Ms Barbara Bester, said yesterday.

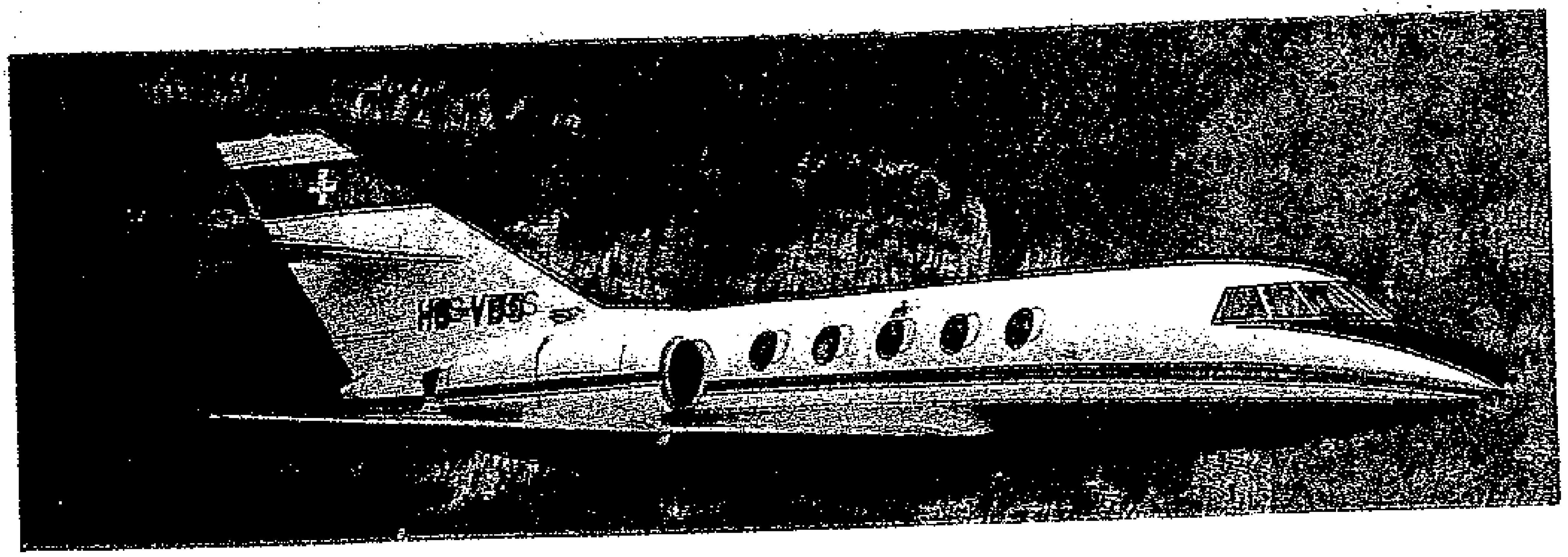
The pilots' association had made official representations to the Minister of Transport to acquire between 30% and 40% of SAA's domestic and international operation, Ms Bester said.

The association had informed Transport Minister Mr Eli Louw of their bid for SAA on various occasions.

Transport ministry spokesman Mr Leon Els said it was premature to put a price on SAA.

Cape HQ air charter service for world

Africa's skies are opening up again to SA travellers and Cape Town is to become the HQ for a wide-ranging air charter group which says "we'll take you anywhere, any time". ROGER WILLIAMS reports.



AT YOUR SERVICE: A 12-passenger Falcon 20 twin-jet — one of the fast executive aircraft operated by Aeroleasing.

AN EXPANDED, world-ranging air charter service to have its head office in Cape Town, has been hailed by commerce and the travel industry as an exciting move towards reopening Africa's skies to South African executives and travellers.

With SAA already operating to the Ivory Coast, Zambia, Zimbabwe and Malawi, the new charter operation will offer not only more air links within the continent but also with other parts of the world.

William (Bill) Esson, operating manager of and spokesman for the new international charter venture, said: "We'll take you anywhere, any time."

Karl Twiggs, regional director of the Association of South African Travel Agents, said: "This is an exciting development with prospects of air travel to parts of Africa with which we do not have scheduled services. It could widen travel horizons considerably."

35 aircraft

Esson disclosed in Cape Town that merging the charter interests of the Cape-based Sicotra/Sopex group with Aeroleasing of Geneva would give the combined operation a fleet of 35 executive jets and turbo-prop aircraft.

The fleet includes the latest Falcon 900, the Falcon 50 and 20, the Learjet 35 and 55, a 21-seat DC9-14, the Beechcraft 200 and 300 and Cheyenne turbo-prop and the turbo Twin Otter, designed for short and remote landing strips. The fleet also has Boeing cargo aircraft.

Aeroleasing says it is the biggest private air charter company of its kind in Europe and the second biggest in the world.

Sicotra/Sopex's air charter service is an adjunct to its considerable export-import operations in Africa and Europe, with its base in Kinshasa, Zaire — chosen for its central African situation.

The extent of Africa's trade with South Africa was dramatically exposed this week in a study by the French-language magazine Afrique, which showed the continent swallowed R4,5 bn of South African goods on in the first seven months of 1988.

Fast travel

Esson said that, to start, two of the new group's aircraft would be based in Johannesburg — "but, as demand grows, we will have to base some of our aircraft in Cape Town as well".

"While our aircraft have for long been in and out of Cape Town — three Falcons were here this week — they have not been available to the public, which they will be now.

"We will be offering fast executive travel, discreetly on demand. Our rates will be competitive with business class on scheduled airlines but we have no intention of running scheduled services or competing with established airlines on regular routes."

Esson said details such as charter fees to specific destinations were still being calculated but added: "Our aircraft are furnished to the highest executive standards and flown by top crews, backed by service and maintenance faciliites in Geneva and Kinshasa well up to international standards."

Cape Times 4/2/89

60

New service will boost local economy

THE expanded, Cape-based air charter service announced this week, with the prospect it offers of additional air transport links with Africa and Europe, can only benefit the local economy, says Anthony Coombe, president of the Cape Town Chamber of Commerce.

"It is certainly an exciting prospect that an overseas airline is planning to extend charter services to SA, and Cape Town in particular.

"There is undoubtedly a considerable demand for direct flights in and out of Cape Town, both for freight and also for passengers.

"Perhaps the most exciting prospect is that tourist charter flights may be included in the package, which is something that this chamber has advocated for many years.

'Leading growth industry'

"The recent record tourist season once again exposed the limitations of our existing air services for tourists wishing to visit Cape Town over the holiday season.

"Travel agents have recorded that a far greater number of tourists could have been brought to Cape Town had more seats on aircraft been available.

"Tourism is probably Cape Town's leading growth industry and every additional tourist brings new spending-power into the local economy, creating jobs and benefiting all who live in the region.

"The prospect of new air services operating on SAA's scheduled routes is also welcomed. The chamber has strongly promoted the deregulation process, and the deregulation of transport is already far advanced.

"Its extension to air services would be a logical and positive development."

Star 16/2/89 (60)

Report on EC companies in SA

Firms help to forge better race relations

The Star's Foreign News Service

MADRID — Foreign Ministers of the European Community's 12 member States, meeting in Madrid, have approved an EC report which expresses "satisfaction" at progress made towards racial equality by European-run companies in South Africa.

They said on Tuesday they were pleased that "the reports received indicate a consolidation of company policy to promote and improve relations between the employers and workers."

They also said companies "accept the principal of equal pay for equal work regardless of race." In concrete terms, the implemenation of the EC Guidance Code had led to an improvement in wages and a wide range of fringe benefits were made available by companies.

They added: "Many companies also continue to promote development in the training and advancement of black employees and a number of companies further contributed to the encouragement of black businesses."

The report was on the Code of Conduct for companies based in the EC and with connections in South Africa. It covered the period from July 1986 to June 1987 and involved 97 000 black employees at 247 companies.

The report noted that the restrictions of the South African Government's emergency powers during the period did not prevent increased union growth and severe labour unrest. Inflation at around 17 percent had led to a decline in average wages in real terms.

The EC wants to encourage EC companies to promote integration by peaceful means and an end to apartheid. The Foreign Ministers called on Pretoria to take all the necessary steps to remove all racial discrimination.

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SA DOES NOT DO WELL ON DEVELOPING COUNTRIES' SCALE

SIMON BARBER

WASHINGTON — SA ranks far below Botswana and Swaziland as a good foreign investment bet and on a par with Gabon and Panama, an Agency for International Development (AID) study says.

Authored by Frost and Sullivan, a respected political risk consultancy, the study places SA's investment climate 28th in a list of 95 developing nations.

Countries were rated on a scale of one to five, five being the most favourable, using 14 criteria. SA scored an average of 3,5, compared with 4,1 for Botswana and Swaziland, 3,6 for Lesotho, and 4,7 for Singapore, which led the rankings.

SA received top marks for liberal controls on ownership, ease of obtaining bureaucratic approvals and the reliability of courts and administrative agencies in resolving disputes.

And while the stability of its government was viewed as average — in the same league as Zaire, Mexico and Libya — it rated a poor two with Uganda in terms of threats from political turmoil, labour strife and crime.

It also scored two on its tax, exchange control, and profit and capital repatriation policies, putting it in the same category as Iraq and Mozambique.

In the relative performance of GDP growth, inflation, unemployment, domestic investment and budget balance, it rated a better than par three, with Brazil, Burma and Swaziland.

SA labour conditions, including availability and wage levels, scored three, below the 3,4 average but about the same as those in Burkina Faso, Ethiopia and Haiti.

GDM control now in SA hands

Cape Times 1/3/89 60

By LIZ ROUSE

JOHANNESBURG. — Control of leading trade finance company GDM Finance has now moved into SA hands.

An announcement by the company says this is the final step in the localisation of the company.

The London-listed international conglomerate Goode Durrant, which held 59% of GDM, has agreed to sell 2,5-million GDM shares, or 10% of the company, to local investors.

Management has acquired 500 000 of the shares, taking its holding in the company to 12%, and SA Mutual has acquired 2-million shares, giving it an 8% stake in GDM.

GDM MD John Cowper said: "The price at which the transaction has been effected is 100c a share ex the final dividend which will be declared for the financial year ending April 30. The last reported sale prior to the conclusion of the transactions was 95c cum div.

"We are delighted with the move as it endorses GDM's independence as an SA-controlled company and that, in addition, further shares have found their way into firm institutional hands. With the Mutual's 8% interest, 27% of our shares are now held by major institutions."

Michael Waring, chairman of both GDM and Goode Durrant, said this was the next logical step in the process of ensuring GDM independence.

"The first step was GDM's listing in September 1987 and this agreement to reduce Goode Durrant's holding from 59% to 49,6% completes the independence exercise.

"We are delighted with the progress GDM is making under its SA management team and we remain firm holders of our 49,6% interest."

Cowper added that GDM was confident earnings growth would be maintained in the second half.

Wages for UK firms in SA

Nearly 98 pc of black staff now exceed 'Code' ruling

Star 28/3/89

60

The Star Bureau

LONDON — Nearly 98 percent of black workers employed by British companies operating in South Africa are now paid above the European Community Code of Conduct's recommended minimum level.

This is disclosed in the British Department of Trade and Industry's latest assessment of the working of the code, just published. The assessment covers the 12 months to June, 1988.

The report says the year saw a further reduction in the number of black employees paid below the minimum level.

Other projects

In addition, companies report "impressive" levels of involvement in projects benefiting not only their employees and their families, but also the wider black community.

The companies also continued to encourage the growth of black businesses, an element introduced in the code in 1985.

The assessment is the third since the implementation of the revised code. The revision introduced a number of new provisions, and changed the emphasis of many of the original sections.

Altogether 99 companies with full reporting responsibilities (Category A) submitted reports for the period, 10 fewer than the previous period. Eleven reports were submitted from from Category B companies.

Category A companies employed 62 600 black workers, 7 700 fewer than the last reporting period.

The report says that more than 95 percent of the Category A companies confirmed that all employees, irrespective of race, were free to choose the type of organisations to represent them.

Most had taken steps to inform their employees of their social and trade union rights, and many had promoted the Code of Conduct.

Most also reported formal involvement with trade unions.

All but one of the companies confirmed that common pay scales were applied for all employees, that is equal pay for equal work.

More than two-thirds of the companies indicated specific policies in the employment and promotion of black workers in and to supervisory and management jobs. The remainder confirmed that employment and promotion was based on merit, with no race discrimination.

Commenting on the findings Britain's Anti-Apartheid Movement said: "The minimum wage level is utterly inadequate, and many British subsidiaries either do not report on their performance, or argue that they fall outside the code's definition of a foreign subsidiary. The code itself has gaping loopholes."

Majority of SA blacks oppose sanctions

MK645 29/3/89 60

LONDON. — A majority of black South Africans oppose economic sanctions and violence as a means of ending apartheid, according to a poll conducted on behalf of the Independent and ITN, the television company.

Although a minority said sanctions should be imposed on South Africa — even at the cost of their own jobs — the findings reveal that most blacks are unwilling to jeopardise job opportunities and financial well-being, and see the presence of foreign companies in the country as helping to sponsor change rather than support apartheid.

No solution

The survey, conducted by Markinor, an independent South African research company, of 550 black South Africans living in all the main metropolitan areas showed that 54,7 percent were against the imposition of economic sanctions to bring about the abolition of apartheid. Of the minority who supported sanctions, nearly three-quarters wanted them imposed even if it meant black job losses. However, a much smaller proportion of the total polled (only 8,8 percent) were in favour of sanctions if it cost them their own jobs.

According to the survey, not only do most black South Africans dismiss sanctions as a solution to the country's racial problems, they are also opposed to violence as a means of ending apartheid. Over 61 percent said it was wrong to use violence. About one third of the more radical respondents (those who support sanctions even if caused unemployment) believed violence was justified.

The survey shows that a majority of blacks believe South Africa's most pressing problems are economic rather than political. Almost 58 percent said their biggest concern was either jobs, wages or unemployment. Only 13,5 percent mentioned petty apartheid regulations and a surprisingly small 1,6 percent the Group Areas Act.

Regardless of attitudes to sanctions, nearly a third singled out unemployment as their key concern — partly a reflection of the fact that over 60 percent of those polled were unemployed.

The greatest concern about unemployment — 33,3 percent — was registered among those who supported sanctions but not if they entailed job losses. Paradoxically, 30 percent of those who favoured sanctions at any price shared this concern about lack of jobs.

The primacy of economic over political considerations was also reflected in answers to the question: "Which aspect of apartheid affects you most?" Over 40 percent said it was the wage differentials between black and white. Only 17,3 percent said it was having to live in separate areas and 12 percent that not having the vote was the greatest handicap.

In the context of these concerns, it is not surprising that nearly two-thirds of those polled said a boycott of South African exports by foreign countries would not help to end apartheid.

Interestingly, 37 percent of those who support sanctions did not see such a boycott being of any use. Among those who want sanctions provided they do not result in job losses, a large majority — 65,3 percent — opposed such a boycott. — The Independent.

UK discourages SA labour law defiance

BIDay 17/4/87 60

ROBERT GENTLE

LONDON — The British government said on Friday it would oppose any EC move to encourage employees of European companies in SA to defy local labour law.

A joint declaration on the issue is expected to be made at the EC foreign minister's meeting currently being held in Grenada, Spain.

It is understood the proposal will urge European companies with subsidiaries in SA to adopt a 14-point charter that bypasses SA's official collective bargaining system.

The initiative was devised by the West German metal workers union IG Metall. It has been supported by the West German government, which wants it included in the EC Code of Conduct. The charter has also been accepted by several German companies operating in SA.

A British Department of Trade and Industry spokesman said: "Our view is that the EC Code of Conduct has just been amended, and that another amendment is not appropriate at this time."

While the proposals might be appropriate in the context of West German law, they did "not necessarily apply" to other EC countries.

"Some of the proposals would in effect give SA employees of European subsidiaries in SA more rights than workers in the home countries," he said, adding that Spain and Portugal were among those with strong reservations.

Cautioned

Among the proposals in the IG Metall 14-point charter are the right to stage legitimate strikes without fear of dismissal and the guarantee that union members held under emergency regulation would draw full pay. It also calls for an agreement by companies not to avoid dealing with unions by having recourse to "apartheid laws".

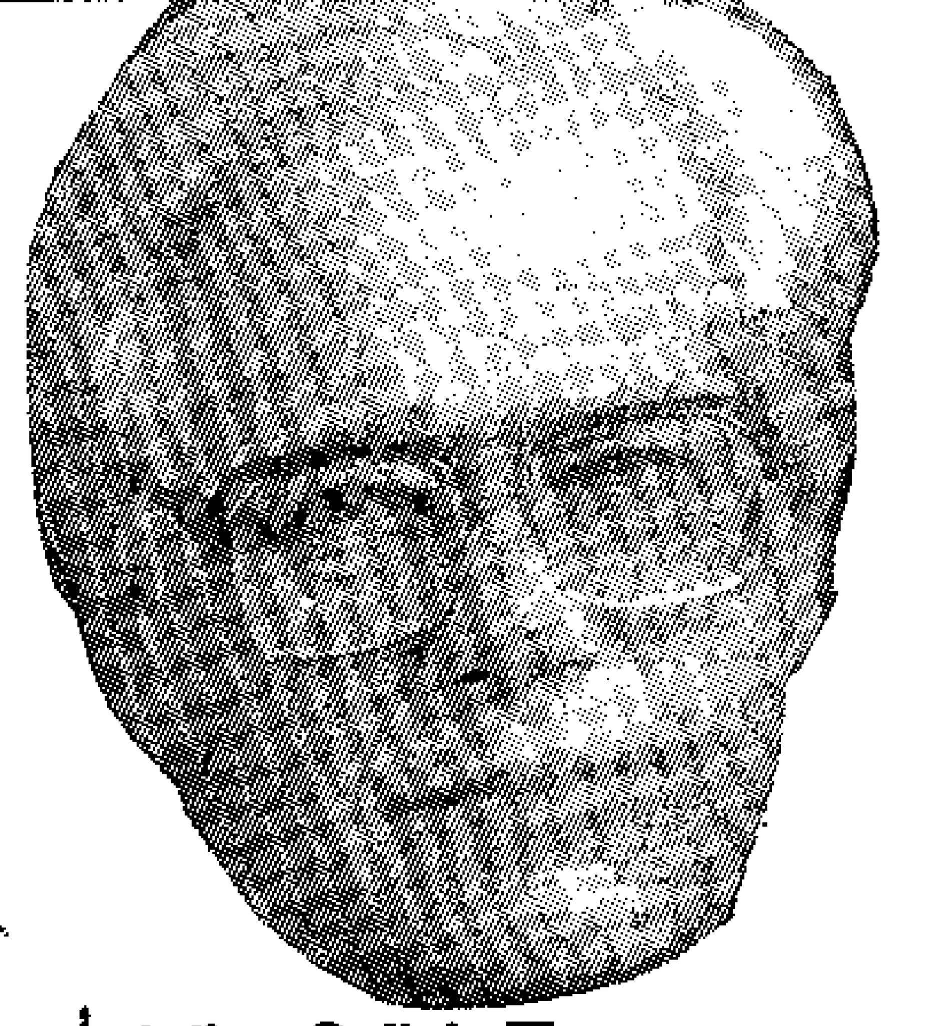
The DTI spokesman cautioned against attaching too much importance to this issue, saying no binding legislation on the union proposals would result.

Our one-way valve against divestment outflow: Finrand

60

Two massive divestments in the past week reveal the workings of the government's one-way financial valve: the finanical rand. In practice it seems that by preventing outflow, the Finrand scheme also inhibits new investment, reports HILARY JOFFE

5-11/5/89



Julian Ogilvie Thompson

TWO major disinvestments which are now in the offing have put the spotlight on the role of South Africa's controversial financial rand system.

Mobil confirmed last week that it would sell its Southern African operations to Gencor for more than $400-million (R1-billion). And Minorco, which has now gained a majority shareholding in Consgold and is trying to resolve the problem of a US court decision which prevents it taking control, has said it will sell off the British company's 38 percent stake in Gold Fields of South Africa — a move which could result in a R4-billion disinvestment.

But while over R5-billion could change hands, the money Mobil or Consgold would be paid for their assets technically would not leave the country — because it would have to go via the financial rand.

This is a point Anglo American deputy chairman Julian Ogilvie Thompson has been at pains to stress in relation to the Minorco bid.

Defending Anglo against charges of hypocrisy (on the grounds that its directors had expressed opposition to disinvestment but could now be involved in it themselves), Ogilvie Thompson told a Johannesburg daily newspaper: "The financial rand mechanism is a barrier against an outflow of funds from the South African foreign exchange reserves. The purchase by a South African investor of Consgold's South African holdings will not affect our foreign exchange reserves."

Preventing capital leaving the country as a result of disinvestment or divestment is precisely the point of South Africa's two-tier exchange rate system — of a commercial rand and a financial rand, re-introduced in 1985 following the foreign debt crisis.

The intention of "locking in the present pool of overseas investment", as a recent Bank of Lisbon International *Economic Focus* put it, is to prevent the capital account of the balance of payments being subject to sudden political shocks.

Multinational companies who disinvest, or foreign investors who sell their shares, cannot take their money out of the country via the commerical rand but must take the financial rand route.

In essence, anyone who wants to disinvest sells the assets for rands, and the rand proceeds get put into a blocked finrand account. If the disinvestor wants to convert the money into dollars (or francs or marks) he can only do so by selling those rands to another foreigner — someone wanting to bring dollars into South Africa. A disinvestment is therefore technically a transaction between two foreigners. It does not involve any net change to South Africa's foreign exchange reserves.

The price — the financial rand rate — is set by supply and demand. Which is why the financial rand rate started to drop suddenly last week, apparently as Mobil prepared to leave.

The financial rand rate is always lower than the commercial rand rate. At times over the last few years this discount to the commercial rand (how much lower it is) has been over 50 percent, since the finrand — the country's "political rand" — reflects trends in disinvestment, foreign purchases or sales of South African shares and in emigration. In recent months the financial rand discount has been a fairly consistent 40 percent. That's the amount disinvesting companies lose in order to get their money out.

But the fact that disinvestors have to take their money out via the financial rand doesn't necessarily mean they lose out.

A study on the impact of US corporate disinvestment by the Washington-based Investor Responsibility Research Centre last year listed some of the ways a US company can maximise its dollar return from disinvesting:

- "One way... is to sell its assets at less than market value and make up the difference through a licensing agreement that requires the purchaser to make royalty payments, since royalties are converted into dollars at the more advantageous commercial rand rate".

The Reserve Bank monitors this and might prevent "companies' assets selling at unrealistically low prices and then signing lucrative non-equity agreements". But such a deal might be allowed if South Africa stood to gain from the technology involved in the agreeement.

- "The parent company can also maximise its dollar return by having its South African subsidiary declare one large dividend just before the disinvestment takes place, again to take advantage of the commercial rand rate", although there are some restrictions on this practice.
- A third way is to set up an offshore trust, although the IRRC found that very few disinvesting companies had used this method. The majority preferred to sell to South African companies or to local management.

An argument which is often advanced in favour of the financial rand system is that it encourages new foreign investment, since investors can buy in very cheaply.

Foreigners can use the finrand to buy JSE-listed shares, unlisted shares (with Reserve Bank permission) and to pay half the cost of a property (the other half has to be paid with more expensive commercial rands).

But while the finrand stops disinvestment draining South Africa's foreign exchange reserves, the disadvantage is that it stops new investment actually adding to reserves. New money which comes in this way goes into the financial rand market, compensating for the effects of disinvestment by others.

In effect the price of preventing capital outflows because of disinvestment is preventing inflows because of new investment.

One academic economist cautions against concentrating too much on the financial flows. The question, he says, should be whether there is any loss or addition to productive capacity. In the majority of disinvestments, there has been no loss of productive capacity, he points out.

On the other hand, when South African companies buy up disinvesting companies they spend money which could otherwise be used for investments which would create new productive capacity and jobs.

The financial rand has been the subject of debate because its effect in cushioning South Africa from balance of payments problems in recent years has been limited.

South Africa's balance of payments problems of the past few years have not been of the kind for which the finrand could provide much insulation. A large part of the R25-billion outflow of capital over the past four years has gone on repaying South Africa's foreign debts.

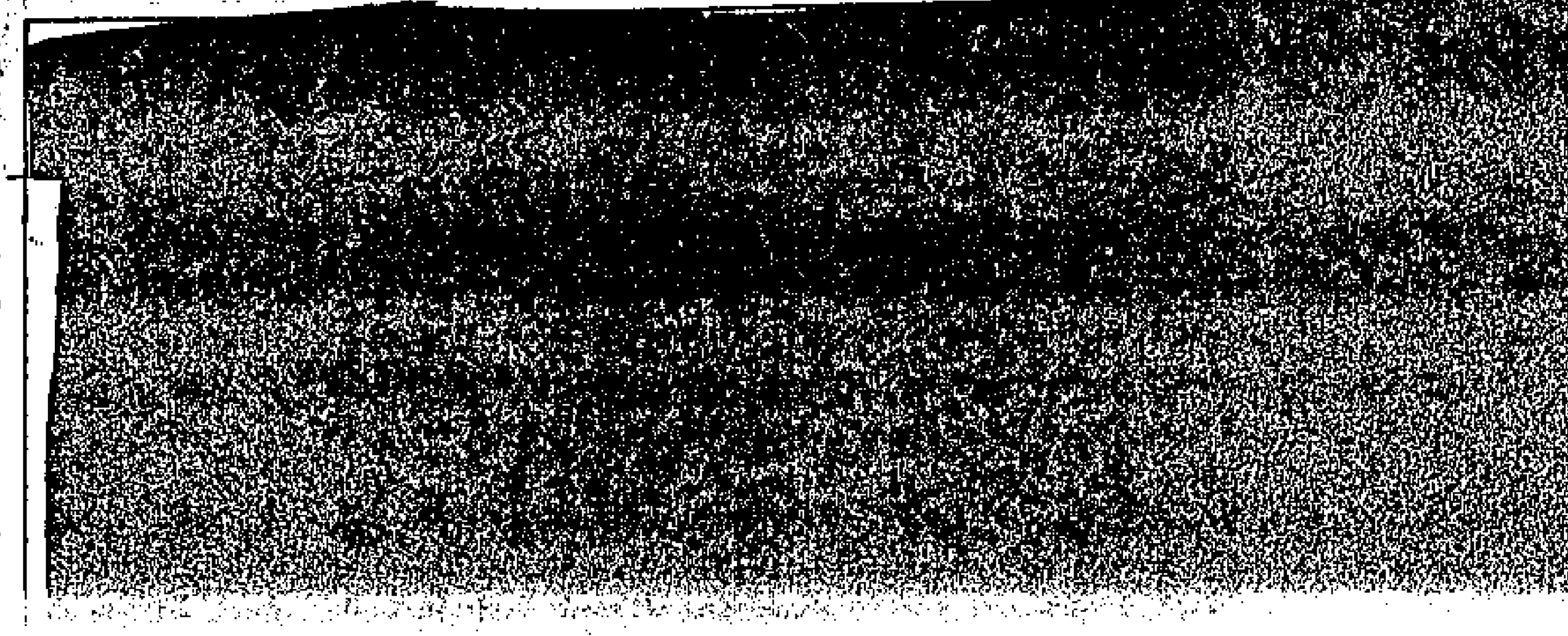
According to the Bank of Lisbon study, at the time the finrand was re-introduced in August 1985, there was no large-scale selling of shares by foreigners. In fact small net inflows had been recorded.

●To PAGE 18

Most South Africans oppose sanctions — poll

ARGUS 11/5/89 60%

From DAVID BRAUN
The Argus Foreign Service



WASHINGTON. — Most South Africans say sanctions and boycotts used to bring about an end to apartheid are unwanted, according to a new Gallup poll.

The poll, commissioned by the Chamber of Mines, has been described as the most comprehensive survey taken of South Africans in the [illegible].

The study shows a majority of blacks oppose the move towards disinvestment and sanctions even if these sanctions and boycotts cause the South African government to resign within five years and do not harm South Africans.

The release of the survey in the US has been timed to pre-empt a major public relations boost for the pro-sanctions campaign next week, when a delegation of South African church leaders under Archbishop Desmond Tutu visits Washington to plead for more sanctions.

The full results of the survey, which has been called "Voice of the South African People" are to be released at a Press conference next Tuesday, when the delegation [illegible] in Washington.

Its findings were based on a survey of [illegible] including [illegible].

It was conducted by Markinor, the [illegible] affiliate of [illegible] organisation.

The Chamber of Mines said the survey [illegible] profound [illegible] in South Africa.

[illegible]

[illegible] cans [illegible]

British envoy pledges support for education

Star 17/5/89

By Sue Valentine, Education Reporter

British support for scholarship programmes, community projects and educational resource centres was pledged by British Ambasador to South Africa Sir Robin Renwick at a graduation ceremony at the University of the Witwatersrand last night.

As guest speaker at the ceremony at which more than 300 commerce students received degrees, Sir Robin stressed that the awarding of scholarships was at the centre of the British government's programme of support, which would total more than R45 million this year.

Part of the expansion of British aid included the opening of a new British Council centre in Braamfontein on July 1, which would include a reference library, a film library, films and art events, an exhibition area and a counselling service for those interested in studying in Britain.

He said a university like Wits, with "its proud record of resistance to apartheid, deserves support — not ostracism through some half-baked academic boycott", adding that isolation was a self-defeating strategy.

Sir Robin paid particular tribute to assassinated Wits social anthropologist Dr David Webster, who he said in many ways embodied the independence of Wits.

Sir Robin attacked the disinvestment campaign, which all too often was conducted against the better employers in South Africa, not the worst.

"I really would be grateful if someone would explain to me how the sale of Mobil's assets here at a bargain price to a South African company ... can possibly help a single black South African. The union has expressed distress that it is unable to negotiate with the departing company. Unfortunately, you cannot negotiate with departing companies. It is only possible to negotiate with companies that stay."

He said it was up to each British company to make up its own mind, but added: "It is no use imagining that any foreign company that leaves is likely to return under some new and different regime. All the experience shows that those who have gone have gone for good."

Sir Robin said those foreign companies that stayed in SA had to give the strongest possible lead in providing equality of opportunity for all their employees and in contributing to black advancement.

They should develop the most advanced welfare, health, training and pensions programmes.

Britain could not perform miracles, but "what we can and will do is ally our efforts to yours. For it is only by working with those internal forces that we can hope to achieve change here."

He said about 700 South African students were receiving British government bursaries this year and it was hoped the number would rise to 1 000 by 1990.

Argus 17/5/89

60

The British alternative

Extracts from a speech by the British ambassador, SIR ROBIN RENWICK, at the graduation ceremony of the University of the Witwatersrand yesterday

DIPLOMACY

SELF-DEFEATING strategy number one is isolation. The struggle against apartheid in South Africa has been bedevilled not by positive activism here on the part of those who really are oppressed and whose efforts undoubtedly have been crucial in producing change, but by the sort of mindless activism, driven mainly from overseas, which holds that the best thing to do with a university like this is to boycott it.

Today we have a situation in which some United States publishing houses, under pressure to show themselves against apartheid, have banned the export of books to South Africa.

A university like this one with its proud record of resistance to apartheid, deserves support — not ostracism through some half-baked academic boycott. And increasing support is what this and other universities struggling for change here are going to get from us.

Fatigue

I do not intend to bore you with arguments about sanctions. They are a secondary issue anyway. The primary issue is how to get rid of apartheid. There does seem to be today a certain amount of fatigue felt on both sides of this argument. I regard that as a healthy development, for at least it shows a recognition that there are arguments on both sides.

The apostles of disinvestment, however, go on pressing for Western companies to leave South Africa. I really would be grateful if someone would explain to me how the sale of Mobil's assets here at a bargain price to a South African company, in this case Gencor, can possibly help a single black South African.

The union has expressed distress that it is unable to negotiate with the departing company. Unfortunately, you cannot really negotiate with departing companies. It is only possible to negotiate effectively with companies that stay.

An intelligent disinvestment campaign, if such a thing can be imagined, of course would be dircted against foreign companies, though there are few of them, who have done the least for the community and for their own employees, and have the worst records in labour relations and in other respects.

Rationale

The campaign currently being conducted is concentrated not against the worst, but against some of the best, employers here. And that is not surprising, for the rationale of this approach is, precisely, that worse is better.

Each British company will make up its own mind. I would only say this. Those who stay are investing in South Africa's future — and that future is going to be mainly black.

It is no use imagining that any foreign company that leaves is likely to return under some new and different regime. All the experience shows that those who have gone have gone for good.

Nor do I know of a single company which believed that, by leaving, they could do anything to help the black majority here. On the contrary, all that any of them believed they could achieve by leaving was to safeguard their profits elsewhere.

Strongest

I am not seeking to pretend that foreign companies invariably are good employers or South African companies bad ones. That manifestly is not the case. What I am saying is that those foreign companies which remain here can and must give the strongest possible lead in providing equality of opportunity for all their employees, in developing the most advanced welfare, health, training and pension programmes, and in contributing to black advancement outside their own enterprises.

To take a very practical case in point, they have been among the leading contributors to bursaries at this university and the University of Cape Town. It is an indisputable fact that the departure of foreign companies has led to a reduction in the number of scholarships they are able, or prepared, to support for black students here. No company that leaves will go on indefinitely supporting programmes here. They will support them instead in areas of the world where they are still operating.

Foreign companies also have contributed substantially to enlightened labour relations and the development of the black trade union movement here.

Blame

We have consistently told the government that more companies will leave unless it pushes ahead with reform. By the same token we have to say to those on the other side that their departure is not going to help your cause.

It is difficult to blame companies for going when they are so eagerly urged to leave. But the net effect of disinvestment can only be to reduce external involvement — and the eventual economic inheritance of a different kind of government here.

Govt needs to maintain world links

ZILLA EFRAT 60

GOVERNMENT must make very effort to maintain SA's international links, said Protea Assurance chairman Cedric Walton at the AGM in Cape Town yesterday.

He said Protea's British parent Sun Alliance had unshakeable confidence in the future of SA and provided Protea with substantial backing.

"We value this association and I personally implore government to make every effort on every front to ensure that international linkages such as this can be maintained and indeed allowed to grow," he said.

Reporting on the results for the first three months of the year, Walton said gross and net written premium had increased.

Although premium levels were slightly behind budget, investment income was substantially up resulting in the overall out-turn for the period being about the same as the previous year.

But results for the first three months seldom provided an accurate guide for the full year.

Walton said meaningful improvement looked remote as the impact of higher inflation, import surcharges and increased sales tax still had to be felt.

The absence of any meaningful increase in premiums over the past 18 months was a further aggravating factor.

Walton said Protea was now well equiped as a major insurer to face the challenges that undoubtedly lay ahead.

These included increasing competition, the increased reserving demands of the new insurance act, low economic growth, a weak rand and on-going inflation.

Centre lures foreign firms

B Day
14/6/89 ZILLA EFRAT 60

FOREIGN companies are being invited to use Johannesburg's World Trade Centre (WTC) as a permanent shop window for their export products and as a possible first step towards local investment.

WTC's marketing manager Ken Parr says good responses have already been received from Japan, Taiwan and other southeast Asian countries.

The centre is developing a network of miniature exhibition stands where goods can be placed permanently on show and plans to make 3 000 stands available.

SA's foreign acquisitions valued at $448-m

Star 16/6/89

60

South African companies made at least six overseas acquisitions valued at $448 million in the 12 months to March 1989, according to statistics compiled by KPMG Aiken and Peat, the international accounting and management consultancy.

These aquisitions were mainly through foreign companies disinvesting from South Africa under sanctions pressure, while three South African companies were sold to outside interests for $54 million.

KPMG says that while these figures may be significant by South African standards, South Africa may be on the losing end of world trade racing towards globalisation in barrier-free markets through international mergers and acquisitions that in the same period totalled $124,4 billion.

This trend was reflected by a rise of one-third in worldwide cross-border mergers and acquisitions in the first three months of 1989, compared with the first quarter of 1988, says KPMG Aiken and Peat partner, Richard Carreira.

"This increasing global merger and acquisition activity reflects the flow of trade, and is an indication of growing globalisation and interdependence of the world's economies."

Mr Carreira believes that the two major factors tightening the ties between different countries are the drive to open a single European Common Market from 1992 and the creation of the Free Trade Agreement between Canada and the US.

He points out that if South African businesses are not to allow themselves to be locked out of a market of 350 million people that is likely to become the wealthiest trading bloc in the world, they must gain a strong trading presence in Europe.

"It follows that the Government itself must examine how it can provide incentives and facilities for South African companies to estalish brigdeheads in Europe.

"By 1992 it will be far too late," Mr Carreira says. — Sapa.

UN to probe role of transnationals in SA 60

Star 27/6/89

The Star's Foreign News Service

NEW YORK — Eleven prominent persons, including two former Chiefs of State, have been appointed to a United Nations panel that will hold hearings in Geneva in September on the activities of transnational corporations in South Africa and Namibia.

The group will take oral and written testimony and submit recommendations later to the UN Secretary-General, Mr Javier Perez de Cuellar.

At a UN press conference, Mr Peter Hansen, executive director of the Commission on Transnational Corporations, said the South African Chamber of Commerce and the Federation of Industry were being invited to send representatives.

He predicted a more positive response from 800 companies with interests in South Africa than was the case for hearings in 1985. He said these were greeted with some suspicion and attracted only one business group, the International Chamber of Commerce.

DISINVESTED

Two questions would be uppermost, Mr Hansen said: whether transnational corporations in South Africa contributed to the elimination of apartheid or whether they strengthened the system.

Noting that 277 companies, including 155 based in the United States, had disinvested from South Africa since 1984, he said several sold out to local interests and only about 50 "left South Africa completely".

The UN panel will include former President Canaan Banana of Zimbabwe, former President Belisario Betancourt of Colombia and former Chancellor Burno Kreisky of Austria.

The hearings will be held from September 4 to 6.

60

APARTHEID: FIRMS FACE QUIZ

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SOWETAN Correspondent

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The UN panel will include former President Canaan Banana of Zimbabwe, former President Belisario Betancourt of Columbia and former chancellor Burno Kreisky of Austria.

A former British Labour Cabinet Minister, Lady (formerly Dame Judith) Hart and former US Republican senator Lowell Weicker also will serve in the group.

The hearings will take place from September 4 to 6.

Challenge of 1992 for SA

(60) S Times 30/7/89

By Julie Walker

ALTHOUGH the European shake-out in 1992 might not have much direct effect on the isolated South African investor, it cannot fail to affect the country.

John Parry writes in the Shareholders Association of South Africa newsletter that international attention is focused on 1992 when the common European market is due to come into being. Theoretically, it will result in a financial power greater than either Japan or North America.

But at the moment, it appears to be marked more by dissent than by unity as each nation manoeuvres for its own advantage.

The issues become complicated when national sovereignty, the free movement of labour, currencies, subsidies, taxation and other questions are discussed, and perhaps above all, how regulations can be enforced.

America and Japan are buying into Europe to get a slice of the cake before 1992, and multinationals are trying to expand through acquisitions, mergers and borrowing.

However, if a majority of European states vote for increased sanctions against SA, the entire European market would be officially closed to this country.

But it could also lead to an increase in demand for new materials, which are in short supply in Europe — notably minerals, metals, chemicals and farm products.

Disinvestors' trademarks still under threat

B/Day 27/7/87

COMPANIES disinvesting from SA who leave behind registered trademarks face the threat of having "counterfeit" goods produced under their name in this country and exported with impunity, says to a Pretoria attorney.

O H Dean has drawn his conclusions from a court case between local company Image Enterprises CC and US multinational Eastman Kodak last year.

In an article published in the July issue of the attorneys' journal, De Rebus, Dean said a disinvestor might, by his disinvestment, find himself promoting an unassailable source of what he would perceive to be "counterfeit" goods.

Abandonment

Image Enterprises applied to the Supreme Court for an order which would effectively give them the right to use the Kodak trademark following the company's departure in 1987.

"The question of the 'abandonment' of the trademark was the central issue," said Dean.

Image Enterprises had submitted that according to evidence before the court, Eastman Kodak had stopped trading in SA under the trademark and no longer intended doing so for the present, and indefinitely into the future.

Kodak argued, however, that while the company's products were not sold

SUSAN RUSSELL

in this country after June 30, 1987, SA retailers were likely to continue selling stocks for months to come.

The company submitted, therefore, that it had not stopped using the trademark at the time relevant to the court proceedings and intended to keep its trademark registrations in force in SA.

Mr Justice MacArthur found in favour of Kodak, ruling that the evidence did not show that the company had abandoned its trademark.

"In the light of (Kodak's) declared intention not to abandon permanently these marks or/and other rights in SA, I would be loathe on the evidence before me, to come to a contrary conclusion," the judge said.

Dean said the judge had granted Image Enterprises leave to appeal and this was expected to go before the Appellate Division at the end of this year or early next year.

He pointed out, however, that the court had found in Kodak's favour because on the evidence before it abandonment of the trademark had, as a factual question, not been established.

"There is nothing to prevent Image Enterprises or any other interested party making a fresh atack on the Kodak registrations and adducing further and better evidence from which abandonment can be deduced," said Dean.

"As the case is under appeal I will refrain from commenting on the merits of the judgment.

"However, it flows even from the judgment favourable to Eastman Kodak that if the facts of a particular matter can justify that disinvestment amounts to an abandonment of registered trademarks owned by a trademark proprietor, those trademarks are liable to cancellation by an interested party."

Dean said this could give rise to what the disinvestor would probably regard as "counterfeit" goods being produced in SA and exported worldwide.

"He could not blame the SA legal system or its intellectual property laws," Dean said, "because amongst the best and most sophisticated legal machinery in the world is available to him to protect himself against this sort of activity if only he chooses to play by the rules."

Whatever the outcome of the Kodak case, Dean said, there was a lesson to be learnt by would-be disinvestors from SA.

R500-million factory boost for George

ARGUS 6/7/89

60

By DAVID YUTAR
Staff Reporter

GEORGE, in the south eastern Cape, is to benefit from a huge foreign investment of between R460 and R500-million in a new hi-tech factory.

The factory will be established by a company based in the Republic of China and Hong Kong, which plans to manufacture television tubes, and later produce computers and computer components.

Town Clerk Mr Carel du Plessis said negotiations had reached an advanced stage and the company would start operating "as soon as posssible".

The only hitch is, apparently, the government surcharge of 15 percent on machinery and capital goods, but it is believed a final decision on this matter is imminent.

Mr du Plessis said the company would provide employment for about 400 people, but this would eventually be increased to 2 600.

Mr J de Jonge, chairman of the George Chamber of Commerce, said George was a national industrial growth point offering attractive incentives to manufacturers.

Other large companies had invested capital there: Table Top employed about 1 200 people, Interboard had invested about R80-million and planned to invest another R40-million and a diamond-cutting company had set up business there too.

It is believed the newcomer will be the first large foreign company to establish itself in George.

Mr de Jonge redicted that George "will attract more and more manufacturing companies of a highly technical nature".

However, Mr de Jonge, who is also chairman of the Southern Cape Technical Institute, warned: "The city will have to do much more to educate prospective employees and train them to meet increasing demand for technical skills.

"The municipality recently set aside a three-hectare site for a new technical training institute.

"I am hoping the institute will be built within a year."

The institute will provide new and extended training facilities for a host of technical skills in areas such as electrical and mechanical engineering, he said.

Foreign cash loss proved good for SA

U/c News 1/7/89 (60)

By DICK USHER
Labour Reporter

FAR from causing widespread unemployment, the much-feared disinvestment campaign against South Africa has so far had the opposite effect.

If anything it has created MORE growth and MORE jobs.

A spot survey conducted by Weekend Argus has found that the international campaign — while inducing hundreds of foreign companies to dispose of their South African holdings — has had relatively little practical effect.

In many cases the companies, under new South African ownership, have gone from strength to strength, and have expanded their workforce accordingly.

Once the trauma of the disinvestment process was over, the companies appear to have put the past behind them and set out with eyes firmly fixed on the future.

IN the majority of cases those leaving South Africa have sold out to local operations, involving a change of name but little change in staffing levels or company employment practices.

Thus General Motors became Delta, IBM became ISM, Sterling Drug became Saphar-Med and MSD became Logos, Barclays emerged as First National ...

But nearly all companies affected by a disinvestment process feel that it has been good for them and have shown positive growth and increased employment.

A noteworthy example is Delta, the Port Elizabeth-based motor manufacturing company.

At the end of 1986, when General Motors divested, it employed 2 843 staff.

But by June 1989 employment had grown to 3 412, despite a staff reduction at the time of Delta's takeover "mainly in administrative departments no longer required for extensive reporting to Detroit".

The company said it invested R50-million on upgrading equipment and expanding facilities in its first two years of operation, while extensive toolroom facilities enabled it to do work for other companies not based in Port Elizabeth creating an inflow of millions to the city each year.

THE company also proudly points out that since Delta started in January 1987 the company has not lost a "single minute of production due to industrial action".

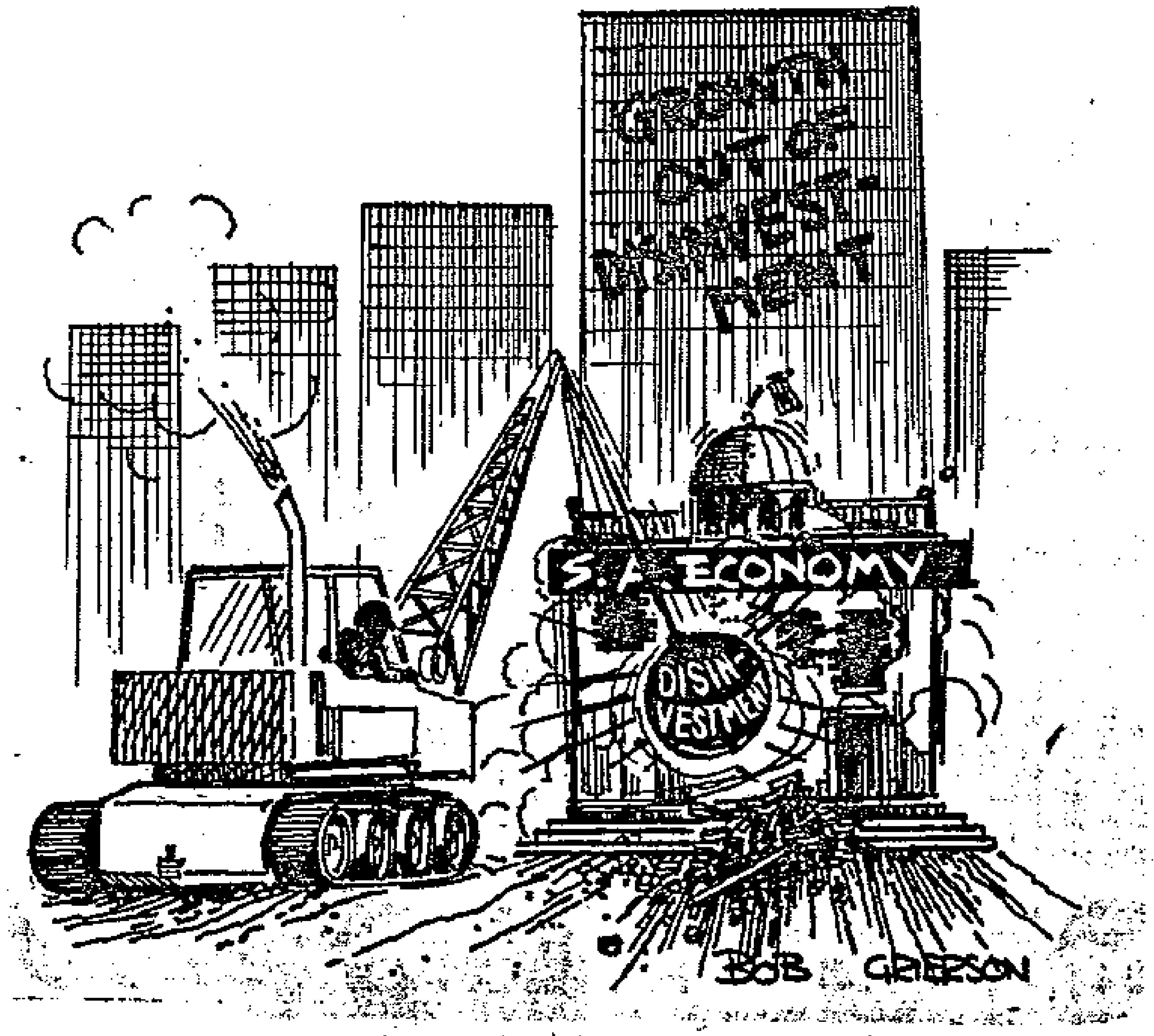
Mr George Stegmann, director of personnel for Delta, said this had to be viewed against a background of considerable labour unrest in most industries, including automobile manufacturing, over the past two years.

Mr Mike Norris, chief executive of Logos Pharmaceuticals, said that jobs were not lost when MSD (Merck, Sharpe and Dohne) sold its holdings to Barlow-Rand but that more people were employed.

The effects on staff had been minimal "and if anything there has been a positive effect".

Mr Norris said that once the process had been concluded the atmosphere of uncertainty caused by the climate of disinvestment had been dispelled and staff morale had risen.

A spokeswoman for Sappi, which took over Courtaulds of Great Britain's interest in Saiccor during 1988, said no jobs had been lost in the process — except perhaps that of managing director Hector MacKenzie who is now handing over to his successor before returning to England.



MR Adrian Botha, executive director of the American Chamber of Commerce, said that 196 US companies had left South Africa since 1983.

But as far as the original rationale for disinvestment — to eliminate discrimination and get parties to the negotiating table — was concerned the exercise had been "a total failure".

"What has it achieved?" he said.

It was impossible to quantify job losses caused by disinvestment.

"There may have been some," he said, disputing "guesstimates" of between 8 000 and 10 000 jobs lost.

"In cases like Kodak, which left without selling its operating assets to a local organisation, there was a total job loss. You can quantify that, but how do you quantify the ripple effect it might have had on suppliers and dealers," said Mr Botha.

At the time it was reported that Kodak's withdrawal cost 466 jobs, each of whom received an average of one year's salary in severance pay.

"BUT if a company that has undergone disinvestment decides to reduce staff, can you say that is due to disinvestment or was it simply a rationalisation process that was possibly overdue because the local subsidiary had simply been hanging on?" asked Mr Botha.

Mr Mike Miles, director of the Institute for Industrial Relations, said that there might have been some instances of job losses due to streamlining at the time of disinvstment.

"But then it seems that the company picks up and more jobs are created," he said.

Mr Roger Crawford, chairman of the Statement of Principles Signatories Association which replaced the Sullivan Signatories Association, said the question was not one of numbers but of leadership and influence.

"At its height the US business community in South Africa employed fewer people than Barlow-Rand.

"But through the requirements of the Sullivan Code management was forced to consider its situation in South Africa and the community in which it operated.

"It was not enough to have social responsibility programmes, they had to be relevant programmes and management had to get to grips with communities and their problems," he said.

WEEKEND ARGUS SPECIAL REPORT

"Business is all about measurement, but companies were reluctant to measure performance in the social field and that is something Sullivan did — provide a measure for accomplishment.

"There is evidence to suggest that there is not the same commitment to social justice issuesonce companies have been taken over.

"There was also little tradition of business leaders engaging government in discussion and moral debate with government, as there is in the US, and here the American influence also had a ripple effect," he said.

One of the most recent disinvestments affected Mobil's operations in South Africa, which provoked severe reaction from the Chemical Workers' Industrial Union (CWIU), an affiliate of the Congress of South African Trade Unions (Cosatu).

In 1987 the CWIU national congress took a decision supporting disinvestment and calling on companies to give adequate notice and negotiate terms of withdrawal.

This led to attempts to set up negotiations with multinationals, including Mobil, on the issue. When Mobil announced it was selling up and leaving the union claimed it had reneged on undertakings to negotiate.

There was a series of industrial actions at company operations, accompanied by discussions, which culminated in Mobil agreeing to a R6,5-million payout to employees.

AND only hours after this was announced, the National Union of Metalworkers (Numsa), another Cosatu affiliate, said it had reached deadlock with Goodyear over similar matters and planned to hold strike ballots.

Meanwhile, it's almost a case of frying pan to fire for the CWIU with Gencor taking over Mobil's operations.

Late in 1988 the union categorised Mobil as portraying "a liberal image" in terms of its social responsibility and anti-apartheid stand, but failing to address seriously the demands of workers.

But neither is Gencor rated high by unions in its approach to industrial relations.

Mr Miles, however, said that while the loss of US influence in labour relations was a blow he come across no specific cases of "union bashing" following disinvestment.

But, while disinvestment can have a positive side and its overall effects on employees appear to be minor, most businessmen agree that it is harmful.

"The loss of access to foreign capital and technology prevents expansion of the economy and restricts business growth, with a consequent lack of employment and development opportunity for those whom the proponents of sanctions and disinvestment claim they wish to help," said Mr Stegmann of Delta.

Chest hits at firms that quit SA

CMC Times 31/8/89

60

THE disinvestment of multinational companies in South Africa had created "enormous new demands on organisations" such as the Community Chest without these companies giving back to society some of the tremendous benefits they had taken from it.

This was said last night by the chest's chairman, Mr P Mayhew, at the organisation's annual meeting in the city.

Chairmans' awards were presented to Mr Charles Arnold and Dr Hendrien Lambrechts in recognition of the "major support they have given to the allocations committee".

Mr Mayhew said the hasty departure of multinational companies had contributed to the Chest's financial problems "and they cannot claim to be honest representatives of Western values at all".

The net income for the year ended March 31 was R4,2 million — R200 000 more than the target, he added.

Mr Mayhew said it was "heartening" that the community chest was beginning to receive support from organisations in the black community. This would enable the Chest to to extend its activities to those very areas of greatest need.

The guest speaker was Mr Chisto Wiese, executive chairman of the Pepkor group.

So you think you made a nice profit

Star 19/8/89

60

DEREK TOMMEY

SINCE 1981 industrial share prices have risen 148 percent on the Johannesburg Stock Exchange. But in spite of this huge rise, anybody with industrial shares who believe they have become any richer in this period are living in a cloud-cuckoo land.

For while share prices have been rising so, too, has the consumer price index — by 188 percent since 1981. This means in real terms holders of industrial shares today are some 20 percent poorer than they were in 1988 in spite of the apparent strong gains they have achieved.

This point is strongly brought home by Johannesburg stock broking firm, E W Balderson, which has calculated the "real" industrial share price index since 1960, by adjusting the monthly closing statistics provided by the JSE with the movements in the CPI.

The results are quite startling. Not only do they show that in real terms the industrial share price index has shown hardly any growth at all in the last 30 years, but that anyone who bought shares at the height of the 1969 boom would still be showing a capital loss in real terms.

However, for investors the problem goes much deeper than this. In the long-term share prices are determined by the level of company earnings. And if share prices have not grown in real terms it seems the same can be said about company earnings.

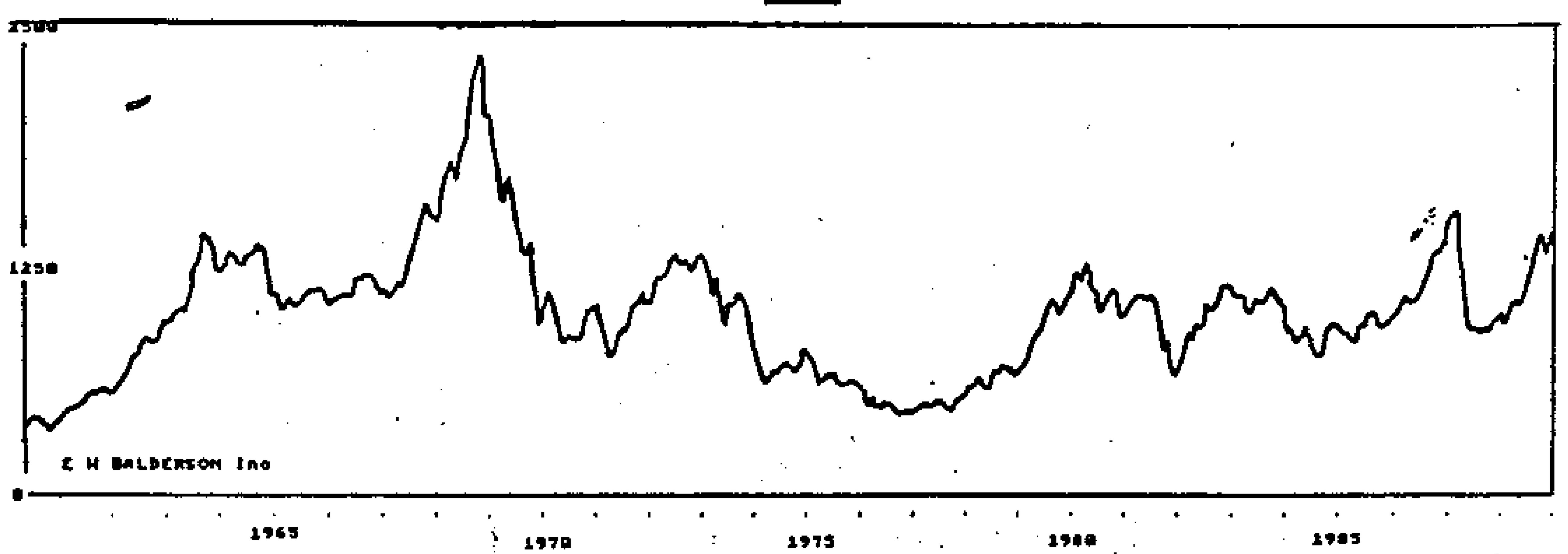
In fact, there is considerable concern in accounting circles and investment houses that because inflation falsely inflates profits some companies may have been paying taxes and dividends out of these "phantom" earnings — which means out they have been paying out their capital.

This has led to another move being made in South Africa to make companies adopt a form of inflation accounting. This was attempted some 10 years ago but for many reasons was not successful.

Draft proposals are being circulated among the accounting profession and there are hopes that accounting for inflation could become law in the not too distant future.

One of the world's leading exponents of inflation accounting, Mr Ahron Fass, a practicing chartered accountant in Israel and who is on the staff of the Tel-Aviv University spoke in Johannesburg this week about the need for inflation accounting, or as he prefers "accounting for changing prices".

Inflation accounting tries to measure the real profit — that is, after taking into account the effects of inflation on the purchasing power of the monetary unit.



The Industrial index is climbing, but look what has happened in real terms.

Mr Fass said that management was unlikely to implement inflation accounting as this usually meant they would have to report lower profits.

Speaking at a presentation by Kessel Feinstein, Mr Fass said that South Africa must not expect to be able to introduce a perfect form of inflationary accounting overnight.

"We are talking about a totally new approach to basic accounting, an approach which has not been used by accountants in the past, and they have to be educated and prepared for it which takes time.

He added that the exposure draft recently published in South Africa, whether it was implemented in one, two or three years, would need to be changed in time. "But you have to realise one thing. Those changes cannot be worked out on a computer. You cannot get a think-tank to say what the changes should be. They have to be worked out by trial and error."

Some investors and accountants might query the need for inflation accounting for public companies. Although investors in equities might not have become as wealthy as they imagined, they are still far better off than if they had invested in other mediums and, in the end, that is what really matters.

But not having equity accounting is a form of self-deception. It prevents South Africans from being fully aware of the ravages of inflation — something which foreigners with investments here appreciate only too well — for inflation eventually shows up in a lower exchange rate.

South Africa badly needs foreign capital. But it will not get it unless investmest in South Africa is commercial attractive, let alone politically attractive to foreigners.

While South Africans may fool themselves that the smaller rands they receive are making them wealthy, foreigners know this is not so. German investors have lost 49 percent of their capital invested here in the past three-and-a-half years, British investors 33 percent and American investors 17 percent.

Under these conditions South Africa has little hope of getting more foreign investment.

Pretoria's ad to speed 'revolution'

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Argus 26/9/89

The Argus Foreign Service

LONDON. — The South African government has spent R175 000 on an advertisement attacking disinvestment.

The Department of Foreign Affairs last weekend placed the full-page ad, headlined: "How to finance the South African revolution", in the London Sunday Times.

The text of the ad is, however, not the stuff of South African revolutionaries. It is an argument against disinvestment, based principally of the grounds that "by supporting the many South African companies and organisations that are fighting for a free economy rather than supporting the systematic destruction of the economy you will help South Africa achieve its goal".

"GOING TO HAPPEN"

The goal? — "The creation of a free and democratic society for all."

The ad concludes by asserting that: "More fundamental change is imminent. And it's going to happen."

It is illustrated with photographs of a bottle of "Africa blood mixture", a carton of Home Brew Beer, a can of snuff, a razor and a bottle of perfumed bath oil.

These "basic odds and ends", the ad explains, are examples of the goods that enabled 20 000 black-owned backyard shops in Johannesburg and Pretoria townships to achieve a turnover equal to that of South Africa's largest supermarket chain.

More than 550 have bowed to pressures

Star 6/9/89

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The Star Bureau

LONDON — More than 550 foreign companies have been obliged to divest their South African holdings since 1985 because of public pressure and sanctions policies, according to the International Chamber of Commerce (ICC).

This had weakened the political and economic bargaining power of the country's black population, it added in a submission yesterday to the UN hearings in Geneva on the activities of transnational corporations in South Africa and Namibia.

The ICC said apartheid was "morally indefensible", but the departure of foreign companies had lessened pressure for change, increased black unemployment and poverty, and frequently led to a deterioration in the condition of blacks.

The ICC figure is much higher than the total of 277 companies leaving since 1984 established in a UN report.

The ICC submission said opinion polls taken in South Africa by a wide variety of organisations showed the black population was opposed to action that threatened jobs.

The hearings were told that more than 300 companies were still in South Africa and had more than 130 000 employees. The companies subscribed to the US Statement of Principles and the European Community code of conduct.

BDay 13/12/89

Survey shows who retains SA holdings

SIMON BARBER

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WASHINGTON — The Investor Responsibility Research Centre's latest survey shows that 440 non-US nationals have direct investments in SA, 124 more have non-equity ties such as licensing and distribution agreements, and 130 have disinvested since 1984.

The pace of disinvestment has declined this year. At least 26 multinationals, including US giants Mobil and Goodyear, have pulled out since January 1, compared with 55 in 1988 and 96 in 1987.

Active

West German companies have paid the least heed to disinvestment pressures. Since 1984 24 have left — only two following suit this year — and 137 remain. The top four, Volkswagen, Daimler-Benz, Philipp Holzmann and BMW between them employ 20 400.

Britain leads the league with 172 firms still active in SA, including largest single employer Lonrho with "at least" 10 030 employees in 70 subsidiaries. Since 1984 76 British companies have departed, 12 of them in 1989.

Of the 131 US firms retaining direct investments, none are among the top 20 employers.

Fewer firms disinvesting

60

The Argus Foreign Service Argus 12/10/89

WASHINGTON. — The rate of disinvestment from South Africa by foreign companies has slowed substantially since a peak two years ago.

Data compiled by the Washington-based Investor Responsibility Research Centre (IRRC) shows that the number of British companies in South Africa has declined six percent from its 1988 level, matching the rate of disinvestment by US companies in the same period.

Since last year, the number of US companies with investments or employees in South Africa declined from 140 to 131, while their British counterparts declined from 184 to 172.

British companies still comprise the largest group operating in South Africa.

According to the IRRC's International Business in South Africa 1989 report, 440 non-US multinational companies have direct investment or employees in South Africa and 124 have non-equity links. Since 1984, 130 have disinvested.

Compared with British and US disinvestment, only a few West German companies have left South Africa, two last year and 24 since 1984.

According to the IRRC figures, 96 foreign companies disinvested from South Africa in 1987, 54 last year and 26 this year.

While the pace of US disinvestment had lagged in recent years, this year saw two of the largest single US disinvestments, Mobil and Goodyear Tyre, which were the two largest US employers in South Africa.

Of the foreign multinational companies remaining in South Africa, the largest employers are Lonrho (more than 10 000 employees), Royal Dutch Petroleum (about 9 500), Volkswagen (more than 8 000) and General Electric (more than 8 000).

Congregation challenges Lutheran disinvestment

The Argus Foreign Service

NEW YORK. — In what is the first known legal challenge to disinvestment, a small Midwest congregation in Roseville, Minnesota, has challenged the right of Lutheran Church leaders to withdraw the church's pension funds from United States companies doing business with South Africa.

This was disclosed yesterday by the congregation's pastor, the Rev Thomas Basich, as the church's executive prepared to act this week on a resolution, approved in August by the church's lay bodies at a church-wide convention, to disinvest in all South African holdings by September 1 1991.

B|Day 30/11/89

Western Cape attracts foreign industrialists

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CAPE TOWN — Growing interest from Hong Kong, Taiwanese and German industrialists and massive increases in Industrial Development Corporation (IDC) loans to Western Cape companies are expected to boost what is already regarded as one of SA's fastest growing regions.

Atlantis, the decentralised Western Cape industrial region which, up to now, has failed to live up to expectations, appears to be the beneficiary of much of the new interest.

Identity

RSC Atlantis project director Piet Burger reports between 60 and 70 "serious" inquiries from foreign and local companies for factory space in Atlantis. Hong Kong industrialists are understood to have shown particular interest in the Western Cape.

Burger will not disclose the identity of the interested parties, but says there will be a major announcement in January next year.

It is understood that one domestic

LESLEY LAMBERT

company recently borrowed R8m from the IDC to establish a project in Atlantis, and that some foreign companies have moved in quietly while others are waiting for more factories to be built to accommodate them.

There has also been a healthy increase in the value of loans provided by the IDC to Western Cape companies, particularly those in the clothing, food and, to a lesser extent, technology sectors.

During its last financial year ending June 1989, the IDC boosted the value of loans to Western Cape companies from R11m in 1987 and R29m in 1988 to R100m out of a national total of R396m — the largest sum ever received by the area from the IDC.

Of this amount, loans valued at R30m were approved for 11 Atlantis projects, four new and seven expanding or relocating existing operations.

The same trend seems to be emerging during the current financial year, with most of the emphasis on Atlantis.

IDC Western Cape manager Bertus de Vos reports ~~that~~ during the five months to November, loans valued at R39m were granted to Western Cape companies.

Of this amount, R24m was approved for three new projects and the expansion of six existing factories in Atlantis.

Export

De Vos attributes growth in the Western Cape to two factors. Firstly, the IDC's low interest rate scheme for small businesses, which, he says, has been effective in stimulating activity in the Western Cape where concentration of small businesses is high.

Secondly, structural changes in the economy as a result of the lower rand which have benefited the clothing and footwear industries by making them more competitive on local and export markets after years of competing with imported goods.

In an attempt to satisfy the demand for more existing facilities in Atlantis, the IDC has built two new factories of between 1 000m² and 2 000m², one of which has already been allocated.

Local trademark misuse closes door, says lawyer

B/Day 5/12/89 (60)

SUSAN RUSSELL

BY ALLOWING local entrepreneurs to imitate and misappropriate foreign trademarks, SA is closing the door on foreign businessmen whose capital investments the country can ill afford to forgo, says a local expert on copyright law.

Attorney Owen Dean, writing in a recent issue of Businessman's Law, said it was time local law registered its disapproval of local imitation and misappropriation of well-known foreign trade marks.

Dean examined a local copyright case where the issue in question was whether an SA businessman might, without authorisation, use a well-known foreign trade mark not used locally by its originator.

In a copyright wrangle brought before Mr Justice Kriegler in the Pretoria Supreme Court this year, British company Tie Rack applied for an order restraining local company Tie Rack Stores (Pty) Ltd from using its name and logo.

The UK company claimed that because of the international reputation enjoyed by its name, logo and trading activities, a substantial number of South Africans would be deceived into thinking the foreign and local company were one and the same.

Mr Justice Kriegler found that Tie Rack Stores had intentionally copied the name, logo and trading image of the foreign company, but that there could be no question of confusion as the foreign company had not established any goodwill in this country.

Dean said the judge's attitude was consistent with that of local, UK and Commonwealth courts.

But the legal principles relied upon by the judge evolved from the mid-19th to mid-20th century, when international trade was very different.

Since then the world had shrunk from a commercial point of view with multinational corporations and trade across international boundaries no longer the exception.

"The law must keep pace with these devlopments, take into account these changed circumstances and give recognition to the existence in practice of a world market and to the manner in which it operates," he said.

Dean added there were enough obtacles confronting foreign traders without SA permitting imitators of their ideas to stand in their way.

SA equities might draw UK pension funds

By Neil Behrmann

LONDON — A huge amount of funds could flow from UK pensions in a post-apartheid South Africa.

If and when restrictions on investment are lifted, the potential will be enormous.

A survey, conducted ahead of President FW de Klerk's address, shows apartheid prevented UK fund managers controlling £135 billion from investing money in SA equities.

The survey by Pension Investment Research Consultants (PIRC) covered 29 of the UK's top funds managing £130 billion of pension money.

More than 50 percent of the funds surveyed, equivalent to £68 billion, were not allowed to buy SA equities.

Moreover, 38 percent of the UK's 883 pension funds were restricted from making any type of investment in SA.

Stuart Bell, a senior researcher of PIRC, says the survey was conducted when hopes of negotiations in SA were already high.

The results illustrate the cautious attitude of pension fund managers, he says.

Nevertheless, there is considerable confusion amongst British fund managers and indeed foreign investors. Conditioned by anti-South African feeling for years, they still cannot come to terms with the possibility of a democratic South Africa.

"While some fund managers avoid SA because of excessive risk, other baulk at investment restrictions," says the report.

The comment illustrates that foreign investment moods swing between hypocrisy and greed.

The FT Actuaries SA index in dollar terms has doubled in the past twelve months and since December rand bonds on foreign markets have risen by 30 percent.

Although average gold share dividend yields are low, industrial shares pricey and Eskom yields have fallen below the inflation rate, foreigners don't appear to be perturbed by historically poor values.

For the first time in ages, the JSE is getting a glimpse of the vagaries of hot money.

US and Japan looking for yet more progress

In this, the first in a two-part series, the Financial Times examines prospects for relaxing sanctions and a return of foreign investment in the wake of President FW De Klerk's speech at the opening of Parliament last week.

US capital will keep flowing out of South Africa until the last vestiges of apartheid are eradicated, US business leaders and lobbyists say.

Measures announced by President FW de Klerk last week are seen as only a first step.

His government needs to do much more before laws severely restricting new US investment are lifted.

Many US companies which withdrew from South Africa in the 1980s say it is far too soon to return, even if US law allowed it.

Many of these corporations are likely to continue under attack from lobby groups which claim they have retained strong ties with South Africa.

About half the departing companies license South African companies to sell or make their products.

Strong argument

Moves such as last week's lifting of the ban on the ANC provide a strong argument for increasing sanctions and pressure for disinvestment, says Ms Donna Katzin of the Interfaith Centre for Corporate Responsibility.

The centre plans to keep up its shareholder pressure on corporations until there is basic and fundamental change in SA.

For example, at more than 100 company annual meetings in the months to come it will propose shareholder resolutions to stop dealings with SA.

"I'm still urging disinvestment until I see an actualisation of the promises that seem to have been made," says the Rev Leon Sullivan, a black Baptist minister whose 13-year-old Sullivan Principles on US investment in South Africa helped trigger the wholesale withdrawal of US capital in the 1980s.

The exodus swelled from seven companies in 1984 to a peak of 56 in 1987 before falling back to 18 last year. In total, 176 US companies have left over the past five years.

More than 120 still remain fully active in SA, according to the Investor Responsibility Research Centre in Washington.

Caltex is the largest, with 2 056 employees, followed by International Paper, with 1 966, and Johnson & Johnson, the drug group, with 1,451.

Other big names include United Technologies, Caterpillar and Minnesota Mining & Manufacturing.

"We believe our position there is a positive one for social justice," says Bill Lane, an international government affairs specialist at Caterpillar.

It has a parts warehouse serving Southern Africa and its exports to South Africa create 650 jobs in the US. At its last annual meeting 12 percent of its shareholders voted for withdrawal.

There is little chance legal restraints on US companies will be lifted as long as key friends in Congress maintain their strong position, says Richard Knight, a research associate of the American Committee on Africa, the oldest anti-apartheid lobby group in the US.

"People understand you have to look beyond the changes announced so far. The bottom line is universal suffrage in a unitary state."

The Japanese government, embarrassed in the past by highly publicised commercial ties with South Africa, has told Japanese companies that Pretoria's announcement of reforms should not herald direct investment or an increase in trade.

Although individual Japanese companies are reluctant to comment on possible changes in strategy, a senior Japanese Foreign Ministry official says the government and corporate position on South Africa should not change until after the release of Nelson Mandela and some other improvements on segregation policy occur.

Japanese exports to South Africa, which, on a monthly average, fell by 16 percent last year on a customs-clearance basis, rose 17,9 percent in December, compared to the same month in 1988, according to Ministry of Finance figures.

Japan became South Africa's largest trading partner in 1987, with bilateral volume, totalling $4,27 billion, prompting Tokyo to urge restraint and encouraging some companies to find third-country routes for products.

Trade with South Africa fell by four percent in 1988, putting Japan behind West Germany, in bilateral volume.

In early 1988, the Keidanren, the Federation of Economic Organisations, urged member companies to restrain trade with South Africa after the increasing volume had been condemned in the US.

Direct flights

The Keidanren has also emphasised that Japanese companies have honoured a ban on direct investment, while bans remain on direct flights to Japan by South African Airways and the use of the airline by Japanese government employees. Moreover, South African tourists are refused entry visas to Japan.

Jerry Matsila, the ANC representative in Japan, says companies will be tempted to upgrade commercial ties because controls were imposed only after international criticism.

The ANC estimates that Japanese brands comprise 62 percent of the car market in South Africa and take 64 percent of of the car-component market.

Mr Matsila says Japan's direct imports of needed raw materials from South Africa have fallen, but that imports via third countries have risen by a similar percentage.

Mr Matsila wants Japan to impose even tougher commercial sanctions, an action he says would ensure Tokyo a leading role in the construction of a new South Africa. — Financial Times.

European businesses cautious on prospects of early return to SA

STAR 12/4/90 (60)

The European Community will debate the issue of South African sanctions on February 20 and the British Government is eager to have the voluntary ban on new investment lifted following the reforms announced by President F W de Klerk.

FT writers asked companies in West Germany, France and Britain whether they were considering a change in corporate strategy:

This is the second of two articles in which the Financial Times examines prospects for relaxing sanctions and a return of foreign investment to South Africa.

London

Britain has remained the largest investor in South Africa despite public pressure on UK companies.

The exact extent of that investment is difficult to gauge but James Capel, the securities house, estimates that 75 percent of foreign companies still in South Africa are British, writes Paul Abrahams.

South Africa continues to be an important profit centre for UK companies.

Last year 33 percent of companies in the FTSE 100 index derived income from South African and 2 percent of all profits for comanies in the index came from that country. Continental Europe provided only 11 percent.

PIRC, a London-based organisation offering independent financial advice on South African investment, estimates that five UK companies derive 5 percent or more of their profits from South African operations: Blue Circle, BOC, Reckett & Colman, RTZ and Lonrho.

Last week, the only shares to have reacted to the statement were those belonging to Lonrho, which have risen 5 percent on the London Stock market since President de Klerk's speech.

The company recently acquired a platinum mine in the country.

Analysts believe that within three years some 45 percent of Lonrho's profits will come from South Africa.

Those companies which have kept interests n South Africa are reticent about their future investment strategies.

Reckitt & Colman, the consumer products group, said it was too early after the announcement to review its operations. It was also likely to look carefully at the country's economic situation, which remains precarious, before any further investment.

BOC, the industrial gases group which has a 57 percent stake in African Oxygen, agrees it is too early to make decisions.

"At the moment we have words," says Mr Paul Bossonnet, deputy chairman of BOC. "And we have heard a lot of words on South Africa. When something real happens, there may come a time to reconsider the situation."

Those companies which have disinvested during the 1980s also remain cautious.

Barclays Bank, which disinvested from South Africa after pressure from the National Union of Students, says its position has not changed.

Nevertheless, an analyst at James Capel said it had received many inquiries about investment opportunities in South Africa from the business communities in the UK, West Germany and Switzerland in the past week.

In the short term, financial analysts point out that investments in South Africa remain highly risky. Companies investing there will also have to face opposition from pressure groups which still favour disunvestment.

Those companies also risk a fall in their share price.

A recent survey by PIRC showed that last year more than 60 percent of top pension fund managers by value in the UK ran funds that had restrictions on stocks with involvement in South Africa.

Future investments in South Africa may not be bargains. If those companies which disinvested do decide to put their money back into the country, they may well find the have to pay rather more to rebuy their businesses.

Paris

In France, businessmen reacted cautiously. France's economic presence in South Africa has always been modest, and few companies have disinvested from the country in response to the criticism of apartheid over the years, George Graham reports.

Few, however, appear enthusiastic about the immediate prospects for renewing business contacts.

French direct investments in South Africa are estimated by the Bank of France to have amounted to FFr616 million (£63 million) at the end of 1987, substantially lower than in Senegal, Gabon or Cameroon, and less than a third of total investments in Cote d'Ivoire, France's principal business partner in Africa.

The energy sector, including oil, coal and gas, accounts for three-quarters of this stock of investments, with chemicals and electrical equipment making up most of the rest.

Total, the state-controlled oil company, has the largest presence, with around 13 percent of the petrol service station market, a 30 percent stake in an oil refinary and a coal mine joint venture with BP.

Total said the company was pleased with the evolution in South Africa, but that it was too early to draw any conclusions on the future.

Peugeot and Renault, the two car makers, are the only two big French companies to have pulled out of South Africa in recent years.

Renault said the decision had been made on purely business grounds, and it would have to wait to see if future business opportunities arrived.

Peugeot, whose Paris headquarters was damaged in 1986 by a bomb planted in protest at exports to South Africa by a division of the group, was more cautious.

A spokesman for Automobiles Peugeot said it was too early to revise the company's policy.

No French listed companies have enough exposure to South Africa for the Paris stock market to pay any attention to the recent developments in the political situation.

Financial analysts said, however, that in the longer term oil companies like Total and Elf Aquitaine, both of which have substantial interests in nearby African countries such as Angola and Gabon, could benefit enormously from an opening up of the South African market.

Frankfurt

West German companies with activities in South Africa welcomed the latest turn of events, but did not expect their business there to take a marked turn for the better, writes Andrew Fisher.

Two of the most prominent German companies with car assembly plants in South Africa are Mercedes-Benz, part of the Daimler-Benz industrial group, and BMW.

BMW, which employs around 2 000 people at its car assembly plant near Pretoria had no reaction to offer on the latest developments.

The company said it had never had any problems or strikes. It had had no need to adjust working conditions in line with the standard set by IG Metall in late 1987 since it was already at this level.

The company assembles all its current models from knockdown kits supplied from Germany.

Mercedes said it was already well represented in the local market and had no particular plans for nay further expansion beyond its normal rate of investment there.

Investments not likely to come flooding back

CAPE TIMES 20/12/90 (60)

By AUDREY D'ANGELO
Financial Editor

INVESTMENT is unlikely to come flooding into SA as soon as barriers against it have been lifted, the director of the UK-SA Trade Association (UKSATA), Nick Mitchell, warned yesterday.

Interviewed during a visit to Cape Town, Mitchell said there was a good chance that SA would attract overseas investment but it would not come easily.

"One misconception I see at the moment — which is potentially serious — is a feeling that once barriers against investment in SA are lifted, it will come in. But that will not happen unless SA goes out to get it.

"Times have changed. Western industrialised economies are slowing down and there is competition for investment, particularly from Eastern Europe.

"But doors will open for SA to go out and fight to attract investment. And you will be able to make out a good case. You have a lot going for you including minerals and an infrastructure.

"There will be risk in investing here. But I think the political risks in Eastern Europe may be perceived as being higher than in SA.

"Rumania is undoubtedly a Third World country. Some investment has been going into Czechoslovakia and Hungary and an accommodation will be reached between East and West Germany.

"But although one feels sorry for the Poles, Poland is a terrible environment for investment. There is no work and no infrastructure."

Mitchell said there were "still considerable links between SA and Europe, particularly the UK."

And this country was seen as the potential powerhouse for the whole Southern African region.

"European investors definitely do not see the black Southern African countries as a good market at present. But they will see them as a potential market if they become an economic region powered by SA.

"A lot depends on how SA's political troubles are resolved. If it is attractive enough for the traditional white skills to stay while the educational, training and technical gaps are filled there will be the opportunity to carry on a sort of First World economy."

Mitchell said the offshore operations set up by SA companies in recent years would be needed more than ever after 1992.

Other countries which would not be part of the new European Commonmarket were already setting up operations in EC countries to make sure they would not be shut out.

"There were 18 new Japanese investments in the UK alone last year. SA needs to be there, too."

Discussing nationalisation, Mitchell said that SA had made it easy by allowing control of the country's industry to be in so few hands.

But a lot depended on who came out on top in the black political scene.

Foreigners flock to FKV seminar

CHARLOTTE MATHEWS 60

NEARLY one-fifth of the delegates to the Frankel Kruger Vinderine (FKV) one-day conference today will be coming from Europe, America and the Far East. BDay 20/2/99

More than 550 delegates will attend the 13th annual investment conference.

The programme includes speeches from Finance Minister Barend du Plessis, Reserve Bank governor Chris Stals and JSE president Tony Norton and will culminate in a dinner with President F W de Klerk, members of the Cabinet and prominent political figures.

"Interest from overseas delegates has passed all previous records," FKV MD Sidney Frankel said.

"The 1990 conference represents the first opportunity for a large contingent of influential overseas people to experience a changing SA."

SA will have to make itself an acceptable trade partner

BID 23/7/90 (60)

HENRI DE VILLIERS

TO BECOME an economic success story, SA must deprive its neighbours of an enemy. Only then can formal economic co-operation or even closer ties be discussed openly.

Once SA is in principle acceptable as a partner, the process must be taken still further — we must be able to convince our potential partners that any structure for regional co-operation or economic integration will not lead to undue domination by the largest and most developed economy in the region.

The argument often raised by academics, as well as politicians concerned with narrow local interests, is the so-called "polarisation effect" of economic development.

The argument advanced is that industrial and investment resources tend to be attracted by the most developed country, leading to an ever growing imbalance in development and trading patterns.

This fear is real, and the view is held by many, but it is a poor argument against greater economic co-operation between SA and its neighbours, or against the creation of a fairly comprehensive southern African economic community.

Create

Natural polarisation is desirable for the sake of efficiency. If it is overdone the laws of economics will make sure it is reversed.

Europe and the US provide many examples for that. Moreover, it is quite possible to create structures within economic communities to level the advantages and disadvantages of various regions.

I have great hope for our region of the continent. Co-operation may have been stymied by antagonism and suspicion, but strong infrastructural links remain, and trade betwen SA and its neighbours has been growing rapidly on the basis of pragmatism.

Durable organisational structures already exist in the region which could provide the vehicles for growing co-operation and economic integration of southern Africa.

The Southern African Development Co-ordination Conference (SADCC) is a potential vehicle for broadened regional co-operation or even integration.

Economic communities ought to grow organically, bit by bit. In the short-term it would probably be a mistake to aim for a complex, EC type, association for southern Africa, even if SA were to join as a driving force.

Full integration is a stage of development which the EC is only now aiming at, after more than 30 years of hard effort. This does not mean, however, that SADCC cannot be developed beyond its existing objectives and structures.

A possible vehicle for greater regional development co-operation and for furthering progress towards a southern African economic community is the Development Bank of Southern Africa. It could clearly become a regional development bank serving not only SA and the states contained in it, but the region as a whole.

At this stage the Development Bank is involved in only a few projects outside greater SA, and its role as a development financing and co-ordination agency for the whole region awaits a change in SA's acceptability to its neighbours.

In the medium to long term I see its role as supporting a body like SADCC, or even a more developed community structure.

A fair amount of integration of the economies of southern Africa is not only desirable but absolutely necessary. I also believe it is possible, quite obviously not in the short-term, but gradually over time.

The EC had to overcome many obstacles to reach the position it has today.

The idea of a common market and the de-emphasis of narrow national interests has not always been popular; nor was the path of the EC free of spectacular failures. But by now all members believe they are benefiting, and a crowd of outsiders is knocking at the EC's door eager to be allowed in.

The position the EC expects to reach in 1992 is a manifestation of a new wave of economic/political philosophies: It reflects the acceptance of growing inter-dependence amongst nations.

Protectionist sentiments are still alive, even in the EC, but not for the reasons that were used primarily to justify it in the past.

National self-sufficiency is now regarded as neither desirable nor feasible. This makes a mockery of much of SA's past economic philosophies, as much as those of SADCC.

These new world trends will eventually force us in southern Africa to think beyond present ideological barriers and national frontiers.

It is a fact that black southern Africa's and SA's policies have led to both areas losing out dramatically in terms of their share in world trade and investment, and therefore growth.

This represents both a challenge and an opportunity, initially mainly for SA as the major regional economic and political power as well as the main obstacle. We must:

- push internal reform so that we can live in peace with our neighbours and become an acceptable partner.
- be instrumental in establishing a new order in southern Africa, free from fear of either military or economic domination.

Obviously this cannot take place overnight — it will have to be an evolutionary process. Most obstacles can be overcome, even past enmities.

Conflicts

Europe's communal differences, which found expression in two World Wars and many earlier conflicts, were far greater than southern Africa's differences.

Without the help of SA, no association which goes beyond that currently provided for by SADCC would be viable in the region. With unreserved and positive backing from SA, however, the process could be taken further.

The next decade promises to be critical for the prosperity of southern Africa. We must now attempt to build a new era of peace and economic prosperity.

I can only hope that the solution of the next decade will flow from southern Africa being able to reconcile differences, leading to the gradual emergence of a new economic power block that can serve as a catalyst for the improvement in the economic fortunes of other countries in sub-equatorial Africa.

□ This is an edited excerpt from an address by De Villiers to the Frankel Kruger Vanderine investment conference in Johannesburg this week.

CWIU to probe code of conduct

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Sowetan 1/3-7/3/90

THE Chemical Workers' Industrial Union (CWIU) is to investigate a code of conduct for multinational companies in South Africa.

Union general secretary, Mr Rod Crompton, said if there was a role for multinationals in a post-apartheid economy, "the need would continue for a procedure to protect workers and the economy".

Crompton said the CWIU had found no reason to change its current policy on sanctions and disinvestment. Its campaign for a fair disinvestment procedure would continue.

CWIU fought a major battle with Mobil SA last year over the terms of the company's disinvestment.

Foreign ownership down six percent

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FOREIGNERS owned at least 15 percent of all South African mining shares by the end of last year, but this was down from 21 percent at the beginning of the year, according to a report by stockbrokers Davis Borkum Hare. W|M 91|31 — 15|3|90

DBH's Manny Pohl notes that total foreign interest fell substantially from 1982 to 1988 and more recently United States holdings, through American Depositary Receipts (ADRs), have been falling. The US interest in local mining shares fell from 12,7 percent to 4,7 percent during last year.

Although there has been renewed foreign interest in the last few weeks, there are not enough shares (free scrip) available to sell.

According to Pohl's report, foreign shareholdings in South Africa's gold mines by December 31 stood at 24,2 percent while over one quarter of De Beers' shares were held by foreign investors — down from 32,5 percent during the year. Only 5,4 percent of platinum and 5 percent of mining house shares were in foreign hands.

Alternative avenues of gold share investment have been provided in recent years by Canadian, US and Australian gold mines. Pohl cites this as one reason for declining interest in South African shares. The other is political: "Foreign investor perceptions have historically imparted a 'political risk' to holding South African equities which reduced their relative attractions *vis-à-vis* gold mines elsewhere in the world," says Pohl.

Cape Times 15/3/90

60

Sanctions' effect on economy 'minimal'

Political Staff

TRADE sanctions had had a minimal direct impact on the economy but the effects of disinvestment were less easy to evaluate, Finance Minister Mr Barend du Plessis said yesterday.

Delivering his budget speech at a joint sitting, he said that as far as the outflow of capital was concerned South Africa, despite its good record, was now in the same position as the other developing countries.

All had at one time used international capital for development just as South Africa had, and now had to make sacrifices to repay their debts.

The minister said the only difference financial sanctions had made for South Africa as opposed to other developing countries was that, mainly as the result of political actions, it had been cut off from the normal international banking facilities such as the International Monetary Fund.

This had complicated cash-flow management of the current account of the balance of payments, and forced the country to maintain a continual surplus on that account.

Mr Du Plessis said the result had been that the country's capacity for growth — which traditionally meant rising imports during an upswing — had been "tempered" for now.

However, he added, South Africa had been growing since 1987 despite the sanctions, and the viewpoint that sanctions had compelled South Africa to push through certain structural adjustments more rapidly than would have happened under different circumstances was growing.

Mr Du Plessis said the sanctions lobby claimed credit for the low growth experienced by the country and alleged it was this which had forced the government to change.

But, he said, the government had known from the start that a period of unavoidable adjustment and economic restructuring, involving sacrifice in the form of low growth, was likely.

Mr Du Plessis said the government's commitment to reform, and its pursuit of a higher growth pattern — despite sanctions, underlined both the folly of continuing foreign interference through sanctions, and the futility of trying to use the lifting of these sanctions in the negotiation process.

Business Report

Foreign investment is essential for economic growth says Kantor

CAPE TIMES 30/3/90

(IS) 60

By ARI JACOBSON

FOREIGN investment is essential for cultivating growth in SA, and the ANC should be wary of policies which would chase it away, Brian Kantor, professor of economics at the University of Cape Town warned yesterday.

Speaking at a Graduate School of Business Association (GSBA) luncheon Kantor pointed to successful strategies adopted by other developing countries based on what he described as "sound attitudes to encouraging capital movements and foreign trade."

"Countries with successful economies have engendered a spirit of openness by luring foreign capital to their domain."

Kantor mentioned Sweden as a prime example of a country steeped in welfare ideals, yet aware of the importance of foreign interest.

"The ANC would be advised to take heed of policies chasing potential investors away from our shores."

At present, foreign investment in SA totals a meagre 4% of gross domestic product (GDP), he says.

"By contrast to a winning formula, interventionist policies with inward looking strategies are doomed to failure."

Kantor pointed to South America and Zimbabwe as stark examples of countries hampered by import surcharges and other constraining mechanisms which had wrecked their economies.

"It is interesting to note that Singapore's economic growth — the success story of the last decade — has resulted in the country being 70% foreign owned."

In the SA scenario, attracting foreign interest would generate economic growth with greater demands on labour employment, said Kantor.

"The beneficiaries of stunted growth, up to now, have been the owners of capital who have reaped unprecedented profits."

This, says Kantor, has come in the wake of union-backed wage increases driving down demand for labour.

"However the government has set a trend with lower wage increases in the public sector, which could ripple through and dampen salary demands in the private sector, bolstering employment."

The possibility of wage growth being kept down is strengthened by the concept of income taxes being costed into wage demands, says Kantor.

Only 123 US firms still operating in SA

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ARGUS 20/11/90

The Argus Foreign Service

WASHINGTON. — Nearly two thirds of American companies operating in South Africa have withdrawn.

Of 324 companies which originally operated in the country only 123 still have direct investment or employees there, according to the Washington-based Investor Responsibility Research Centre (IRRC).

The IRRC said in its US Business in South Africa 1990 report that the British and West German presence in South Africa dwarfed US investment.

A total of 177 British and 142 German companies had investments or employees in the country.

The largest US employer in South Africa was Caltex Petroleum.

Of the 154 US companies which had disinvested since January 1986, 74 retained non-equity links with South Africa such as licensing and distribution agreements, according to the report.

The report listed the following companies as the top foreign employers in South Africa: Lonrho, Royal Dutch Petroleum, Volkswagen, General Electric, Unilever, Nestlé, the BOC group, Daimler-Benz, Siemens and BAT Industries.

Cape Times 23/4/90

Sanctions has cost SA R10bn

(60)

Own Correspondent

LONDON. — A study by the Trust Bank reckoned that the "multiplier" effects of sanctions severely depressed the SA economy, causing higher interest rates and inflation, and lower growth, employment and wages.

It concluded that unemployment was 500 000 higher than it might have been, mainly affecting black school leavers and calculates that sanctions have cost the country £10bn since 1985, roughly equivalent to halving the gold price. Resources have been diverted from health and education to law and order.

However, Michael Louw, a sanctions specialist at the University of South Africa, says the loss of market was only about 2% of all exports, and that was regained within two years.

SA now has a supply problem to meet the export demand for coal and steel. "If trade sanctions were to be lifted tomorrow it is unlikely that exports would increase dramatically," he says. In other words, sanctions have only been a marginal influence on trade and investment patterns that have been changing for other reasons.

Meanwhile in Britain Prime Minister Margaret Thatcher's lifting of the ban on investment in late February — with tourism and cultural links, the first of the sanctions to go — has been greeted in London as an interesting political gesture but little to do with the realities of international business.

In Johannesburg, the response has been equally blunt. "Those foreign businessmen," observed one laager-hardened stockbroker, "who have for years been calling for the 'normalisation' of South African politics have headed for the hills in no uncertain manner."

Like all exporters of capital since ships first sailed the oceans, the international business community will invest if there is stability, freedom to make a profit and freedom to control that profit. Stability is first. Indeed, it is the favourite word of the banker abroad.

No one in London expects, or even admits to wanting, the sort of business climate that has in the past attracted the buccaneers to the Third World to seize the fast buck, and all agree that a major redistribution of wealth is an essential starting point to a sound future. It is accepted that the interests of blacks in SA will be at the top of the agenda.

But, in the words of a banker, the "simplistic solutions" of socialism and nationalisation will be met by the sound of cheque books slamming firmly shut — and Mandela and his colleagues still talk widely of nationalisation.

For the immediate future, there is a remarkable uniformity of business opinion, with serious investment considered to be an unacceptable risk.

Everyone agrees SA has huge potential both in markets and resources. But while the optimists believe it will retain an economic climate unique in Africa, and so be worth developing, the pessimists fear it will be absorbed into the ways of the continent that have proved disastrous for foreign capital.

Sanctions have cost R70 billion — IRRC

60

CIT-TIMES 2/5/90

Own Correspondent

WASHINGTON. — Import substitution arising from the fear of international sanctions has cost SA up to R70 billion over the past 20 years, the highly influential Investor Responsibility Research Centre finds in what is claimed to be the most comprehensive analysis ever of sanctions' impact.

But having paid this price — representing 1,5% of lost real income growth a year — SA presents "no realistic Achilles heel" to further sanctions. "The economy is much less vulnerable than it was 20 years ago, or even 10 years ago," the report states.

This does not stop the IRRC from suggesting that certain forms of sanctions — on oil, computers and capital inflows — might still be practical ways of inflicting pain on whites without disproportionately harming blacks.

SA 'will pay for apartheid'

That such pain has already been effective is indicated by a poll of 1 600 whites conducted for the study last May by UCT's Mr Jan Hofmeyr. The survey shows a plurality of 48% favouring compromise with sanctions advocates, while only 9% opt for total intransigence. Forty-one percent said government should ignore sanctions pressures and "do what is right".

SA will be paying for the structural distortions caused by apartheid and the sanctions threat for many years to come and "even a shift in world opinion may not give rise to rapid growth in the SA economy".

"In the early 60s, SA had all the opportunity to grow like one of the Asian tigers," said University of Colorado economist Mr Charles Becker, one of the report's authors. "Instead, it restructured its economy to look like a sick Latin American country."

The need to run an economy "exceptionally" closed to imports — in constant dollars, SA's imports grew by only 14% between 1967 and 1985, compared with 185% in the case of the US — has "greatly curtailed" SA productivity growth and led to "technological stagnation".

It has also prevented SA from developing those sectors where it has the greatest comparative advantage over its trading competitors, leading to further "invisible" losses.

Using an input-output model to assess the short-term effect of further sanctions, IRRC finds boycotts of SA goods either selectively or comprehensively to be "somewhat regressive". This also applies to embargoes on sales to SA.

"Black South Africans will suffer a somewhat larger decline in real incomes than will whites."

Exceptions to this include bans on the sale of computers and oil to SA because both are used intensively only in "modern sectors where capital and skilled labour shares are high, and which produce goods consumed by the relatively wealthy".

Likewise, capital sanctions "are far more effective than existing or likely trade sanctions in targeting whites" because they chiefly hit "high income urban groups" that are mainly white and Asian. They also have "desirable income distribution effects".

The report, published yesterday, has been delayed for several months. It was to have included an overview by economist and former IRRC analyst Ms Merle Lipton. This was missing because of "editing problems".

Call on govt to urge creditors to re-invest

CAPE TIMES 12/5/90 (6D)

By AUDREY D'ANGELO
Financial Editor

Issy Goldberg

NOW that foreign governments acknowledge changes are taking place in SA, foreign creditors should be asked to aid the reform process by investing in new industries which would provide badly needed jobs.

Suggesting this, the chairman of the Shareholders Association of SA, Issy Goldberg, said yesterday that these investments should be completely free of risk.

The government should guarantee dividends or interest that would give a higher rate of return than the investors could obtain elsewhere, regardless of whether or not the venture was profitable.

The new factories should be controlled and managed by a trust company, not the government. Each foreign creditor would have equity and board representation in proportion to the debt owed to him.

"SA owes $20bn inside and outside the net," said Goldberg. "It would be a wonderful thing if, instead of repaying this in foreign currency — and having to restrict our growth rate to do so — we could use even half this money to create new jobs.

"Now that such people as the President of France are acknowledging the progress being made, we can hope that overseas governments will withdraw their objections of loans to SA.

"The beauty of asking foreign creditors to invest in new industries is that we would not be asking them for new money, just to re-invest what they already have in SA."

Similar suggestions have already been put forward by South American countries with huge debts to US and European banks. "But we are a better credit risk," said Goldberg, "because we always repay our debts.

"What we are asking our creditors to do is to become partners in the reform process — without risk.

"All the political rights in the world are not going to help if people have no jobs and no homes.

"People who advocated sanctions and disinvestment, and refused to lend to SA, did so on the grounds that this would pressure the government into change.

"Now that changes are taking place we should ask them to prove their sincerity by using their money to help provide employment and better living conditions for the majority in SA.

"High interest has to be paid to these creditors in any case. It would be well worth paying a premium for investment in new industries.

"The creditors could advise on setting these up and running them, sure of a good return even if they do not make profits for a year or two while they are being established.

"The industries could be tailored to the creditors' requirements, making goods for them to export if they wish."

Thatcher eases way to new loans

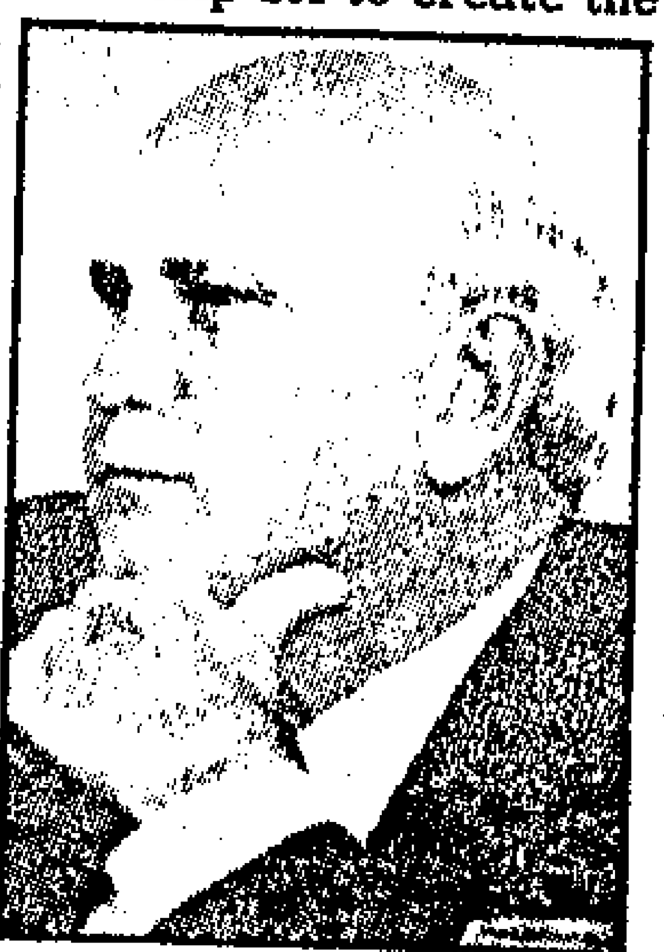
Europeans set to step up SA interests

B/Day 21/5/90 (60)

MIKE ROBERTSON

BONN — Leading European industrialists with interests in SA are ready to start expanding their operations in the country, senior officials accompanying President F W de Klerk on his tour of Europe believe.

They are also confident about securing new loans after British Prime Minister Margaret Thatcher said at the weekend: "The task now is to help SA to create the wealth, and have access to the international finance necessary, to create a successful post-apartheid society."



● DE KLERK

The presidential party arrived here last night after a highly successful visit to Britain where, in addition to being warmly received by Thatcher, De Klerk held talks with top bankers, industrialists and businessmen.

Tonight, after meetings with Prime Minister Helmut Kohl and Foreign Minister Hans-Dietrich Genscher, De Klerk will fly to Frankfurt to address a dinner attended by 50 West German industrialists and bankers.

While in Britain De Klerk met businessmen on three occasions, with one meeting arranged by former Anglo chief Harry Oppenheimer. Top businessmen, including publishing magnate Rupert Murdoch, attended a lunch hosted by Thatcher in De Klerk's honour at Chequers on Saturday.

Before lunch De Klerk and Thatcher had a 90-minute meeting that a No 10 Downing Street spokesman described as "extremely friendly".

A senior SA official said the business meetings were as important as those with the heads of state. He said there had been a dramatic shift in attitude on the part of those businessmen with investments in SA. Whereas six months ago the tendency was to restrict any new investment, there were now strong indications that companies were prepared to expand their operations in SA.

The disinvestment threat had receded significantly.

After meetings with bankers, SA officials have also begun to reassess initial fears that Europe's emerging democracies will suck up any new loans available for developing countries.

One official said bankers felt that the former East bloc countries, while politically exciting, were "hollow shells" with no purchasing power and the "wrong mentality" when it came to business.

"We need not suffer a liability. If our political climate is right and our risk factor manageable, they won't push us out of the market," the official said.

SA officials said European industrialists appreciated SA's strategic mineral advantage.

They added that although some European governments believed they needed time to swing public opinion around before dropping sanctions, there was — and would be — an increasing erosion of restrictive measures.

☐ To Page 2

P.T.O

Europe-SA ties

B Day 21/5/90

(60) From Page 1

While Thatcher has been at the forefront in the battle to resist further sanctions and has unilaterally rolled back some restrictive measures, the expectation now is that other EC countries — perhaps France or Italy — will take up the cudgels on behalf of SA at the June 25 summit in Dublin.

SA officials said the fact that Australian Foreign Minister Gareth Evans had flown into Dublin at the weekend was an indication that a move was afoot to roll back sanctions and he was "trying to stop the rot". Evans said in Dublin: "If you take the heat off now, it will be too easy to drift along." The officials were reluctant to predict Thatcher's stand at the summit, but said she was not "backsliding one bit".

At the meeting with De Klerk, Thatcher reaffirmed that she would visit SA at a time acceptable to both governments.

Sanctions, she said, were a thing of the past. Speaking at the lunch, Thatcher said she could only marvel at the remarkable transformation in SA.

De Klerk told a Press conference he had detected in business meetings a "strong movement" away from disinvestment. "I also found new interest and the absolute acceptance of the fact that South and southern Africa offer tremendous prospects if one looks beyond the short-term problems."

There was concern at talk about nationalisation, but he had put it to businessmen that "whatever the rhetoric" at present, there would be a free market system in SA. A strong and vibrant economy was necessary to improve the quality of life for all.

Interviewed on BBC television, De Klerk said there would be an in-depth re-evaluation of the state of emeregency in the next few weeks, and added there was no justification for the EC to delay the dropping of sanctions.

Today De Klerk will do his utmost to persuade Kohl to take a strong stand against sanctions in Dublin. However, SA officials do not expect the West Germans, who are preoccupied with the issue of German unity, to play a leading role.

Diplomatic sources said the West Germans would decide on whether to support a rolling back of sanctions only after meeting Nelson Mandela in Bonn on June 12 and 13. If the talks with De Klerk went well, the sources said, the West Germans could decide to step up cultural links with SA. This would be a pointer to German support for lifting sanctions.

Investment coup for FW

CAPE TIMES 21/5/90

FW AT CHEQUERS . . . President F W de Klerk and Mrs Margaret Thatcher outside Chequers, the British Prime Minister's country residence, on Saturday.

Picture: REUTER

From ANTHONY JOHNSON

BONN. — Leading European industrialists with interests in South Africa were ready to expand their operations, top South African government sources said yesterday.

President F W de Klerk's touring party arrived here last night after "highly successful" talks with Mrs Margaret Thatcher and more than 60 top British businessmen, bankers and industrialists.

A senior SA official in the touring party said the series of meetings with business leaders in five countries had been "very important" and could well turn out to be more significant than the meetings held with political leaders.

And tonight, after meeting West German Chancellor Mr Helmut Kohl and Foreign Minister Mr Hans-Dietrich Genscher, Mr De Klerk will fly to Frankfurt where he has been invited by a leading European bank to speak at a dinner attended by 50 top industrialists, bankers and businessmen.

A well-placed German source described tonight's meeting as "very important", adding that if Mr De Klerk made "a good impression", new loans and investment could be the result.

Prospects

Speaking at a press conference after a "very friendly" meeting at Mrs Thatcher's country residence, Chequers, on Saturday, Mr De Klerk said leading businessmen and bankers he had spoken to in Britain and other European countries had been "extremely interested and regarded us as a future market of great potential".

He said that businessmen and private investors he had spoken to in five countries were already looking at renewing investment in SA — "already there is movement away from disinvestment.

"I also found a new interest and the absolute acceptance of the fact that South and Southern Africa offers tremendous prospects if one looks beyond the short-term problems."

This message was echoed in a statement from 10 Downing Street after the Chequers talks: "The task now is to help SA create the wealth, and have the access to international finance necessary, to create a successful post-apartheid society."

Mrs Thatcher's office also noted that

P.T.O.

Mandela offers a truce

CAPE TIMES 21/5/90

CAIRO. — Mr Nelson Mandela, not trying to wrest the political initiative from President F W de Klerk, has offered a truce in the armed struggle if the government takes solid steps to dismantle apartheid.

On arrival in Egypt at the weekend, Mr Mandela threw down his challenge to Mr De Klerk.

"We are prepared to consider a cessation of hostilities, not the end of the armed struggle. We are prepared to consider a truce," Mr Mandela said.

"I am not aware of any significant step taken by Mr De Klerk which has the possibility of dismantling apartheid."

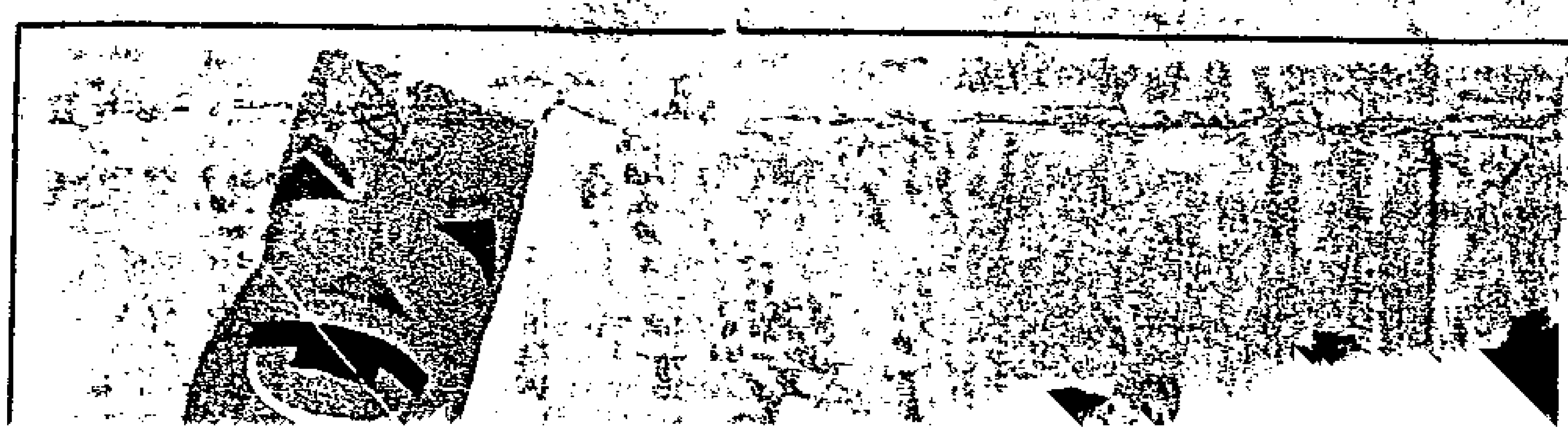
Mr Mandela also held talks with Egyptian President Hosni Mubarak. — Sapa-Reuter

3 shot dead in Welkom

CAPE TIMES 21/5/90

WELKOM. — Violence flared in Thabong township, leaving at least three people dead and scores seriously injured last night only hours after a mass meeting decided to call off an 11-day consumer boycott of the white town.

Police confirmed the deaths but could not give details.



Smal and Naas miss cup game

Staff Reporter

GERT SMAL won't be home in time for Western Province's Currie

Dutch firms face new pressures

60 Star 25/5/90

Labour Reporter

Dutch multinationals in South Africa are facing new pressure on disinvestment and labour practices after the signing of a key deal between the Chemical Workers Industrial Union (CWIU) and a major Dutch trade union.

The CWIU and Holland's 250 000-strong Industriebond have finalised a set of demands which will soon be presented to Shell, Unilever and Philips.

These include demands for a fair procedure in case of full or partial disinvestment and the resolution of labour conflicts.

At a press conference in The Hague, Industriebond president Be van der Weg warned of possible joint action over the demands. His union had held talks with Royal Dutch Shell.

CWIU general secretary Rod Crompton said the aim was to give local workers the same rights as their Dutch counterparts. The standards were in some cases more advanced than those agreed between Cosatu's metal affiliate and German multinationals.

They included internationally accepted health and safety standards, a duty to negotiate parental and retirement benefits, and a ban on dismissals in official strikes.

Mr Crompton said the demands looked forward to a post-apartheid South Africa. The union was developing a comprehensive policy on multinationals "if they are allowed a presence in the post-apartheid economy", he said.

European investment for Transkei seen at R600m

CAPE TIMES 1/6/90

By ARI JACOBSON

THERE are strong indications that European investment in the Transkei might exceed R600m in the next few years, said Transkei Development Corporation's (TDC) MD Marshall Swana in the latest SA Special Dispatch Regional newsletter.

Swan said there were 15 Taiwanese companies operating from the Transkei with a further eight having relocated since 1988 and 15 actively considering relocation.

"Transkei generated half of its own income in 1989/90 financial year with the balance received as budgetry assistance from SA."

He said the financial assistance was an effective compensation payment to maintain the families of these 67% male and 10% female labour force working in the SA economy.

The incorporation of SA and Transkei is highly debatable considering the different tax structures operating in both countries, said Swana.

"The tax load on a reincorpoated Transkei would be greater with both personal and company taxes lower than SA."

This said Swana would impinge on costs and salaries leaving the country poorer at the expense of the fiscus.

The Transkei could also save on social costs by the disbanding of the Group Areas Act in SA said Swana.

"Nearly half of the Transkei workforce are employed in SA and with the free movement into SA regional areas families would locate to areas adjacent to the breadwinner's workplace."

Even if only half the migrant families settled in SA an estimated 1,7m people would leave the Transkei decreasing the population by half and the social costs attached to government aid.

In addition for the success of a post-apartheid SA, regional co-operation must be heightened to ensure upliftment of living standards and the generation of funds locally.

At present, of the 102 industrial companies operating in the Transkei, 25 are partly or wholly-ownd by citizens of the country, with investment totalling R190m.

of state of Venda with regard to the ANC and Black trade unions. Hansard 12/6/90

†The DEPUTY MINISTER: Mr Speaker, I respectfully suggest that the hon member have the question put on the Question Paper.

Foreign companies: re-establishment after withdrawal 60

*4. Mr A P OOSTHUIZEN asked the Minister of Trade and Industry and Tourism:†

(1) Whether any foreign companies who withdrew from South Africa for political reasons during the past five years have re-established themselves in South Africa since 2 February 1990; if so, how many;

(2) whether he will furnish the names of the companies concerned; if not, why not; if so, what are their names?

Hansard 12/6/90 B1191E

†The MINISTER OF TRADE AND INDUSTRY AND TOURISM:

(1) and (2) It is not possible to furnish the desired information as no specific register is kept of the investments, disinvestments or re-investments of foreign companies in South Africa. If a foreign company itself establishes a place of business in South Africa, it is required in terms of section 322 of the Companies Act, 1973 to register as a foreign company. However, the practice generally followed is that a company which intends doing business in South Africa, forms a South African company as an own subsidiary company or in co-operation with others. In those cases it is virtually impossible to determine the relationship between the South African company and the foreign company as no distinction is made between incorporated companies which are locally or foreign owned. Disclosure of the beneficial shareholders of such companies is also not a requirement in terms of the Act.

Foreign companies registered in South Africa and locally incorporated companies which are under foreign control, are also not necessarily deregistered when they cease their business activities. The relevant company is normally used for other purposes, such as a share transfer office, or the shell which remains after the sale of the business assets is sold for conducting another type of business.

Furthermore, it should be borne in mind that not all foreign economic activities are conducted in corporate form and that use is also made of, amongst others, syndicates, partnerships, franchises and agencies, which are not subject to registration. Hansard 12/6/90 60

Prisons of neighbouring states: SA citizens detained

*5. Mr A P OOSTHUIZEN asked the Minister of Foreign Affairs:†

(1) Whether any South African citizens are at present (a) lawfully and (b) unlawfully detained in prisons of neighbouring states of the Republic of South Africa; if so, (i) how many and (ii) in which neighbouring states; Hansard 12/6/90

(2) whether he will make a statement on the matter?

B1192E

The DEPUTY MINISTER OF FOREIGN AFFAIRS:

It will for understandable reasons not be in the interest of the persons concerned to publish this information, but the Department of Foreign Affairs will be pleased to furnish available information to the hon member on a confidential basis. I can, however, assure the hon member that the South African Government at all times takes all conceivable steps to look after the interests of those concerned.

ANC representatives: expenses paid from State funds

*6. Adv J J S PRINSLOO asked the Minister of Constitutional Development:†

Whether State funds were applied to pay for the (a) hotel expenses and (b) protection of the ANC representatives who stayed at Somerset West before and during the Groote Schuur talks between the ANC and the Government; if so, (i) what amount was spent in each case and (ii) from the funds of which State Departments? Hansard 12/6/90 B1195E

†The MINISTER OF CONSTITUTIONAL DEVELOPMENT:

(a) (i) and (ii): R116 159,78 was paid from the funds of the Constitutional Development Service for accommodation and meals for ANC representatives and staff.

Hansard

(b) (i) and (ii): The Constitutional Development Service was not responsible for protection. I wish to refer the hon member to Question No 455 for written reply.

†Adv S C JACOBS: Mr Speaker, arising out of the hon the Minister's reply, were these funds originally budgeted for?

†The MINISTER: Mr Speaker, the mandate of the Constitutional Development Service is to arrange and organise conferences. There is a general point under that vote which makes provision for accommodating subsistence expenses of persons attending specific conferences and discussions.

†Dr W J SNYMAN: Mr Speaker, further arising out of the hon the Minister's reply, is it correct — if I heard correctly — that he said that the South African Government did not take responsibility for the protection of the ANC members? [Interjections.] If I heard correctly, who was responsible for protection at their place of residence and elsewhere?

†The MINISTER: The hon member did not hear correctly, Mr Speaker, but I should like to be of assistance to him. The written question, Question 455 to which I referred, is a question put to the hon the Minister of Law and Order. The SA Police, which falls under him, was responsible for protection.

†Adv C D DE JAGER: Mr Speaker, further arising out of the hon the Minister's reply, how many members comprised this delegation, and for how many people was this amount paid? [Interjections.]

†The MINISTER: I do not have exact numbers here, but the delegation consisted of 11 members. [Interjections.]

†Adv J J S PRINSLOO: Mr Speaker, further arising out of the hon the Minister's reply, can he give us an indication as to whether in the course of these negotiations which the Government envisages, it is his Department's intention to pay the hotel accommodation of everyone who is invited by them to hold discussions with them on a new constitution? [Interjections.]

†The MINISTER: Mr Speaker, the matter of the payment of accommodation expenses of persons attending conferences, depends on each case. In general, persons attending discussions or conferences must pay their own expenses. In this case, as was already the reply to a previous question, the security organisation concerned and the Constitutional Development Service held the conviction that the task of protection, which was an extremely sensitive issue in this particular case, would be best served if the Government, through the Constitutional Development Service, took responsibility for the accommodation of these people. [Interjections.]

†Adv S C JACOBS: Mr Speaker, further arising out of the hon the Minister's reply, he has now indicated that this accommodation was paid for out of moneys budgeted for conferences. I would now like to inquire of the hon the Minister what percentage of the funds budgeted for conferences the cost of this accommodation comprises.

†The MINISTER: I thank the hon member for the compliment that he thinks that I carry so many figures in my head, but I do not carry them in my head. [Interjections.]

West German Embassy: prisons service officers

*7. Adv C D DE JAGER asked the Minister of Justice:† Hansard 12/6/90

(1) Whether the Government recently, after consultations with five suspended Non-White prisons service officers who were occupying a portion of the West German Embassy in Cape Town, indicated that these five, as well as approximately 400 other suspended and/or dismissed Non-White prisons service officers, would be reinstated in service; if so,

(2) whether the officers concerned have been reinstated in service; if so, (a) on what grounds and (b) when?

B1196E

† The DEPUTY MINISTER OF JUSTICE:

(1) and (2)

The Government did not negotiate with the five suspended members of the Prisons Service who occupied a portion of the West German Embassy.

On 17 May 1990 I visited the Johannesburg Prison. This visit was arranged and planned during the previous week and had as an object a conversation with the warders. Amongst this large group of warders whom I met was also a large number of warders who had previously been suspended but had since then resumed their duties unconditionally. After the visit I released a statement to the effect that all other suspended members in the remainder of the country could apply for the lifting of their

UK warning

Cape Times 14/6/90 60

British Foreign Secretary fears FW may be toppled

Own Correspondent

LONDON. — The British Foreign Secretary yesterday said it was possible President F W de Klerk could be overthrown if he was not rewarded for changes he had made.

Mr Douglas Hurd pleaded for Mr De Klerk to be given "effective encouragement".

And, with the European Community's foreign affairs committee meeting in Luxemburg next week, he said he believed it was now time the EC lifted the ban on new investment in South Africa.

Mr Hurd said in evidence to the foreign affairs select committee of the House of Commons, he did not know whether his colleagues in the 12-nation body were yet ready to make such a move.

The foreign affairs committee is investigating British policy towards South and Southern Africa, and will visit SA later this year.

Asked whether it wasn't necessary to retain sanctions to keep up pressure for change, Mr Hurd said Mr De Klerk was also under pressure from the white electorate — evident in the big swing to the far-right during last week's Umlazi by-election.

Stressing that Mr De Klerk was "taking his political life in his hands", Mr Hurd said it was important that friends of South Africa and opponents of apartheid "show effective encouragement for what he's trying to do".

"If we find the State President overthrown because of opposition to what he is doing, I think we would have to ask why we never took effective steps to encourage the process."

He said the changes Mr De Klerk had made were the most dramatic since the National Party came to power in 1948.

Mr De Klerk appeared to have the support of his party and the cabinet, "otherwise he wouldn't still be there". But there was growng anxiety in the white electorate at the pace of change.

"We have to face responsibility and decide if we want to give some encouragement to the process (of abolishing apartheid) or run the risk of him going down the drain."

He emphasised, however, that he did not envisage the total lifting of sanctions, only a step-by-step process.

The UK government had no concrete plan of which changes should be made and how they should be rewarded. But, referring to the meeting of Foreign Ministers on Monday and Tuesday, he said: "We think there is a case for the EC to lift the ban on internal investments."

He said he was against the EC drawing up a "checklist" of specific steps SA should take to earn EC responses.

On Britain's decision in February to no longer discourage investment, Mr Hurd said: "The best way (for SA) to attract investment is through the peaceful dismantling of apartheid." He noted with approval that the Commonwealth had decided to investigate the investment requirements of a post-apartheid South Africa.

South Africa, he said, could become "a powerhouse for economic development" in sub-Saharan Africa, once apartheid had been abolished.

Asked about contacts with the ANC, Mr Hurd said the government was looking forward to meeting ANC vice-president Mr Nelson Mandela early next month, who would be in London at the invitation of Mrs Thatcher.

● While nationalisation would harm South Africa, Mr Hurd told the committee the ANC did have an argument for redistribution of wealth.

Asked about the impact of the collapse of Marxism in Eastern Europe on the ANC's socialist economic policies, Mr Hurd said it was "true that nationalisation would be deeply harmful to South Africa after apartheid, particularly in terms of its need for investment".

He said the ANC policy, developed in the 1950s, was sure to change, because there was a lot of new thinking occuring in black Africa following the withdrawal of East German and other communist economic advisers. ANC leaders were "highly receptive" to such messages.

● While there had been an increase in the number of British passports granted to people living in South Africa, Mr Hurd said he was not alarmed by this and did not expect a massive exodus of UK nationals.

Confidence vital, says Du Plessis

ARGUS 15/6/90

THE government would welcome the lifting of sanctions but was more concerned about the harm of real and potential disinvestment, said the Minister of Finance, Mr Barend du Plessis.

Speaking in the second reading of the Budget, he said South Africa had survived the sanctions of the past and had used them to accelerate the restructuring of the economy.

The country had found its own levels of growth within the parameters of sanctions. On the basis of its policies and disciplines it was equipped to continue indefinitely and make substantial progress at the same time.

DISINVESTMENT

"We should certainly welcome the lifting of sanctions, especially to ease the lot of those on whom they have had a direct, brutal impact.

"But we are more concerned with the harm of real and potential disinvestment in the wake of continuing violence, lawlessness and economic myopia."

Confidence was vital for economic growth and nobody could be naive enough to believe that the lifting of sanctions could be used as a magic wand to allow for ecnomic growth.

"Are businessmen really encouraged to plan ahead and to invest when lying under the cloud, not only of nationalisation rumblings, but also, and more gravely, of the mindless destruction playing itself out under the ANC's paternal eye?"

NO GUARANTEE

There was no guarantee that when sanctions were lifted the private sector would simply breathe a sigh of relief and return to business as usual.

"And why should it? Given the record of the past few years — with the killings, intimidation, arson and destruction, the school and consumer boycotts, stayaways, the lengthening list of politically inspired holidays, the preposterous wage and allied demands and the spirit of anarchy in some quarters — who would take upon himself the hard task of creating wealth?

"In any event wealth, if rehetoric is to be believed, stands to be snatched from a businessman under the labels of reparation, redistribution or similar high-sounding euphemisms."

There was also no doubt that the posturing, both to the left and right, of the government had had an adverse effect on markets and had substantially eroded business confidence. — Sapa.

Picture: HANNES THIART, The Argus

SEEKING FACTS: Archbishop Desmond Tutu and French Secretary of State Mr Bernard Kouchner met briefly at Bishopscourt yesterday. Mr Kouchner is on a fact-finding mission.

Fall in gold price won't affect surplus

THE fall in the gold price would adversely affect gold export earnings but a current account surplus of between R5 billion and R6 billion would still be posted, the Minister of Finance, Mr Barend du Plessis, told parliament.

Speaking in the second reading of the Budget, he said the balance of trade had been encouraging for the year so far, with a cumulative trade surplus of R5 billion for the first four months.

SOFT-LANDING

The economy was still in a downswing but there were indications that there would be a soft-landing.

"In the nature of things the eventual outcome will depend on several factors, including external factors, wage increases and in particular economic policies."

The high rates at which wages and salaries were being adjusted and the ensuing pressure on inflation complicated the task of the monetary and fiscal authorities in bringing down the inflation rate faster.

He appealed to employers to keep this effect in mind in wage negotiations because it was not possible to create real income and wealth by wage increases not supported by higher production. — Sapa.

MP welcomes returning police

Political Staff

THE chairman of the National Party's study group on law and order has welcomed "dedicated" policemen rejoining the police force in the wake of this week's R241-million pay increase.

Mr Hennie Smit MP said reports were coming in from various parts of the country of former policemen applying to return to the SAP.

"I am very glad. This was one of our aims. We had foreseen this would happen.

"They are most welcome. We need them."

Efficient policemen who wanted to return and make a career in the SAP and were dedicated to their task were needed, Mr Smit said.

Emigrant tax loophole through gilts is closed

B'Day 15/6/90. (60)

EDWARD WEST

GILTS such as Eskom, RSA and Sats stocks have been affected by a change in tax designed to plug a loophole being exploited by emigrants.

The Income Tax Act has been amended to deny emigrants the opportunity of receiving interest income free of income tax.

Previously interest earned on Eskom, Sats and RSA stocks was exempt from income tax in the hands of certain taxpayers, Deloitte Haskins & Sells accountants said yesterday in a statement.

These taxpayers included people not living in SA or carrying on business in the country, as well as external companies not carrying on business in SA.

Following the passing of the Act in Parliament this week, these taxpayers are now entitled to the exemption from income tax only if the investment in the stocks was paid for in foreign currency.

Deloitte Haskins & Sells's Orlando Fernandes noted yesterday that both the income tax and foreign exchange advantages applicable to emigrants investing in the stocks would be removed.

The denial of the interest exemption would come into operation on a date to be fixed by the Minister of Finance by notice in the Goverment Gazette.

The reason given by government for the amendment was that the relevant interest exemption was not adequately focused. The exemption was aimed only at encouraging foreign investment into SA.

However, it had become widely used by emigrants to invest their blocked funds in such tax-free exemptions. The amendment also introduced certain anomalies, said Fernandes.

"On the one hand dividends received by emigrants will be exempt from normal tax, but subject to a witholding tax of 15%. On the other hand, interest received by emigrants from a SA source will be subject to normal tax at maximum marginal rates of 44%," Fernandes said.

Both present and future emigrants would have to reconsider the structure of their investment portfolios in SA, he said.

Kent Durr tells of new trade links

BDay 19/6/90 (60)

Foreign firms plan to invest billions in SA

MIKE ROBERTSON

CAPE TOWN — Foreign companies were planning on investing billions of rands in SA in the next six months, Trade and Industry Minister Kent Durr said yesterday.

Durr said major investments had been lined up in the motor, mineral, metal beneficiation and chemical sectors. He declined to give details of companies involved.

Government officials said yesterday that investments of up to R4,5bn were being planned by the motor industry.

A further R500m investment in the manufacture of auto-catalyst components, mainly for export, was also in the pipeline.

Durr was expanding in an interview on a speech he delivered to the President's Council in which he said SA was seeing a rolling back of sanctions.

"We are making contact now with old friends... and large investments are being planned or considered."

Durr said large European and Asian companies were showing an increasing interest in developing mineral and metal beneficiation plants in SA.

Rapid progress also was being made in re-establishing old trade links and expanding new ones, particularly in Africa.

Yesterday Durr received high-powered trade delegations from the Ivory Coast and the Ministry of Trade in Malawi. New trade arrangements and agreements are in the offing.

Durr told the President's Council that his department had been busy with a host of activities in Africa, including the opening of several trade representative offices and facilitating trade and joint projects.

In March this year he visited East Berlin and Poland, the first SA Minister to do so since the Second World War.

"All the time we were breaking new ground and we have had a steady stream of distinguished visitors from all over the world to talk trade and investment to us.

"In our department we have structured an Africa desk and a 'one-stop' export promotion centre to facillitate this flow, as well as looking fundamentally at the way our foreign trade offices operate abroad."

To meet new challenges facing SA, every activity and service provided by his department had been placed under critical examination. Among the decisions were:

The phasing out of the travel agents board; a review of technological policy (a report is expected in August); reversing previous policy and establishing a policy of vertical integration in the wine industry; the deregulation of the sugar industry; restructuring and modernising the Decentralisation Board, and launching of an investigation into "our over-complicated tariff structure by the Board of Trade and Industry and the IDC" (expected to be completed by next month).

Durr said future industrial growth in SA would have to be export led.

"We must structure ourselves for this challenge. The need to encourage exports also brings home the imperative of normalising our political relationship with the world. You cannot have expanding sales into contracting markets.

"Not least important is our new general export incentive scheme and the tariff evaluation."

Durr said that in future SA would have to exploit its comparative advantages and seek ways and means of promoting further beneficiation and added value of raw materials and minerals.

'Big money' coming to SA

CAPE TIMES 19/6/90

By MIKE ROBERTSON

FOREIGN companies are considering investing billions of rand in South Africa in the next six months, Trade and Industry Minister Mr Kent Durr said in an interview yesterday.

Mr Durr was expanding on a speech he delivered to the President's Council in which he said sanctions were being rolled back.

"We are making contact now with old friends we have not seen for a while and large investments are being planned or considered," he told the council.

Mr Durr declined to give details of companies involved, but claimed investments totalling billions of rand were being planned in the motor, mineral, metal treatment and chemical sectors.

Government officials said investments of up to R4,5-billion were being planned by the motor industry.

A further R500-million investment in the manufacture of auto-catalyst components, mainly for export, was also being planned.

Mr Durr said major European and Asian companies were showing an increasing interest in developing mineral and metal treatment plants in South Africa, often in joint ventures.

The minister said that in addition to the renewed interest in investing in South Africa, rapid progress was being made in re-establishing old trade links and expanding new ones — particularly in Africa.

Mr Durr said future industrial growth here would have to be export-led.

"The need to encourage exports also brings home the imperative of normalising our political relationship with the world. You cannot have expanding sales into contracting markets."

SA's debt crisis 'over'

CAPE TIMES 19/6/90

SOUTH AFRICA's debt crisis is over, according to the governor of the Reserve Bank, Dr Cris Stals.

Dr Stals told the SABC yesterday that within 10 days South Africa will repay the last of its instalments under the terms of the second arrangement of the debt standstill.

This will take total payments of foreign debt over the past three months to $1,2 billion (about R3,2bn).

While South Africa still has large debt commitments to meet under the third interim arrangement, Dr Stals said the total debt due for repayment would be substantially lower in the years ahead. — Sapa

Growth in SA's foreign trade matches world rate

BDay 27/6/90

EDWARD WEST

SA's foreign trade grew at the same 7% annual rate as world trade in 1989, with SA's imports and exports rising by 2,5% and 11% respectively in volume terms, the Board of Trade and Industry (BTI) 1989 annual report said yesterday.

The report said in 1989 the economies of the countries which were members of the General Agreement on Tarriffs and Trade (GATT) grew at a combined rate of 3,25%. SA's economy expanded at a rate of 2%.

As a percentage of SA's total non-gold exports, raw materials accounted for 42% of exports, processed raw materials 45%, material intensive products 8% and finished products 5%.

The volume of production of secondary industry grew by 0,2% in 1989 compared with a growth rate of 4% in 1988, the BTI said.

Numerous government reports came to the conclusion there were structural deficiencies in the industrial sector other than the structural aspects of a more macro-economic nature.

Emphasis

The BTI said that a continuation of industrial policies of the past, of which import replacement was a central element, would not succeed in taking industrial growth to a consistently higher growth rate than the past 15 years.

Import replacement was no longer the growth force it was and emphasis had to be placed on exports.

An outward-orientated policy would promote development together with efforts to achieve more value added within SA prior to export.

World markets for raw and processed materials were growing far more slowly than markets for finished products — emphasising the need to move the composition of exports into higher value added products, the BTI said.

The estimated shortfall on the services account of the foreign trade account was approximately R10bn in 1989.

To avoid periodically having to cut back severely on demand in the economy when it went out of line with supply, a high piority should be given to supply-side policies.

The BTI said major economies in the world were expected to grow by 2,75% in 1990. This slower growth would have an impact on commodity prices.

SA 'likely to be conduit for funding from abroad'

BDay 27/6/90

LINDA ENSOR

● BRAND

SA WAS likely to be a conduit for foreign funds directed towards infrastructural development in southern Africa, Development Bank CE Simon Brand said at the launch in Johannesburg yesterday of new insurance company Lombard Guarantee Insurance.

Brand said this would provide expanded opportunities for SA firms.

Once SA had achieved political and economic reform, opportunities for economic interaction with other African countries would emerge.

Although SA was unlikely to be a source of finance for infrastructural projects, public and private institutions could be a conduit for southern African financial assistance and investment from abroad.

● See Page 11

Foreign businesses sound out Ackerman

B'Day 28/6/90

(60)

LESLEY LAMBERT

CAPE TOWN — Three major US and European manufacturing multinationals and two foreign retailers have asked Pick 'n Pay chairman Raymond Ackerman to help them to re-establish business links with SA.

The foreign companies approached Ackerman after he addressed a recent international retailers and manufacturers conference, attended by 2 000 foreign delegates, in Berlin.

"Four major multinationals expressed an interest in moving back into the SA market and three of them actually asked me to set up meetings with local economists and property consultants in July and August so that they could determine the feasibility," Ackerman said yesterday.

"I was also approached by a large Belgian retailer which was interested in buying SA products, particularly fresh foods, and a sporting equipment chain store with outlets in America and Europe which was considering establishing itself here," he said.

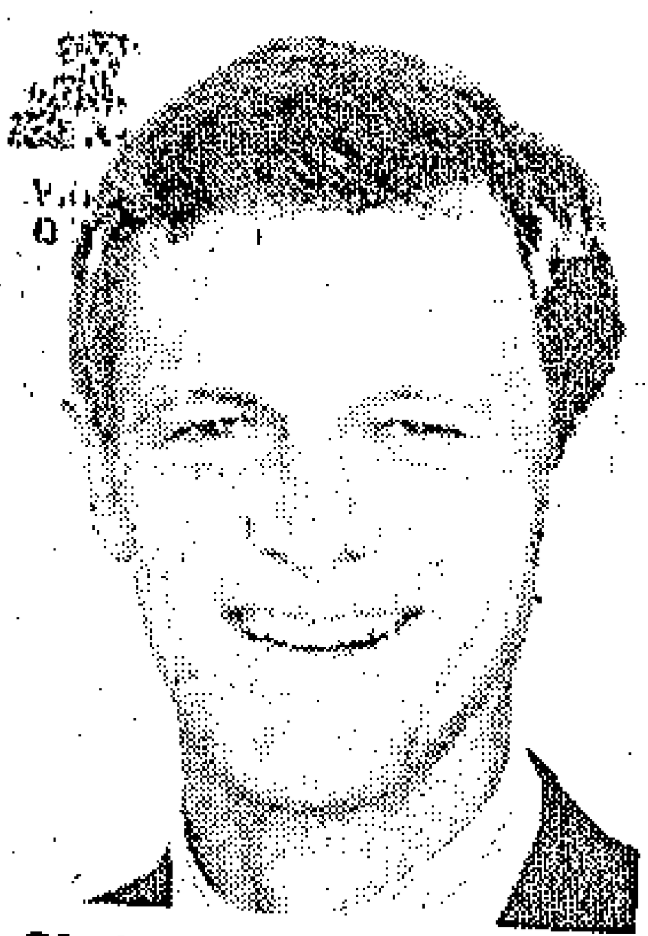
Ackerman, who was also invited to speak at the 25th anniversary of Manchester University's Business School days before the EC summit began, said he had noticed a marked change in the European business community's attitude towards SA.

"They really believe that what we are doing to change the political situation in this country is irreversible," he said.

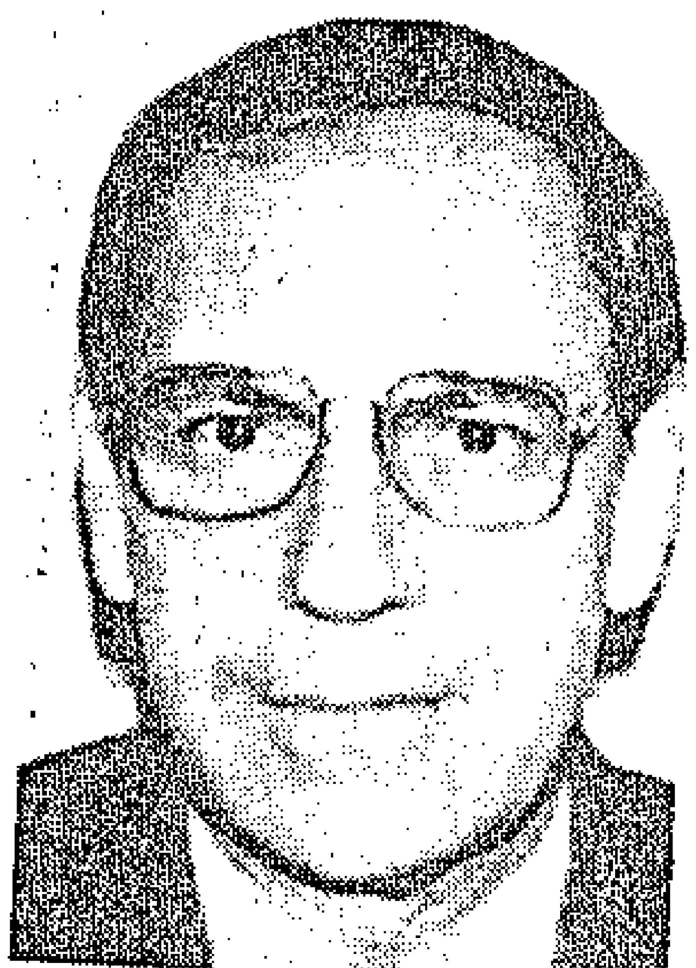
Advanced

While many of the foreign delegates, particularly the Germans, were more interested in Eastern Europe as a potential new market, Ackerman said he had tried to convince them of the advantages of investing in SA.

"I told them that our infrastructure is far more advanced than in Eastern Europe and that SA is likely to become the gateway to southern Africa," he said.



Chris Steyn has been appointed MD of Dairybelle Fresh Milk.



Tony Baiocchi has been appointed senior manager (pension administration) of Sage Life.

Willem Burger has been appointed dealer principal of Auto Atlantic BMW, Kloof St.

Call for plan to build up exports, jobs

CM Times 10/7/90

60

By AUDREY D'ANGELO
Business Editor

A CALL for a strategic plan in which SA's business houses would co-operate with each other and the authorities to build up exports and create more jobs — as was done in Germany and Japan — is made by Jeffrey Liebesman, chairman of the FSI Corporation, in the annual report.

"The greatest contribution the business community could make towards easing this process of change would be the creation of jobs and the enlargement of the economic cake that is available for sharing," he says.

"Both could be attained if SA's business houses were to co-operate in the manner that has been so successful in Germany and Japan, namely assessing where the country's competitive advantages lie, then working together and with the authorities so as to co-ordinate SA's resources to build up exports and international activities.

"The politicians have shown a willingness to abandon historic positions and open their minds to new ideas. The time is ripe for business people to change their attitudes to local and international markets in a similarly constructive manner."

Liebesman also warns, in the report, of a need to prepare for an intensification of competition in SA when multinationals which have kept out for political reasons enter the local market.

The report points out how FSI has expanded since 1981, when it had one factory in SA, to become the holding company for international operations with 33 factories and 860 distribution points on five continents.

It says that the process of change in Southern Africa and Eastern Europe is "accelerating the development of a single global market".

Liebesman says that in Southern Africa "the fundamentals are so changed that respected analysts are looking for economic growth in SA to average 3,6% a year in real terms through to the end of the century.

"This welcome improvement could be attained with little inflow of overseas funds."

He continues: "We are alert to the international alliances that are developing as organisations respond on the one hand to the opportunities that are opening up within the major trading blocks, and on the other hand to the intrusion of foreign competitors into their home markets.

"Within SA, FSI companies are taking steps to prepare for an intensification of competition as multinationals that kept out of the country for political reasons enter the SA market when prospects improve."

In spite of these brighter prospects, Liebesman warns that 1990 "will be a difficult year with high interest rates and the preliminary moves in serious negotiations to create a new political dispensation for SA".

But, he says, "despite the current difficult economic environment the '90s hold great promise".

He expects the FSI companies to "benefit materially when there is an improvement in the economic climate and especially from a return to stable conditions in SA".

Investment warning for SA

KIN BENTLEY

LONDON — A director of one of Britain's largest merchant banks yesterday urged Nelson Mandela to call off sanctions immediately, or let SA run the risk of losing out to Eastern Europe in the "intense" international competition for investment funds.

(60)

Kenneth Costa of S G Warburg and Co Ltd, said if the ANC deputy president was serious about his commitment to maintain economic growth ahead of population growth, "this could only be done through foreign investment requiring at least £2,5bn (R11,75bn) per annum in foreign capital.

B Day 18/7/90

"It is also interesting to note that every one year's delay adds 1-million people seeking jobs to the population in SA."

Speaking at a seminar on Britain and SA organised by the Centre for Policy Studies (CPS) here yesterday, Costa said it would take time for the various legislative and other sanctions directives to be dismantled.

"This process needs to be put in place immediately in order for the economy to begin the process of readjustment."

Turning to nationalisation, Costa said: "For as long as nationalisation in any of its guises remains a commitment of the ANC, for so long will international investors be deterred from investment in SA.

"This much is clear from the reaction of the business community to Mandela's recent visit.

"Privatisation is a key to the development of a vigorous enterprise economy. This market-led economy is the natural way to help eliminate the disparities between black and white in pensions, housing, social welfare, education, etc.

"The command economy distributes poverty and will not create the wealth necessary to establish an economy in which all can participate."

Costa also called for the estimated £20bn (R94bn) of assets in state-controlled companies to be privatised and for these shares to be distributed free to people in SA as a "peace dividend".

"These shares are, after all, owned by the state on behalf of the people. To distribute, say, R2 000 per head as a peace dividend will be a significant step towards establishing the enterprise culture of the market economy."

He said: "Before the lever of nationalisation is pulled, consideration should be given to the proper deployment of all state-controlled assets.

"In the context of SA, nationalisation is the one option that is not consistent with prosperity."

Investors abroad 'fear stakes in a new SA could be at risk'

p10 19/7/90 **GERALD REILLY** (60)

PRETORIA — European businessmen and investors were concerned that, in any new economic dispensation in SA, their funds could be at risk and the repatriation of dividends and profits blocked.

That was the conclusion of an Afrikaanse Handelsinstituut mission just back from west and east Europe. It was led by AHI president Tom de Beer.

In a statement yesterday the mission warned that any revolutionary about-turn or disruption of the existing economic order would be a severe blow to economic and financial ties, even if politial stumbling blocks were removed.

"It was clear that sympathy alone with a new political dispensation in SA would not necessarily mean greater trade and, particularly, greater investment."

The attitude in Europe was that black South Africans should have an equal say at central government level before a start could be made on fully restoring economic and financial ties.

Unless this happened speedily, the mission believed economic and financial action against SA could sharpen further.

Overseas business still wary of SA investment

(60)

GERALD REILLY

PRETORIA — European businessmen and potential investors remained cautious and nervous about involvement in SA in spite of recent reforms.

That was the view expressed by Johannesburg Chamber of Commerce and Industry CE Marius de Jager after he returned this week with a group of leading SA businessmen from the International Chamber of Commerce conference in Hamburg.

The group also had talks with the London Chamber of Commerce and other business interests in Britain and the Continent.

De Jager said yesterday the attitude was likely to persist until it became clear that a constitutional settlement acceptable to most South Africans was firmly in place and the risk of nationalisation eliminated.

There was a perception, however, that goverment was moving determinedly towards normalising the socio-political situation and that apartheid was firmly on the way out.

The inflow of investment capital, he stressed, would depend greatly on progress made in constitutional negotiations.

On nationalisation, De Jager said Mandela had spoken on the subject to leading businessmen on his recent overseas tour, but it was apparent that doubts had not been eliminated.

Businessmen had been at pains to make it clear they would have great difficulty with any substantial degree of nationalisation in SA. "On investment, however, the overwhelming impression was that there were a great many other investment opportunities opening up in eastern Europe and Russia."

De Jager stressed competition for development capital would become even tougher in the years ahead.

'ANC' bank likely for early 1991

Cap Times 28/7/90

60

Political Staff

A DEVELOPMENT bank, with an initial capitalisation of R12,5 billion, could be established at the beginning of next year after Mr Nelson Mandela's tour to the United States, the ANC's international affairs director, Mr Thabo Mbeki, said yesterday.

One of the Britain's biggest merchant banks had also asked for further discussions with Mr Mandela, he said in an interview published in New Nation.

The international business community was very keen that there should be an understanding between the ANC and itself because what happened to its investment would be determined in part by what the ANC said.

"There is therefore the acceptance of the centrality of the ANC, not just in the processes today, but also in the future of South Africa," Mr Mbeki said.

Sanctions could not be imposed if there was "a kind of joint administration of the country" in the transitional period because the democratic forces would be involved.

The ANC, the government and other forces would be able to say they had arrived at a point when profound and irreversible changes had taken place that sanctions could be lifted.

FM 24/8/90 (60)

FINANCIAL RAND (60)

Small impact

FM 24/8/90

Curbs on investments through the financial rand, announced by Finance Minister Barend du Plessis as part of an effort to reduce fraud, are not expected to have much impact on the currency's value.

The new rules bar the use of finrand for working capital or current expenditure. Investment in (and upgrading of) farms and residential property is also not allowed.

Finrand may now be used for investment only in fixed assets such as land, buildings, machinery and equipment. The purchase of shares in an existing company will be limited to the value of fixed assets.

The restrictions do not apply to listed investments such as shares and gilts.

A merchant bank finrand dealer says minimal business will be affected by the curbs. "The Reserve Bank has already been reluctant to approve applications to use finrand for working capital. Even for a new company, the rule of thumb was at least 80% of finrand into fixed assets, with at most 20% for start-up costs."

Donations can also no longer be in finrand unless the money goes to fixed assets. In addition to schools and health facilities, this puts in doubt such arrangements as the foreign financial support of alternative publications like *The Daily Mail.*

Even buying fixed assets through the finrand will be controlled. Prepayment of goods will no longer be allowed. Instead, goods arriving in SA must be valued to the satisfaction of the Bank before payment is made.

This will prevent overvaluation and round-tripping and mainly affect subsidiaries of foreign companies. ■

Import tariffs are too high say foreign businessmen

LESLEY LAMBERT

CAPE TOWN — Visiting foreign businessmen have warned that if SA companies are to compete internationally, local import tariffs will have to be reduced in line with the liberalisation of international trade policies.

The Cape Town Chamber of Commerce, which received business groups from Taiwan, Singapore and Hungary last week, reports that while the visitors were interested in doing more business with SA, they all stressed that the country faced increasingly tough competition in foreign markets.

They also warned that SA industries would be priced out of world markets and that potential foreign investors would turn to other countries if domestic wage increases were not matched by higher productivity.

To remain competitive, many foreign countries were in the process of liberalising their trade policies — a move aimed at lowering cost structures and enabling industries with a comparative advantage to compete effectively on international markets.

Hungary had dropped all its protective tariffs and was offering free entry for imported goods, while Taiwan was accelerating its programme to decontrol imports and open its markets to imported goods.

By the end of last year, 97% of all Taiwanese imports had been decontrolled and the effective rate of tariff protection had been cut from 14,4% in 1971 to 4,7% last year.

In its latest news bulletin, the chamber said it hoped an investigation by the Industrial Development Corporation into SA's tariff structure and protective policy concluded that the country needed to remove the remaining vestiges of import control and to lower tariff levels across the board.

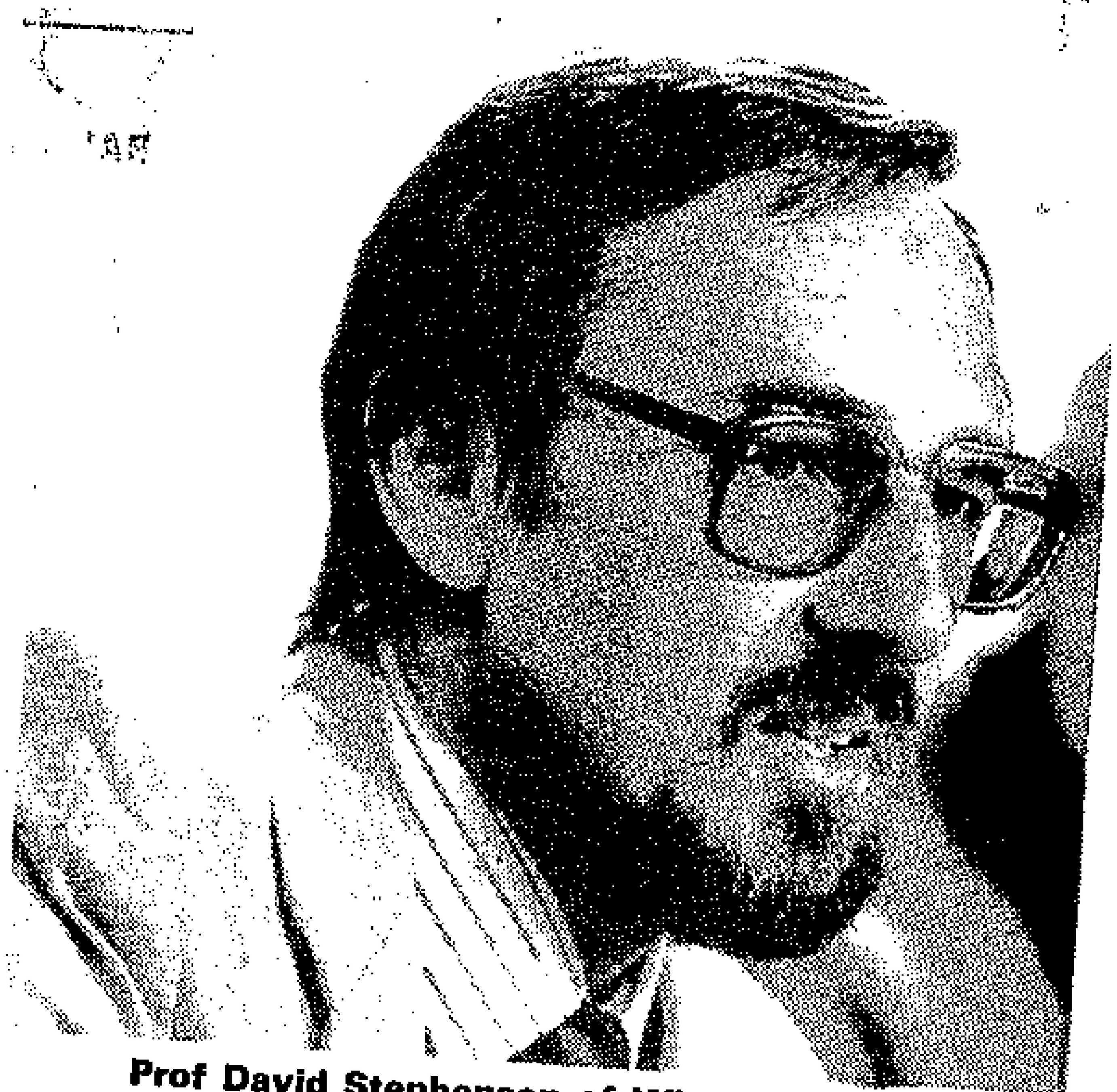
B10 14/9/90

Queries

The Western Cape has had its fair share of the increasing interest shown by foreign industrialists and businessmen who are sizing up SA's future potential as an alternative industrial base.

Both the Cape chamber and Wesgro, an organisation established to encourage economic growth in the Western Cape, report extraordinary growth in the number of queries and offers of trade opportunities by visiting foreign investors.

'ERTY


Prof David Stephenson of Wits University.

More foreign interest in Cape — Wesgro

B Day 12/9/90

FOREIGN interest in investing in the Cape had risen noticeably in the last six months, Wesgro executive director David Bridgman said earlier this week.

Wesgro is a Section 21 company formed with the objective of promoting growth in the Western Cape. It is supported by local municipalities and businesses.

Bridgman said comprehensive figures on the amount of investment coming into the Cape were not available. The only way Wesgro picked up foreign interest in the Cape was through inquiries.

Moreover, Johannesburg investors had their own advisers and only some would come to Wesgro.

In June, Wesgro received 22 inquiries from inside SA and four from abroad. In July, 15 local inquiries and eight from foreign countries were received.

"We have found a tremendous increase in the number of foreign investors considering the Cape over the last six months. The Cape has four main growth areas: export-related products, technology or skills-based products, tourism and its own population growth," he said.

New hotel

A primary area of demand was in buying retirement and holiday homes in the Cape, making it a strong property market. Because of this Wesgro had an active building programme.

Cape Town is to see a second new hotel opening towards the end of the year in the V & A Waterfront development, a 10-year building project which is to include restaurants, boutiques and exhibition facilities.

The Cape Town city planner announced that commercial buildings totalling R1,6bn had been completed in the last two years and a further R540m was under construction.

Central Statistical Service figures show that out of R5,3bn invested in completed buildings in 1989 countrywide, the Cape province accounted for R1,3bn compared to R2,9bn in the Transvaal, R819m in Natal and R260m in the Free State

Non-residential buildings completed in the Cape accounted for R207m of the R1,3bn and residential buildings completed amounted to R786m of a total of R2,7bn.

PROPERTY

Land deals by foreigners 'less than 10% of market'

B Day 12/9/90 (60)

Reports by
CHARLOTTE MATHEWS

INTEREST in land purchases by foreigners is out of proportion to the volume of transactions, say estate agents.

Recently, Finance Minister Barend du Plessis clarified policy on the purchase of property from abroad via the financial rand, but bank sources say no changes have been made to legislation.

Standard Bank divisional GM international Rocco Rossouw said that under legislation passed in August 1989, immigrants and contract workers were restricted in the property they could buy. Contract workers must live on the property and may not rent it out.

Previously, legislation allowed non-residents to invest in farming property but that has since been ruled out.

"Non-residents can buy commercial or industrial property through a company," Rossouw said, "but they cannot form a company to buy residential property."

A Reserve Bank spokesman said a company wanting to build a factory or business premises could apply to the Bank for approval to bring in funding through the financial rand.

A Volkskas Bank spokesman said the concession to immigrants had a R200 000 ceiling and was intended to assist them to settle their families in SA.

"Should they need more funds to settle themselves and perhaps set up a business, they can submit an application to the Reserve Bank which will consider each case on merit," he said.

The flow of immigrants had increased in recent months.

Pam Golding Properties executive director Mike Bisset agreed with him.

Bisset said purchases of property through the finrand had never been as high as even 10% of the property market.

"We have always found it has attracted attention and been more newsworthy than the volume of transactions warranted."

Bisset said about 90% of finrand property transactions before the legislation were purchases of expensive homes as wealthy people abroad bought holiday homes in SA.

Now finrand sales were more modest — some to returning South Africans and some to British people retiring in SA, to make the most of their savings in sterling.

Basil Elk Estates head Basil Elk said there had been no increase in the number of finrand property purchases — which never had been very high.

Aida Real Estate chairman Aida Geffen said a certain amount of finrand business was from Taiwanese and Hong Kong immigrants.

These immigrants were establishing businesses in SA, generally in the homelands, and living in major metropolitan areas.

BUSINESS DAY, Friday, September 21 1990 (60)

FW vows to protect investors

B 10am 21.9.90

ROBERT GENTLE

PRESIDENT F W de Klerk yesterday sent a strong message to the business community, saying their "vested interests" would be safe with him, under the current wave of violence and in the future SA.

"We dare not, and will not, allow this cloud to threaten the country and those who have invested here," he said, referring to recent township violence.

De Klerk was speaking at the opening of a new R68m vanadium recovery plant in Vereeniging.

What he called "this dark cloud" hanging over the country would be eliminated through peaceful negotiation and firm action against those responsible.

De Klerk said there was a unique window of opportunity in southern Africa for private enterprise.

The country was "irreversibly" on the road to a new dispensation in which there would be full opportunity for all.

Security would be provided for "vested interests" like private property, and minorities would be secure against oppression.

"The basic values on which prosperity is built must be the basic values of a new SA," he said, describing them as "fundamentals" that could safely be left with him.

There was no question of going the same way as certain neighbours who had had "disastrous experiments with socialism and Marxism".

The goverment would continue its "cohesive" economic policy, even if it may be painful and unpopular. Problems like high inflation and high taxation had to be addressed. "We are determined to apply our policy until we get it right."

De Klerk concluded by launching a challenge to the private sector to exploit SA's potential and its infrastructure, and to meet the challenge arising from underutilised assets and capital.

See Page 9

East is opening up for SA — Lombard

WASHINGTON — The East is opening up to SA, says Reserve Bank Deputy Governor Jan Lombard.

He and James Cross, who is in charge of gold and foreign exchange at the Bank, have just completed a seven-day visit to Hong Kong, Taiwan and Japan.

Lombard says attitudes towards SA are normalising. "People are relaxed in talking to us, and are very interested in the events in SA."

People are waiting to see what economic possibilities arise after reforms, although the Taiwanese are continuing their investment, which they regard as an important part of their portfolio.

The purpose of the visit was to study the marketing of gold in the Far East and to determine the nature of the demand for gold. B\Day 26\9\90

Cross says gold demand has increased in Singapore, but physical and investment demand in Hong Kong and Tokyo is low.

He says that traditionally a price of less than 1 800 yen a gram means buyers in Tokyo; but when the price reaches 2 000 yen, they turn sellers.

"Now it has been hanging around 1 800 and going lower, and there has not been much investment demand."

Cross says the Tokyo commodity market Tocom, begun in 1982, is likely to play an increasing role as a bullion market in the future.

The lifting of restrictions enabling foreigners to buy on the market has increased its importance.

Lombard says the fact that Taiwan is lifting restrictions on the import and export of gold is important.

While sanctions still apply, and Far East countries visited by Lombard and Cross are abiding by these, there are indications of some easing.

In Hong Kong, for instance, the Ministry of Finance has allowed some relaxation of voluntary sanctions.

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Violence fails to scare off capital market investors

BLDY 4/10/90

GRETA STEYN

VIOLENCE and political uncertainty have not scared off overseas investors in SA's capital market, but buying has dwindled to the lowest levels since political reform began.

But, while foreign buying of gilts consistently exceeds selling, net sales of equities continue unabated. Analysts say this trend reflects lack of confidence in gold and uncertainty on world equity markets in general, rather than political uncertainty.

The stream of gilts purchases seen towards the end of last year and in the beginning of 1990, as euphoria over President F W de Klerk's reform initiatives dominated the markets, has slowed down to a trickle.

The first lull set in during the second quarter of 1990, JSE figures show, when net buying fell to R296m from R705m in the first quarter and R883m in the last quarter of 1989.

A sudden spurt of buying in July — purchases hit R190m from the monthly average of R97m of the previous three months — was not sustained as violence flared in the townships and net buying dwindled to R76m in August and R49,4m in September.

However, foreign investor sentiment is still more positive than it was in 1986-1988. The discount between the financial and commercial rands — an indicator of foreign investor sentiment — was much wider then than now (an average of 52,9% in 1986, 38,1% in 1987 and 37,9% in 1988, Reserve Bank figures show).

60

Debate

At 32% yesterday, the discount between the two currencies indicated foreign investor sentiment had become more positive since August, when the figure averaged 34,2%.

Confidence was at its worst this year in March as the debate on nationalisation raged, pushing the discount to an average of 34,9%.

The sustained net buying, albeit it low, has been a factor in underpinning the financial rand.

Foreigners buy gilts via the finrand and earn interest in the commercial rand, and are drawn to the SA market by the discount between the two currencies which brings the effective yield to about 25%.

Foreign activity has proved an important spur to increasing volumes on the capital market.

Against a background of failing foreign interest, the value of capital market stock traded fell to a meagre R14,3bn in September — well down from the heightened activity in July which saw R19,3bn in stock changing hands. The average monthly turnover in the second quarter was R16,7bn.

Dealers confirmed that buying interest from foreigners had died down, but said it was encouraging that foreigners, who owned some R6bn of SA gilts, were not selling.

SA bond market offers big gains to foreigners

60

Bday 9/10/90

OVERSEAS investors stand to make marked gains by investing in the SA bond market, local analysts say.

They point out that the market's attractiveness has been enhanced by the gloomier outlook for leading world economies resulting from the Middle East crisis.

In contrast to world stock and bond markets, local bonds offer excellent returns in excess of 20% to foreign investors, almost matching those available to them a year ago, when optimism over SA's political prospects brought in a flood of foreign money.

In addition to high yields combined with the substantial discount available through the financial rand, bullish local economic and political fundamentals are seen as key factors making the outlook favourable for overseas investors.

Analysts say the returns continue to be very satisfactory by world standards.

Optimism

For example, the long-dated Eskom 168 11% 2008 offers the foreign investor a yield of about 23%.

During the period between May 1989 and February 1990, when optimism about SA's future peaked, the local bond market attracted about R4bn in new foreign funds.

Much of this money has remained in the country but very little new foreign money has been attracted since February, amid continued political instability.

The Eskom 168 currently offers a yield to redemption of 15,95%, compared with around 17% a year ago. The UK's 2 008 treasury bond offers a yield of 11,2%, Japan's 10-year 119 offers 8,6% and the 10-year bond in the US offers a 9% yield.

In addition, investors in SA bonds stand to make worthwhile capital gains in future assuming the political situation improves and the financial rand firms.

In view of the monetary authorities' strong anti-inflationary stance and commitment to maintaining positive real interest rates, consumer inflation, currently at an annual 13,6%, is likely to get down to single digits within the next two years, resulting in the Eskom 168 bond declining to 13% to 14% during that period.

These factors could see capital gains of about 10% to foreign investors, bringing their total return on investment for the 12 months to around 33%.

Consultant Robbie Gerhardt of stockbrokers Irish & Co said the phenomenally attractive returns compensated for a lot of political risk.

Piet van Schaik, director in charge of foreign institutional marketing for stockbrokers J D Anderson & Co, pointed to a further positive economic factor, namely that SA's belt-tightening efforts were already well under way.

"By the time the oil crisis hit the world and central bankers were forced to take a new look at their monetary policies, SA had already been in a structural correction phase for 19 months. Adjusting to higher oil prices from here on falls more into the realm of fine tuning than major economic policy adjustments." — AP-DJ.

FOREIGN DISINVESTMENT

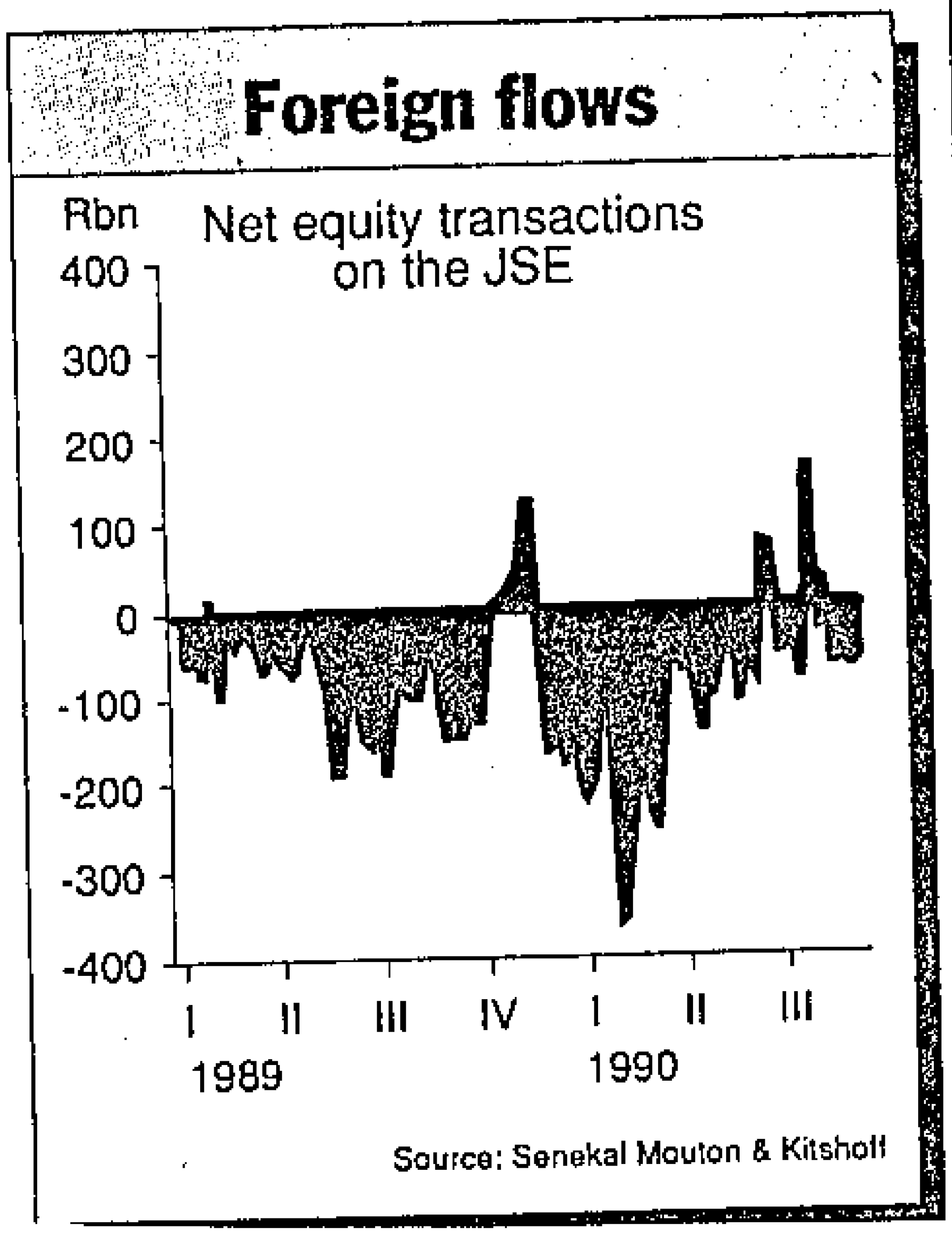
FM 19/10/90

SLOWING FLOWS

Massive net sales of JSE shares by foreigners — R2,8bn in the first quarter of 1990 — were followed by net sales of only R803m in the second quarter and R273m in the third. July and August saw sales slow to a trickle and September brought only a mild uptick.

This is a reversal of an earlier trend. "Between the start of 1989 and May this year, foreigners were net sellers of SA equities. Despite the improvement, net sales to date total R7bn," says Senekal Mouton & Kitshoff economist Leon Steenkamp. "Foreign investors have, however, continuously been net buyers of bonds."

Steenkamp told an international investment conference in Paris: "Bearing in mind



Steenkamp

the degree of social instability SA has experienced in the recent past, the improved trend in foreign investment action appears all the more remarkable. It is interesting to note that financial/economic factors have had a distinct effect on foreign investment trends even in a period when political factors could have been expected to have completely dominated events." Thus:

- ☐ Bond purchases have been buoyed by the financial rand discount, which swelled the yield. Since the beginning of 1989 long-term bonds have, on average, yielded well over 20% to the foreign investor. Now they yield 24,2% — 16,5% direct and 7,7% from the financial rand — well above comparable yields elsewhere; while
- ☐ The fortunes of gold shares correlate with the price of bullion.

Steenkamp returned from the conference with the impression that "sentiment towards SA has improved beyond recognition. Unfortunately, this does not suggest that vast amounts of foreign capital will immediately flow in. Political uncertainty, the disappointing performance of gold and international developments make investors cautious."

Steenkamp says international long-term investment strategies have a strong bias towards Europe — west and east.

Despite this, he foresees a "satisfactory" inflow of capital if an acceptable political dispensation is achieved and the authorities persist with current monetary and fiscal policies. An important positive factor, he says, is the Reserve Bank's determination to preserve the value of the currency.

"Persistence with restrictive monetary policy measures is all the more remarkable because of the degree of political instability recently. In earlier years, the authorities would have opted for stimulation."

 BUSINESS DAY, Wednesday,

Foreign cash will boost the need for space

B Day 31/10/90

AN INCREASE in foreign investment in SA will push the profit margins of SA industry downwards, but will offer a great opportunity for suppliers of industrial and commercial space, says UCT School of Economics Professor Brian Kantor.

In an article in the latest issue of Old Mutual's Property Profile, Kantor says the property sector would benefit more than most sectors from any change in the perception of the risk of investing in SA.

Margins

"The profit margins of industrial and commercial organisations benefited from the lack of competition from new investment.

"The boot would be on the other foot were investment to be encouraged by a reduced risk premium.

"Lower required returns on new investments would increase the demand for space to the benefit of owners and developers."

The higher the risk, the greater the return the investor requires on his money. Capital flowed out of SA in 1985 to 1990 because of an increase in the perceived risk of investing in SA.

"Of the capital gained since 1960, we have already lost about four-fifths."

Vary

60

Kantor says studies have shown the longer-lived the asset, the more its market price would vary in response to changes in risk.

Because the pay-back period for property holdings is long, the property sector stands to benefit more than most from a reduction in the perceived risk of investing in SA.

The record of quoted property trusts suggests the rewards of holding property, Kantor says.

"Comparing the cost of building to the value of the property trust index shows the index represents a relatively cheap form of investment in property.

The shares are undervalued relative to the replacement cost of buildings.

"This is because earnings have not kept up with the cost of building or with inflation, while the building cost index has kept pace with the CPI.

"Property developers, on the other hand, have succeeded in matching their dividend payments to inflation and since 1978 have outperformed both the industrial and property trust indices," he says.

KATHRYN PAYTON

Cape Town lures foreign investors

(60) BDay 1/11/90.

LESLEY LAMBERT

CAPE TOWN — Foreign companies inquiring about investment prospects in SA appear to be showing comparatively more interest in Cape Town than in other areas of the country, economic development organisation Wesgro reports.

In an overview of activities this year, the organisation reports a substantial increase in the number of inquiries from prospective foreign investors and business leaders as well as in the size of the firms expressing interest.

Wesgro chairman Chris Newton reports visits to Cape Town by 46 foreign investors. But more significant, he says, is the increased interest shown by international business support organisations, including the London Chamber of Commerce, the Hong Kong Trade Development Council and the Belgian Trade Federation, many of whom have not been interested in SA for decades.

A joint city council/Wesgro delegation recently completed a series of investment seminars in Taiwan and Hong Kong where it arranged follow-up visits to the Cape.

But Wesgro concedes that the inquiries are unlikely to result in significant levels of investment until greater political and economic stability is achieved in SA.

The organisation assisted more than 25 companies establish an investment in metropolitan Cape Town during the year, according to the annual report.

Star 26/4/90 (60)

Unrest is keeping the investor away – Louw

By Stan Hlophe

Foreign investors were reluctant to put their money in South Africa because of industrial unrest, Minister of Manpower Eli Louw said at the weekend.

Speaking at a press conference in Johannesburg, Mr Louw said the anti-apartheid and sanctions lobbies against South Africa were no longer valid since the speech by President de Klerk in February.

But industrial unrest meant foreign investors were cautious.

He said there were now no reasons for disinvestment in South Africa. But he warned that talk about nationalisation and socialism would also scare off potential investors.

He also urged the private sector to create employment.

"Growth in job opportunities, in the final analyis, depends on the rate of economic growth in the country. South Africa's economic momentum will have to come mainly from exporting manufactured goods.

"For a firm or industry to become more competitive, management must be trained in productivity techniques.

"They must know how to measure productivity in co-operation with workers, and they must know how to develop teams of excellence in which management and workers work towards higher productivity.

"If more wealth has been created through higher productivity, the created benefits should be shared in three ways: the owners of capital should get a part in the form of higher profits, the customer should get a part in the form of lower prices, and the worker should get a share in the form of higher wages," he said.

Foreigners take a look and hang fire on SA investment

60

S Times 2/12/90

By CHARMAIN NAIDOO

THEY came, they saw and they might invest.

Foreign visitors at this week's Euromoney magazine conference in Cape Town flew home armed with enough information for them to decide about whether or not to invest in the new SA.

Delegates came from Austria, Belgium, France, China, Germany, Hungary, Japan, Kenya, Malawi, Mauritius, Mozambique, Namibia, Nigeria and Pakistan.

Frank

Some said they were impressed with the frankness and openess with which political views were discussed.

A German delegate said that in spite of all he had heard, he was still uncertain about the outcome of political negotiations. However, he believed investment possibilities to be excellent, especially in tourism.

Others expressed surprise at how well SA companies had reacted to the changes that they and the political parties agreed would have to be made as SA moved into a post-apartheid era.

Among the speakers at the conference were businessmen and representatives of the ANC and Inkatha. They said economic and financial prospects depended heavily on foreign investment.

It was the one thing that every South African speaker agreed on — the desperate need for foreign money and the expansion of the export industry.

Delegates, who paid large sums of money to come to SA, were told that the financial rand would not be scrapped.

Finrand

Reserve Bank Governor Chris Stals said he was intent on keeping in place — for now at least — restrictive policies like the financial rand.

"We will not dispose of the protective umbrella of the financial rand system as long as the present uncertain political situation continues."

Potential foreign investors also heard from Robin Plumbridge, chairman of Gold Fields of SA, that the gold industry was in turmoil.

He said lower recovery grades, a declining price in world terms, the strength of the rand against the dollar and endemic double-digit inflation were combining to threaten the future profitability of most mines.

One of the most serious issues facing the mining industry was the prospect of penal corporate tax rates.

Mr Plumbridge said: "The base rate of corporate tax is already high by world standards and that applicable to mining is excessive.

"There is no doubt that the SA mining industry would be significantly larger and more vibrant if a more competitive tax regime had been in place in the past.

"A drastic revision of the SA corporate tax model is required to make it competitive and thereby encourage investment."

Mr Plumbridge said most mines started production more than 30 years ago which implied that many were living on borrowed time. Most major mines were planned to have a 30-year life.

KwaZulu Chief Minister Mangosuthu Buthelezi said he saw the possibility of a mixed economy, encouraged by business itself.

"How far we will have to go beyond the kind of mixed economy which, say, Germany is today, is difficult to envisage. It's the kind of mix I'll aim for, with perhaps a mediating first five-year economic development programme."

Property

ANC economic policy spokesman Tito Mboweni also believes in a mixed economy and, quoting from an ANC policy guideline, he told delegates that the State sector would be maintained "but in a transformed manner".

Mr Mboweni said the ANC saw private business playing a major role in the economy of a democratic, non-racial South Africa.

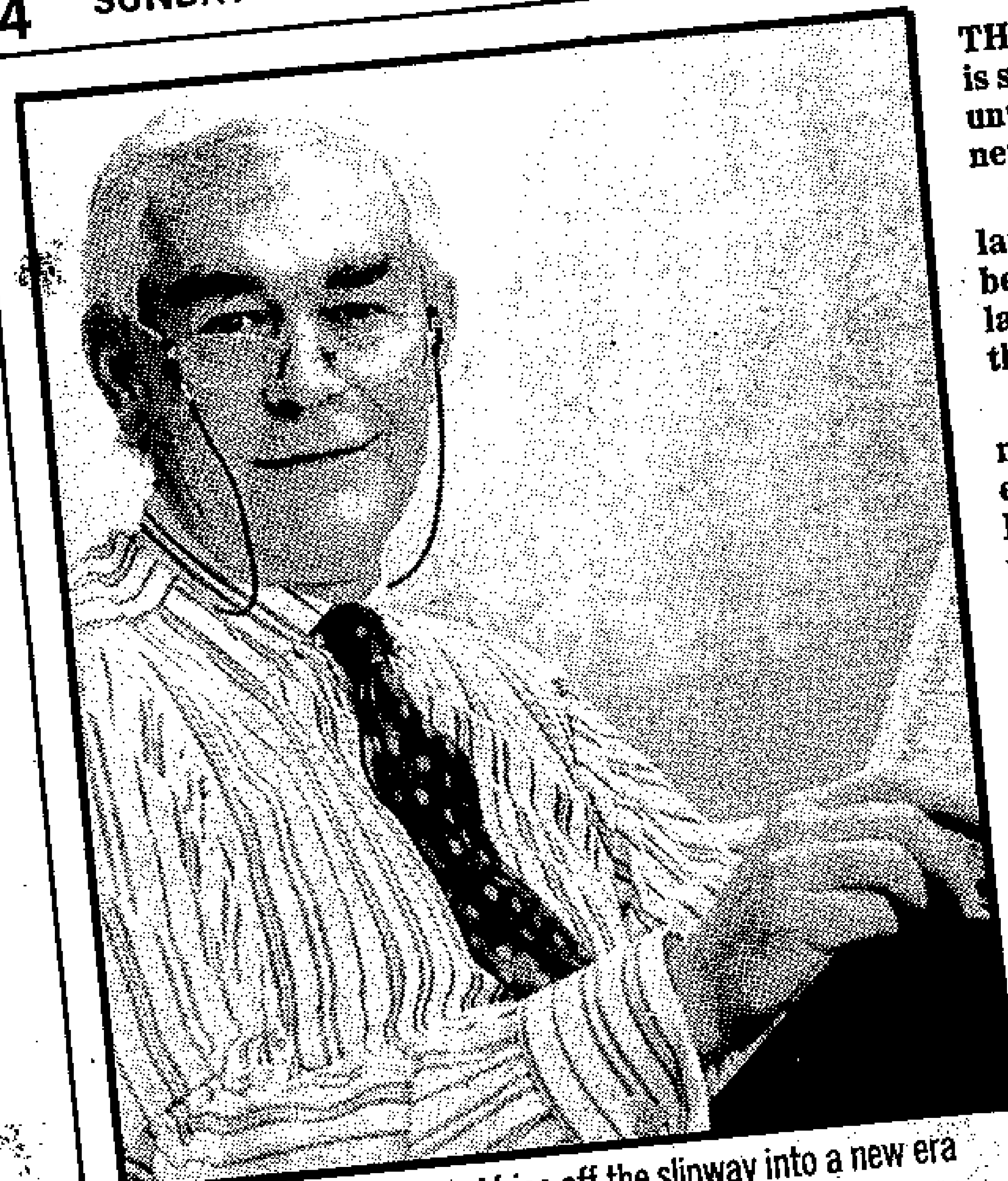
However, on the question of a free market he quoted an ANC document: "While market relations are an essential component of the mixed economy, the ANC does not believe that market forces alone will result in anything but the disparities of income and wealth."

Development Bank chairman Simon Brand said there had been too much private investment in office and commercial property in developed cities and too little in underdeveloped, mainly black, urban areas.

"There has also been too little investment in new manufacturing capacity.

"What investment has been made has gone into mostly highly capital-intensive, relatively high-technology industries aimed at achieving self sufficiency regarded as strategic in an environment of economic isolation.

"It is urgently necessary to have a higher and more diversified pattern of private investment that will create more jobs and open up opportunities for wider participation by excluded communities."



JOHN CAVILL: South Africa off the slipway into a new era

THE JURY of international business is still out and will not reach a verdict until the constitutional pillars of the new South Africa are firmly in place.

But there is no doubt about the latent investment interest which has been building up since SA was launched down the slipway and into the sea of post-apartheid change.

Even in the money-hungry 1990s — modernising the former communist economies of Central and Eastern Europe will open up vast opportunities but also drain billions from the capital markets — SA remains high on the list of potential investment areas.

In September, a London conference on SA's economic future, with speakers including Finance Minister Barend du Plessis and ANC international affairs chief Thabo Mbeki, drew 170 senior British and European executives. The organisers, Business International (part of The Economist group), said it was a record attendance for one of their conferences.

Gemini Capital, the London-based

SA high on foreign investment list

S Times 2/12/90

(60)

JOHN CAVILL: London

operation which has been putting together deals for foreigners wanting to invest or expand in SA and for SA firms seeking foreign interests, also reports growing business.

Typical

Cedric Howson, the former Barlow Rand executive at Gemini, said: "So far we have been involved in arranging finance packages totalling more than $80-billion for new direct investment in SA. We are also dealing with a Northern Ireland group which is buying a small coal mine.

"They are typical of a lot of clients who are not looking at SA as a market but at what they can make there for export — components for products made abroad overseas. They are looking for hard-currency earnings more than rands."

External views of SA's prospects are veering to the cautiously positive. In its "probable" scenario for the next five years Business International (BI) forsees a rapid erosion of economic sanctions which will produce compromises and shifts across the political spectrum once multilateral constitutiional negotiations start next year.

BI believes that perhaps as early as 1992, the outcome will be a coalition government led by the ANC (although it will suffer desertions to the left) with the National Party and Inkatha its two main partners.

This will moderate ANC nationalisation policy, although not entirely, and attention will focus on breaking up monopolies of economic power in the conglomerates. But no further privatisation is expected.

"Sanctions are scrapped: foreign bankers, businessmen and industrialists return to SA," says BI's report on Critical Issues for Companies Doing Business in South Africa. The inflow of capital will be modest — labour unrest is expected as black workers express bitterness at the failure of economic gains to match political liberation.

Reluctant

BI posits that until stability is established banks will be reluctant to commit large credits. They insist that the 1990-93 debt rescheduling agreement is honoured although about half of it is rolled over or replaced by new loans.

"On the plus side, credits are available from the IMF and World Bank. As a result, SA is still obliged to generate surpluses of $1-billion a year on current account until 1993 to repay debt and rebuild gold and foreign-exchange reserves. With sanctions ended this is not a problem."

After world growth recovers from the present downturn coincident with political settlement, BI projects that average real foreign-currency earnings from exports will grow by 8% to 10% annually. Internally it expects a slow recovery in growth as real interest rates grind inflation down to 10,5% in 1992.

Gross domestic product is forecast to grow by 1% in 1991 followed by 2,5%, accelerating to 4% in 1993 and peaking in a mini-boom at 5% in 1994.

At the Confederation of British Industry (CBI), Neville Thomas who heads external affairs, says the only constraints on its members who account for most foreign investment in SA are political.

"Industrialists will tend to sit on their hands until the new constitution is in place.

"There will be a way forward which will encourage foreign investment. The ANC and Inkatha both want inward investment. The ANC is also sounding flexible about nationalisation and we believe commonsense will prevail.

Discipline

"The trade unions are conscious of their power, but equally they are conscious that if they push too far it is self-defeating. SA has to create a new generation of educated and disciplined workers because too many black are virtually unemployable."

All hinges on the political outcome. "We would expect a very high growth rate — 5% to 8% could be attained — once the politics are settled and SA's access to international finance is restored," says Mr Thomas.

CHAIRMAN HOFFIE HOFFMAN: He started 25 years ago and is a legend in the Namaqualand and Namibian diamond business, farmers investing in his ventures can smile

Cash-strapped firms seek overseas partners

By Tom Hood (60) Star 20/12/90

CAPE TOWN — Hundreds of good South African businesses are up for sale and many directors are looking for foreign investors to inject new capital into their companies.

The recession has brought to the market more than R1 billion worth of businesses as well as commercial and industrial property worth millions.

Pieter Wicht, who is marketing South African businesses to foreign investors, says most of them are well-managed, profitable enterprises but they are strapped for cash.

He is to meet a range of British financial institutions in January to offer a multimillion-rand portfolio of commercial and industrial properties and businesses.

A visit to Hong Kong is planned next year to take advantage of the outflow of capital before the 1997 change in government.

Mr Wicht, of Pam Golding Properties, visited London in October and says he has been approached by a substantial number of South African entrepreneurs to market their businesses overseas.

Nothing left

"The recession has put a different slant on the type of businesses being offered.

"A year ago the ones that were doing badly were poorly managed. Now we're seeing well-run enterprises that are strapped for cash.

"Owners are asking themselves what they're in the business for. Once the bank and staff have been paid, there's nothing left.

"Not all of them want to sell. Some are looking for an injection of capital."

When he advertised recently for companies to show to investors, businesses worth a total of R80 million were offered within three weeks.

"The phones went crazy. Obviously we got a few chancers and had to sift through them.

"Even though investments through the commercial rand rate are cheap, overseas investors are not fools.

"They know the value of things and won't overpay."

Buyers fall into three categories:

- The individual who has up to about R5 million. He is usually an emigrant who wants to make the most of what money he has.
- General investors, who have more money at their disposal.
- Venture capitalists, who are prepared to take high risks for high returns.

Mr Wicht says blocks of flats, hotels, guest-houses, restaurants and small factories are in demand.

"During my last visit to London, I saw a number of top hotel groups. They all expressed interest in investing in South Africa, from building their own hotels to seeking new management contracts.

A financial partnership between a local company and an overseas company can be lucrative for both sides, he says.

Foreign cash boost for SA

CT 24/12/90

Own Correspondent

JOHANNESBURG. — South Africa's foreign-exchange market turnovers are soaring and long-term capital is flowing in — reflecting the dramatic recovery in the country's international financial relations.

Turnover on the local forex market has increased recently to levels not seen since the early 1980s, before the debt standstill and dual currency were imposed in 1985.

Foreign investors are again committing sizeable amounts of long-term funds to South Africa. The third quarter saw a net inflow of more than R820m in long-term capital, most of it finance for the public and private sectors, says the Reserve Bank Quarterly Bulletin.

A further R700m in short-term finance, mainly trade-related, also boosted the capital account of the balance of payments (BoP).

Forex market activity now dwarfs other market turnovers. Analysts say this partly reflects SA's increasing international acceptability, and declining volumes in other markets like the gilt market.

Reserve Bank figures show that average net daily turnover for local customers in October was 22,6% higher at a record $1,91bn, compared with October 1989. Net turnover, which excludes interbank dealing, was running at $3,68bn a day in October, compared with $1,58bn in 1987.

'Bridging finance'

First National Bank group treasurer Mr Ken Russell said: "After the implementation of the debt standstill in August 1985, turnovers dropped considerably and have slowly been building up again."

But SA's return to "the real world" would be complete only once exchange control was scrapped — an unlikely move in the foreseeable future. Despite the domestic market's mammoth size, it accounted for only 0,5% of global turnover, which in April 1989 stood at a net $640bn a day.

Improved international financial relations have seen SA rely less heavily on short-term foreign "bridging finance", which is much like overdraft facilities. The Reserve Bank and banks drew heavily on these facilities when SA had to pay foreign debt and there was no new capital forthcoming. But the banking sector's short-term foreign liabilities have more than halved to R3,7bn from R8bn in mid-1989.

Gross daily turnover on the forex market in October of $5,3bn was at its second-highest average level since early 1985, beaten only by June's $5,4bn.

This translates into a daily turnover of R13,45bn at October's average rate of R2,5445 to the dollar.

Mr Russell explained that the figures included some duplication because banks offset their positions with other banks. However, the figures represented only commercial rand transactions and not financial rand or third currency dealings.

Third currency dealings, such as $/DM transactions, apparently accounted for a large proportion of the market and are reflected in other countries' forex books.

GOOD SAMARITAN . . . Mr Manene James gets a hug from Mrs Leonie Hartz after he had helped Mrs Hartz and her husband Wryno when their minibus broke down on a lonely stretch of road in the Karoo. Mrs Hartz was in a comatose state at the time of the breakdown. ● Report — Page 3

Black indaba threatened

CT 24/12/90

By ANTHONY JOHNSON
Political Correspondent

GOVERNMENT plans for a major pre-negotiation conference of all political parties early next year are posing a serious threat to a proposed unity indaba among black anti-apartheid organisations.

News of the confidential night-time meeting last week between President F W de Klerk and ANC leaders Mr Oliver Tambo and Mr Nelson Mandela to discuss ways of getting broad-based agreement on the agenda for constitutional talks places a plan by liberation movements to forge their own common strategy against the government in the balance.

...ture with the government it would amount to "a betrayal" of the ANC's commitment to other liberation movements to join a consultative conference early in the new year.

The PAC, the Workers' Organisation for Socialist Action (Wosa) and the New Unity Movement all expressed themselves strongly in favour of an Azapo proposal to forge a united black front to oppose the government.

However, the ANC, which was also invited to attend Azapo's national congress in Langa at the weekend, did not send any observers or messages of support.

At a press conference last night,

How SA can become the locomotive of Africa

B|Day 24|12|90 (60)

THE COMPETITIVE ADVANTAGE OF NATIONS, by Michael E Porter (Macmillan, R125)

SANCTIONS on capital flows and trade pushed SA into limbo. Positive net exports became a major policy target, to be achieved by a weak rand and, by international standards, low wages. Achievement of a satisfactory balance of payments permitted repayment of overseas debt. Success? "No" says Michael Porter's recent book, The Competitive Advantage of Nations.

Politics and arithmetic may have compelled the economic pattern of the past few years but it has not been optimal. But as external political pressures weaken, two alternative scenarios beckon.

Number one says unemployment is a major problem. Job creation, with "appropriate" technology for the local environment, funded by taxpayers, or by prescriptive direction of financial sector funds will provide tomorrow's success. "Wrong" says Porter, unless we wish to live in a low wage country such as India or join the basket cases in the rest of the continent.

There is a more desirable scenario, tantalisingly within reach as sanctions fade. This is to export goods with a high value-added component. They will fund the sophisticated imports we cannot produce.

Michael Porter tells us how to do it. His encyclopaedic work is close on 900 pages long. It provides detailed industry profiles of more than 100 industries drawn from 10 countries. At a sitting it is indigestible. As a library resource it is worth buying. The author, or his publisher, shows amazing self-confidence in blending both Ricardo and Adam Smith into a carefully chosen five word title. But this is more than just a slick piece of marketing. Porter identifies what makes some nations successful and others not. His samples include both developed and developing nations.

Porter's study shows that success is generally long lived and occurs in *clusters of firms*. Prosperous nations, he argues, are those which are the home base for clusters of internationally operating firms.

Why does a particular nation become a home base for successful international competitors in an industry? Why is Germany the home base for many firms in chemicals, in luxury cars, in printing presses? Why does the US have many internationally operating firms in advertising, detergents and computer software? Why does the UK have clusters of firms in biscuits, insurance and electrical generation; Korea in shipbuilding, semiconductors and pianos; Italy in ceramic tiles, skiboots and domestic appliances?

The list goes on. In each case the cluster of firms in the nation in question posseses a competitive advantage relative to the best world-wide competitors. The result is that the home nation benefits substantially and persistently. Nor does the home nation necessarily indicate the nationality of most shareholders; it is rather the country where the effective strategic, creative and technical control of the company lies.

Traditional

There are four interacting conditions for national success in a specific industry. Porter calls them, resorting to baseball jargon, the four points of the "national diamond". These interacting prerequisites are factor endowments (particularly skilled labour and thrustful management); a strong and sophisticated domestic market; a strong, internationally competitive group of supplying or complementary industries; and fourthly, rivalry, managerial strategy and an enterprise culture in the industrial cluster of firms.

Porter's arguments are not based on high theory — although at times he almost claims his book will displace traditional views of economics. His achievement is in some ways less than that, in others more.

The traditional economic establishment certainly does sometimes appear to view a balance of payments surplus as an end in itself, to see job creation as an ideal irrespective of the type of work done, and government direction of capital flows for "social" ends as somehow superior to markets which express the judgments of individuals.

Competition, to Porter, is not a sterile textbook abstraction. It is Schumpeterian innovation and dynamism, not equilibrium. Textbook factor substitution of resources from low return to high return areas is less important than how firms increase returns through new products and processes.

Developing nations often shun such lessons and, Porter argues, even resource rich countries like Norway, Canada and Australia could become trapped as technology advances and natural resources play a smaller and smaller role in global economic growth. Trade, which benefits all through exports and imports, occurs because of natural differences in character and culture.

Porter's policy conclusions for government are that it must reinforce the "diamond" by policies which encourage effort, incentive and competition, "not the tempting but counterproductive choices such as subsidy, collaboration (with industrialists) and so called temporary protection". Home governments do not know what domestic markets want, they have even less knowledge of what foreign markets require.

What are the South African clusters which could have propelled us into the international arena in the 1990s had it not been for sanctions? The list is, in fact, heartbreakingly long for a country our size.

Porter does not tell us, but there are obvious examples: insurance, property development, retailing, alcohol, tobacco, mining exploration, hotels and tourism. These may or they may not be the optimal clusters for SA in the year 2000.

The departure of the foreign multinationals, who left because of our national socialist policies, imposed a cost. A far greater cost, Porter's thesis suggests, was the stunting of our home based clusters (Pick 'n Pay out of Australia, De Beers and Rembrandt shuffling sideways into Europe, Anglo and Liberty hiding their origins behind a costly welter of associates in the US and Britain).

If SA is to become the locomotive of Africa's growth these "clusters" need policies which encourage them. Without them SA will become another carriage in the African train, sitting immobile in the siding while the rest of the world rushes past.

DUNCAN REEKIE

SOWETAN BUSIN
Building the Nation

Sanctions major poser for SA

Sowetan 27/12/90

Wayne Mitchell, executive director of the American Chamber of Commerce reviews the past year and the prospects of foreign investment in the country, and argues that the country's future leaders must now talk to overseas corporations.

SEVERAL remarkable events took place during 1990 which saw South Africa do a political somersault.

As a result of the turnabout, a question has arisen: When sanctions are abolished, particularly US sanctions, will foreign investors show an interest in South Africa?

The events, which have led to the opening of this debate, are the release of political prisoners, the unbanning of political organisations, the negotiations of "talks about talks", the lifting of the state of emergency, all of which have led to the possibility of fundamental change in South Africa.

For this President De Klerk and his Government must be applauded, however, the political scenario has yet to unfold and business is, as a result showing a reluctance to dive into the proverbial economic deep end.

The situation is now opportune for South Africa's future leaders to engage foreign corporations in dialogue about investment in a post-apartheid South Africa.

The consideration arising from these encounter should be built into the medium and long term economic plans of the major political actors.

The American business sector in South Africa, despite 154 corporations disinvesting, still has an asset base of approximately 2 billion US dollars.

At this point there is no rush by American companies to enter the South African market, although several scouting missions by US companies to South Africa have taken place over the past six months.

Numerous reasons that limit serious consideration by possible American investors are:

1. The Comprehensive Anti-Apartheid Act which makes new US investment in South Africa illegal.
2. The Rangels Double Taxation Amendment, which is a back-breaking piece of legislation, that forces American companies operating in South Africa to pay double tax.
3. South Africa has never been a major market for American investors, with seldom more than one percent both income and assets of a US corporation being invested in South Africa.
4. The crisis and violence in the townships is suggesting to the foreign investor that the end of apartheid is not synonomous with the ending of violence and the instability.
5. Given the political changes, foreign investors are adopting a "wait and see" attitude as to how a new South African government will treat local companies and to analyse what political and social conditions will prevail in the post apartheid era.

A post-apartheid South Africa could be attractive to new foreign investors, particularly from the USA, as the East European market has been flooded by West European investors leaving the American investor to seek new pastures. Unlike Eastern Europe, South Africa has a tradition of market economies, a stock market, legal structures, bidding and trading practices, a developed banking system and a modern communications and transportation infrastructure, all of which are incomparable on the African continent.

South Africa has a "post-apartheid dividend" of 2 billion dollars per year, which could be added to the gross domestic product through the elimination of sanctions. This would also add to a more stable economy to which foreign investors could be attracted.

Investor

In South Africa there are investment bargains while influenced by external variables such as gold, the productive capital of South Africa, mining and tourism are undervalued in terms of its productive capability.

Another strong motivating factor for the foreign investor looking at South Africa as a possible investor, is the under-served Southern African market consisting of 120-million people.

Although to date, capitalism has been synonymous with apartheid, it is essential that foreign investors are encouraged through dialogue. The objective of such dialogue is not to reduce the pressure to scrap apartheid, but to lay plans and foundations for when apartheid is no longer the issue.

These discussions could play in the restructuring of a post-apartheid economy. This debate is presently very fluid, but there are indicators that the economy could become more open and competitive than it is now if anti-trust laws were used similar to those in effect in the United States.

Such laws would lead to the breaking up of monopolies, which will lead to the encouragement of competition which in turn will democratise the economy, weaken the dominant role of conglomerates and unleash more productive and competitive forces.

It can also be envisaged that a post-apartheid economy would hold foreign investors accountable to wider societal interests and investors would have to regard themselves as full participants in South Africa's economic life and thus identify with the developmental and planning aspirations of any future government.

Corporate philanthropy, manpower development programmes, community development projects and corporate-community relationship programmes, will inevitably become the norm.

The question which is also of concern to the foreign investor is that of the relationship between worker and management.

One of the key walls which has separated management and labour in South Africa to date has been apartheid, with the trade unions focusing on political issues, which have diverted their attention away from their relationship with management pertaining to direct worker interests.

Without apartheid we will find the unions in an extremely visible role. This will be through the re-focusing of their attention to the bargaining for wages and benefits, but most importantly, participating in actual company planning and management.

This will lead to improved trust and collaboration between labour and management, hence creating a more stable workforce, through self-interest, in order to maintain investor confidence and create jobs.

The Government of the day will in all probability encourage any resolution of conflict between labour and management in order to stimulate the economy so that they may deliver political promises which have been made in the past by key political leaders and organisations.

Few corporations have slammed the door on South Africa, however, few disinvested corporations will rush back with significant investments.

Devious methods to keep SA in the picture

BD 9/1/89 (60)

TANIA LEVY

SOUTH Africans are still loading their cameras with Japanese film, a year after Japan imposed an export boycott on SA.

Wholesalers were reluctant to elaborate on the means used to ensure film availabilty.

The grey market is tremendous, says Photo Agencies MD Eric Horvitch, whose company distributes Fuji film. With suspended supplies, prices escalated about 20%, but Fuji film is still available, he says.

Trimark has maintained continuity in supplying the Konica and Mitsubishi brands, says sales manager Norman Dick.

However, Japanese film is more difficult to get hold of than American brands like Kodak, which can be bought in Botswana and Swaziland. The Japanese have cut supplies to other African countries.

Despite a pullout by US-based Eastman-Kodak in 1987, Kodak film, like its Japanese competitors, is brought into the country secretly.

Distributors SA Druggists prefer to keep the sensitive issue low-key, considering that Kodak has forbidden its overseas subsidiaries to supply SA.

Polaroid film suppliers have experienced no difficulty in sourcing the instant film since Polaroid pulled out in 1977. The film is popular, particularly among professional photographers.

The main effect of restrictive measures by Japan and America has been to spurn a plethora of housebrands, says Dick. These are, in fact, overseas film under a different name.

FOREIGN FIRMS ~~IN~~ S.A. GENERAL

1989 - 1990

FOREIGN FIRMS IN SA – GENERAL

1992

Entry of foreign banks a fillip for the local sector

B/Day 6/1/92 (60)

SIMON WILLSON

ENTRY of new foreign banks into SA can only aid the banking industry's existing trends towards higher technology, lower handling costs and higher quality of service, says the Bank of Lisbon.

Furthermore, foreign banks could boost SA's foreign trade, promote the country's role as a regional financial centre and broaden the base of the local foreign exchange market.

In its latest Economic Focus, the bank notes the revival of interest in SA operations among foreign banks. It says "several dozen" such banks have opened representative offices in SA since the introduction of domestic political reforms and the loosening of local financial regulations.

The Bank of Lisbon finds few potential drawbacks in the local financial services industry as foreign banks are established.

Shortages of skilled labour in the banking sector should not be intensified, since considerable retrenchments of bank staff have occurred over the past year or so and could be followed by more.

Neither should the arrival of foreign banks create an overtraded banking sector, says the bank's report. "SA may be underbanked in the sense that large numbers of nonwhites do not possess bank accounts, and this could mean that large financial resources may be currently untapped by the banking system."

As trade between SA and the rest of Africa expands, new foreign banks could help provide buyers' credits for the increasing number of SA exporters wanting to sell into Africa.

New foreign banks could also help the SA financial system make a bigger contribution towards economic development in other African countries. "Financially, SA could easily become a convenient intermediary operating between the developed financial markets of the industrial countries on the one hand and the developing countries in Africa on the other", helping to promote SA as a regional financial centre.

A long-standing deficiency of the local foreign exchange market is the limited number of active dealing banks. New foreign banks which conducted forex business would add to the liquidity of the local market.

They could also, by opening up new credit lines, alleviate those problems experienced by domestic banks whose limits on forward commitments come under pressure.

No new foreign banks have been established since 1970, and three have withdrawn from the country. Among the obstacles still remaining to foreign banks setting up in SA are the debt standstill and the prohibition on the establishment of foreign bank branches in SA.

The debt standstill is a problem because international capital adequacy standards mandate that provisions be made against new lendings of more than a year to any country which has debt-rescheduling arrangements in force.

Costly labour harms SA's potential, says analyst

B/Day 14/1/92 (60)

LINDA ENSOR

● HALSE

CAPE TOWN — Escalating labour costs and low productivity made SA an unattractive investment proposition for foreign companies, London-based James Capel analyst Fiona Halse said yesterday.

Halse, who has worked as a senior analyst on the JSE and as a financial analyst with the Financial Mail, heads a research team that reports on conglomerates for stockbroking firm James Capel.

National Productivity Institute (NPI) figures show the SA manufacturing sector registered the lowest labour productivity growth in the period 1975-1990 when compared with Taiwan, Japan, UK, US and Germany. On the other hand, the increase in wage rates was one of the highest, second only to Taiwan.

The NPI said unit labour costs far outstripped the increase in unit labour costs in other countries, with severe adverse effects on the competitiveness of SA manufactured products in local and international markets.

Halse said productivity returns from labour in SA were falling and companies invested in the country were not putting more money in.

"As companies move towards globalisation, SA will become less attractive because labour costs are not as cheap as they used to be."

Labour instability, strikes and the number of man hours lost annually also received prominent media coverage, Halse said.

"At the moment fund managers are basically waiting to see what happens. The things that concern them are the changing view on nationalisation, the violence and the fear that once black rule materialises there will be tribal conflict."

Halse said international fund managers were more interested in investing in established economies such as the US, UK and Europe. If they wanted development markets in their portfolios they would choose markets such as Mexico, which offered returns of about 40% to 50%.

SA's gold mining industry was not much of a drawcard because the industry was seen to be shrinking.

"The consensus is that the price of gold is not going to rise very high. Gold does not react to crises in the same way it did in the past.

"One of the reasons for the lack of excitement about gold is the international drive to stamp out inflation. Governments overseas are extremely committed to bringing down inflation, and with financial markets offering some exciting returns, people are not being forced into hard assets."

STAR 30/1/92

Reassure investors, ANC urged

By Carina le Grange (60)

South Africa would be a good country for future investment — but it was up to the ANC to reassure potential investors that their money would be safe, said British Cabinet Minister Lynda Chalker in Johannesburg yesterday.

Mrs Chalker said she knew British investors would be welcomed in South Africa by all the major political game players, but that they were still unsure.

"Nothing throws off investment as much as violence. It is what is preventing South Africa becoming an engine for growth," she said.

The Minister of State for Foreign and Commonwealth Affairs and for Overseas Development spoke at a press conference at Jan Smuts Airport at the end of a two-day visit.

She said it was unfortunate that the outside world could not enjoy the benefit of seeing and hearing what she saw and heard during her visit. "What they see are snippets of violence — not what I'm saying here today."

Mrs Chalker met a range of political leaders, including President de Klerk, ANC president Nelson Mandela, IFP leader chief Mangosuthu Buthelezi and PAC representatives.

She said her priorities had been to offer support for Codesa, to discuss the need for economic growth, and to assess the process of transition to a democratic South Africa.

South Africa needed jobs and investment. International capital was a necessity, but it was in short supply, with many other countries, including those in eastern Europe, clamouring for it.

She said she awaited with interest the ANC's economic policy statement expected in April. For the time being, she was heartened by having seen the "dawning of realism" in this regard.

She said she still held the view, expressed earlier, that Mr Mandela "in his heart of hearts" knew that remaining sanctions had to be lifted.

Lynda Chalker . . . "nothing throws off investment as much as violence".

'Let's give investors confidence in SA'

STAR 30/1/92.

By Peter Fabricius
Political Correspondent

60 24

New Minister of Trade and Industry and Economic Co-ordination Derek Keys said in his maiden speech in Parliament yesterday that his greatest challenge was to give the private sector the confidence to invest in the economy.

Speaking in the debate on the State President's vote, former Gencor chief Mr Keys gave the first inkling of his basic approach to his new job.

"How do we get more private-sector firms to decide to venture on more fixed investments?" he asked.

"It's the question that I'm prepared to become obsessed by. It could not unfairly be described as the question that brought me to this place."

He said that before an entrepreneur decided to invest, he had to reach a certain level of security.

In a luke-warm world economy, South Africa now had to enter two important new investment fields where the risk/profit relationship for the private sector was less promising than before.

Maiden speech . . . new Minister Derek Keys.

The first was the export market for manufactured and intermediate products and the second was the socio-economic field internally.

The export market was a "jungle" and SA still had plenty to learn about this area. In the socio-economic area, SA had not developed a satisfactory mechanism to fully enlist private-sector participation.

To achieve the necessary security level for entrepreneurs to enter these fields, confidence had to be inspired. The State had a crucial role in this.

Mr Keys said that because he had been talking about entrepreneurs, this did not mean he underrated the critical importance of labour's contribution to growth.

In all examples of superior economic growth, such as Germany, Japan and Korea, there was one common factor — "the Golden Triangle (Business, Labour and the State) joined in a consensus carefully and consciously aimed at economic growth".

Mr Keys said he wanted to become the "confidence-channel" to the business world, but the source of this confidence had to be Parliament.

The private sector needs a partner in the state

BDay 31/1/92.

60

DEREK KEYS

THE fixed investment decisions of businesses are not taken in Parliament. They are also not taken in the offices of Ministers and government officials. These growth-determining decisions are taken in large and small businesses throughout the country in the light of their projections and expectations and their views of the opportunities the future offers them.

Their record is not a bad one. There are examples of where the private sector invested in the wrong direction and received no return. On average, however, our entrepreneurs have shown healthy judgment and have read the future investment climate well.

But we need more investment. We need more investment in productive capacity. How do we get the private sector firms to decide, to a greater extent, to venture in the fixed investment area? This is the crucial question. It is the main question I am interested in. If you like, it is the question I am prepared to become obsessed by. It could not unfairly be described as the question that brought me to this place. In terms of instruments to promote investment, there is a veritable arsenal available in the shape of goverment actions of one kind or another. In this my first speech I would prefer to try to reach the root of the problem rather than tinker with remedies for symptoms.

The root of the problem of an inadequate level of investment is uncertainty. Before an entrepreneur takes a growth decision, he must reach a particular level of certainty. In times of strong growth in the world economy, it is relatively easy to reach this level, and also when the decision is in essence simply the extension of an existing undertaking.

As a country we have, however, reached the point where, against the background of a lukewarm world economy, we must enter two important new investment fields where the risk-reward relationship for the private sector seems less promising than that to which it is accustomed.

The first of these is the export market for manufactured goods and their intermediate products. The second is the whole domestic socio-economic field.

Compared to the internal market, the export market is a jungle. This jungle is not neutral. Every man's hand is against one, and he is backed by his home government at every turn. The governments of the largest countries jump left and right in trade matters to protect and advance the interests of their nation's firms. There is still plenty for South Africans to learn in this area.

As regards the socio-economic area, a crucial one for us to get right, we have still not developed a satisfactory mechanism for fully enlisting private sector participation. If we want to win, we shall have to do so. Clearly, the underlying basis of this challenge will not change quickly. How then, against this background, can we increase entrepreneurs' level of certainty?

The answer is simply confidence. Firstly, the state must demonstrate its own confidence by calmly and systematically striving towards the highest long-term economic goals.

Secondly, we must let entrepreneurs develop confidence in the state as a reliable partner in the successful extension of business. I am not talking about money. I am referring to co-operation, flexibility, and the willingness to undertake any transactions that will advance the general welfare. The motto must be that the entrepreneur can depend on the state.

This does not happen overnight: we are talking attitudes, we are talking transactions, we are talking deals, we are talking about a process which begins with a trickle and ends in a flood of confidence.

I have been talking about investment decisions which centre on the entrepreneurial factor. However, I should not like anyone to think that I underrate the role to be played by labour or the critical importance of its contribution to accelerated economic growth.

In all the international examples of superior economic growth — Sweden in the '30s, postwar Germany and Japan, Korea in the '60s and so on — there is one common factor, the golden triangle of business, labour, and the state joined in a consensus carefully and consciously aimed at economic growth.

This is very much in my mind, and I am watching every attempt being made to develop areas of business-labour consensus with the keenest interest.

☐ **This is an edited extract of Trade and Industry and Economic Co-ordination Minister Keys's maiden speech in Parliament on Wednesday.**

LETTERS

BUSINESS

Taxman reassures foreign investors

60

Finance Staff STAR 4/2/92

The recent bout of volatility in the financial rand market is expected to subside after yesterday's statement by the Commissioner for Inland Revenue that non-residents are not likely to be taxed on interest earned in South Africa.

Rumours to this effect last week caused a sharp sell-off of the financial rand, with the finrand dropping to as low as R3,47 against the dollar at one stage.

The Commissioner for Inland Revenue said yesterday the impression which was recently created that all interest paid or accruing to non-residents was now taxable was not correct.

He said in a statement the long-established rules still applied.

As far as interest is concerned, the general principle, contained in the Income Tax Act, was that income tax was levied if interest was received by or accrued to a taxpayer from a South African source.

The commssioner said the source principle applied to all taxpayers, including non-residents, and meant that the actual source of interest was determined by the place where the credit was made available by the creditor to the debtor.

However, the commissioner said there were various exceptions to the principle, including interest payable to non-residents on capital market stock and some double taxation avoidance agreements entered into by South Africa and other countries.

Non-residents who derived interest from a South African source had the same obligation as South African residents to render income tax returns and to pay the taxes owing on assessment, the commissioner said.

The Department of Inland Revenue was presently obtaining information from financial institutions and others to ensure that taxes which were properly due were collected, the statement said.

FW, Mandela plea for investment

Sowetan 4/2/92

60

DAVOS (Switzerland) - A public clash here between Mr Nelson Mandela and the chairman of the prestigious World Economic Forum came close to wrecking a carefully co-ordinated approach by the Government and the ANC aimed at inspiring investor confidence.

In an important breakthrough for South Africa's hopes of attracting foreign investment, President de Klerk and Mandela, for the first time, presented a united front here to the world's most powerful economic and political leaders.

But the moment was marred when Mandela complained - before his illustrious audience - that he had been given less speaking time than De Klerk.

The forum chairman, Professor Klaus Schwab, smoothed over the potential row but Mandela remained stony-faced as he left the podium.

Before that the two leaders had deliberately put aside their local differences to speak as South Africans to the 1 300 mega-industrialists and politicians in the prestigious World Economic Forum - widely regarded as one of the world's biggest concentrations of economic and political muscle.

IFP leader Chief Mangosuthu Buthelezi also joined in the new spirit of accord with a speech of conciliatory gestures.

All three leaders sounded a common plea to the world's economic giants to divert their development funds and energies to South and Southern Africa.

They were addressing the forum on South Africa's place in the new world order before taking part in a panel discussion with

SA still out in the cold for investors – poll

STAR 5/2/92

60

By Shaun Johnson
Political Editor

Those who believe that international businessmen are queueing up to invest in the new South Africa had better think again, according to the results of a Gallup poll commissioned by the London office of the South Africa Foundation (SAF).

In spite of the optimism expressed in South Africa after President de Klerk and ANC leader Nelson Mandela addressed the Davos World Economic Forum, British investors are not convinced of this country's attractions — and there is no reason to believe that their European and American counterparts think any differently.

In influential British circles, South Africa is regarded as being an investment prospect only marginally more enticing than Russia, Czechoslovakia and Brazil, the survey reveals.

The survey, conducted among influential UK fund managers, MPs and journalists, is cause for "considerable concern regarding UK-SA investment and trade", according to the SAF.

"Not only are the levels of ignorance about South Africa surprising, but when it comes to matters of trade and investment it is very clear that SA has not come in from the cold.

Some 25 fund managers, 50 MPs and 25 media figures were polled. Their attitudes suggested a worrying level of indifference towards South Africa — a sentiment which, observers note, could be even more debilitating than active hostility.

Some of the key findings are:

- Nearly half of all respondents believe much of or most apartheid legislation is still in force.
- Close to 40 percent said it would take 10 years or more for South Africa to correct current social, political and economic imbalances.
- Nearly half believed a future South African government would have an economic policy of "free market with partial State intervention".
- South Africa was regarded as a "medium risk" investment.
- Just less than 70 percent of respondents cited "political instability" as the greatest disincentive to investment.
- "Violence" was cited by close to half of those polled.

The SAF interpretation of the results is that, in spite of the freer climate created by the negotiations process, British decision-makers are not expressing marked interest in investing in South Africa. It is pointed out, for example, that the current generation of fund managers was trained in an environment in which there were little or no dealings with South Africa.

European investors rush to buy SA foreign bond issues

STAR 10/2/92

(60)

FRANKFURT — South Africa on Friday chalked up a victory in its struggle for acceptance by investors abroad with the successful launch of a Deutschemark-denominated bond by a state-controlled investment bank.

South African borrowers are still paying a premium for political instability, but the bond issue follows signs that the country is becoming an attractive investment option as it moves towards government with black participation, financial analysts say.

Appetite

Investor appetite for a six-year issue of Eurobonds by the Development Bank of Southern Africa (DBSA) was so great that the issuer decided to raise the amount to Dm200 million from the original Dm150 million.

"The issue is selling fine, in fact so well that we were able to increase the volume.

"It is almost a roaring success," said an official at Bayerische Landesbank Girozentrale, which brought the loan to the market for DBSA.

He said the bulk of the issue had been snapped up in Germany, but that investors from other European countries had also shown interest.

The bond's relatively high 10 percent coupon had helped to attract investors to the issue.

"Private investors just love these high coupons, they do not worry too much about apartheid," a German banker said.

Bond issues by the German government or state-controlled institutions pay around eight percent interest.

"Of course, the coupon is a reflection of political uncertainty in South Africa, but only that. It has nothing to do with its economy," said the banker, speaking on condition of anonymity.

The ANC has repeatedly denounced buyers of South African issues as transgressing sanctions and has threatened not to acknowledge debt contracted by Pretoria.

Nevertheless, SA issues carry coupons comparable with those on bonds by Brazil, a less developed economy, or Hungary, a former communist country struggling to adopt market economics.

Polls of more than 100 European investment managers show that South Africa is rated a lower investment risk than Brazil, Mexico, Argentina, Czechoslovakia, Russia and Hungary.

Fund managers in London praised the quality of leadership in all economic sectors in South Africa, its sound infrastructure and the vast potential local consumer base, extending to the rest of Africa.

After years of being boycotted, apartheid reforms have enabled Pretoria to make a discreet but successful re-entry into world capital markets since September last year.

Loyal

"Investors in Europe and Britain have been very loyal to South Africa ... consistently requesting paper," said a syndicate manager.

But he stressed that the bonds were heavily guaranteed.

The Government owns 84 percent of DBSA, which was founded in 1983.

The remaining 16 percent is in the hands of regional governments countrywide.

The continued success of South African issues is expected to encourage other SA borrowers to issue bonds.

Bond market sources say the next issue is likely to be a Deutschemark150 million bond for Eskom. — Sapa-Reuter.

Investors' attitudes to SA are improving, poll shows

B/Day 10/2/92

LONDON — A poll of 90 European fund managers to be released shortly shows investor attitudes to SA are improving rapidly but enthusiasm is tinged with caution.

The poll by Business Planning and Research International (BPRI) was commissioned by UK-based investor specialists Sage Partners. It is being released alongside a Gallup poll of 25 British fund managers for Strategy Network International.

"The playing field is more level in terms of ethical embargoes but that doesn't dictate that investment follows," said Tim Read of London stockbrokers Smith New Court.

The BPRI poll found 50% expected to invest more in SA in the future against 8% who expected to invest less. Gallup found more than half would invest now, a small minority would wait five years and 8% would never invest there.

SA was rated a lower investment risk than Brazil, Czechoslovakia or Russia, Gallup said.

BPRI found it was a lower risk than all but EC countries and less than Hungary, Mexico or Argentina, said Neil Ryder of Sage Partners.

Fund managers saw mining as the most attractive sector, said Gallup. Ryder said businessmen rated agriculture and food first, then mining, tourism and manufacturing.

The two polls, to be released in the next two weeks, appear to show political instability rather than any party's specific policy as the main obstacle to investment.

Fund managers praise "responsible" leadership, the sound infrastructure and the vast potential local consumer base.

"But the question is, do we want to go in right now?" said one.

Syndication managers and brokers back the polls' findings, pointing to a spate of business "fact-finding" trips and the success of three recent bond issues in Europe. The Development Bank of SA's DM150m bond was presented this week and Transnet will present its two-year fixed-interest bull-bear issue, Elfi IV, in March.

"Investors in Europe and the UK have been very loyal to SA. They have consistent requests for paper," said one syndicate manager. But he stressed the recent issues had been short-term, pre-placed and heavily underwritten.

The issues have been decried by the ANC which has threatened not to honour repayment of debt contracted by Pretoria now.

"They can't say that and be taken seriously," said Smith New Court's Read.

He said calls for nationalisation and debt default were "more for the consumption of the comrades in the townships than international capital markets".

Fund managers note there is also opposition to foreign bonds from white businesses inside SA.

"Foreign borrowing is an unnecessary burden on state finances ... it should not be a test of financial vigour," said one. — Reuter.

SA 'not investing enough for economic development'

SHERIDAN CONNOLLY

SA IS not investing enough to ensure economic development that would benefit all communities, and should recognise the need to establish a political and economic framework conducive to investment. BDay 10/2/92

This view was expressed by the economic and financial department of French bank Paribas in a study published in its journal Conjoncture.

Paribas said government and the ANC agreed that an upturn in growth hinged on investor confidence.

Excessively rapid population growth (3% a year) and the resulting difficulties of integration in the economy would make it imperative for the level of unemployment to be stabilised, Paribas said.

Lifting sanctions and the settlement of the debt problem enabled SA to promote an ambitious growth policy by revitalising investment and private consumption. Foreign currency earnings from exports would enable SA to import capital and intermediate goods needed to expand its production capacity and build up a manufacturing industry.

Its re-emergence into the world economy should enable it to change the protected nature of its economy and concentrate its resources on sectors in which it had a comparative advantage, such as textiles and iron and steel.

ADRIAN HADLAND reports that a code of ethics for investment in SA will be discussed at a conference in Broederstroom near Johannesburg today. The conference, hosted by church organisations, will be attended by representatives of business, trade unions and political bodies.

● See Page 13

Top fund managers explore local links (60)

LINDA ENSOR

CAPE TOWN — Leading fund managers representing 39 of the world's top financial institutions are in the country assessing investment possibilities and increased trade and financial links.

A team of fund managers, organised by UK brokers Smith New Court, and a delegation representing major financial institutions under British Invisibles, were in Cape Town yesterday. B/Day

The party of 14 from Smith New Court is to meet President F W de Klerk today. This follows meetings yesterday with Trade and Industry Minister Derek Keys and representatives from Pick 'n Pay, Pepcor, Wooltru and Sanlam. 11/2/92

For the rest of their 10-day stay they have lined up meetings with key political and business leaders, including Deputy Finance Minister Theo Alant, Reserve Bank Governor Chris Stals and senior ANC and Inkatha members. They also plan talks with the chairmen of Anglo American, Gencor and Barlow Rand.

The second party, organised by British Invisibles, represents major financial institutions in the UK. British Invisibles chairman Sir Hugh Bidwell said last night a seminar for 250 people would be held in Johannesburg tomorrow. This would encourage trade and financial links.

Among the institutions represented on the visit are Morgan Grenville, Hill Samuel, Hambrose, Standard Chartered and Barclays de Zoete Weld.

Politicians fiddle while SA crumbles

Soweten 12/2/92 (60)

FOCUS

By ISMAIL LAGARDIEN
Political Correspondent

STRONG signals of substantial economic investment in South Africa have been coming into the country recently, and on Friday, the president of the International Monetary Fund, Mr Lewis Preston, is expected to arrive here.

And last night a top Washington lawyer told a South Africa Foundation forum in London that the World Bank was preparing, within four years, to make this country the largest recipient of aid on the continent - Nigeria, the largest to date, has presently received more than R15 billion.

All of this could mean absolutely nothing because it appears as if the single criterion for investment in South Africa, according to the ANC, PAC and Azapo (to name but three political movements), is not widespread hunger, rampant poverty and creeping economic deprivation or stagnation, but reaching a "satisfactory" political settlement.

The Government, on the other hand, uses the investment issue as a battering ram against the ANC in the current electioneering campaign, or constituency-building, as it were...

It does so with a perceived disregard for the current carnage and mayhem in the country.

When State President FW de Klerk arrived from Europe on Monday morning, where he addressed investors and met world leaders, he was as bouncy as a newly married person - complete with that smile of benign delight pasted on his face.

De Klerk told a snap media conference at Cape Town's DF Malan Airport that he felt "bullish" about South Africa's future, and that there was growing trust in South Africa's future among all the political and business leaders in Europe.

The biggest concern among all business and political leaders, however, was that the future must hold some kind of guarantee of safety for investors' money.

De Klerk promised them protection, and repeated this upon his return to South Africa this week.

Protection

The Government would make sure that some legal protection was built into any new constitution to protect investors from abuse of power by the rulers in the next South Africa, he said.

In stark contrast, the ANC last week stressed - perhaps quite correctly - that it would not, as a government, feel bound by any loan agreements entered into with the present administration.

This is perhaps better summed up by the analogy that if any person buys a house, that person cannot be held responsible for debts incurred by the previous owner - not unless there is some kind of prior agreement to this effect.

This is perhaps also why the ANC says it would only approve lifting economic sanctions when an interim government is in place.

Be that as it may, an interim government or transitional authority will be an extremely tentative scenario, given the fact that real elections for the real next government of the real next South Africa was still not a reality...

It will take careful if not cunning political reasoning to secure loans and development aid for the next South Africa, now and during the interim government stage.

South Africa is fortunate in that it has for many years been unable to secure any foreign loans; this effectively means that the country has very little foreign debt.

Between the rigours of apartheid and the subsequent sanctions campaign, the country has been shredded into fragments of great deprivation and, needless to say, the present drought does nothing to ameliorate this situation.

An obvious and logical next step, in any other normal country, would be to seek foreign aid from the Bretton Woods institutions - the International Monetary Fund and the World Bank.

But, this is not yet possible, for two reasons. One is because of the sanctions campaign; the other is, to a great extent because of apartheid.

Coupled with the economic recession in the country, and the deficit in the Budget, there appears to be no way out of South Africa's economic misery.

Not for as long as both Government and its extra-parliamentary opposition still choose to use investment and sustainable economic growth as a political weapon.

This way of determining South Africa's economic growth through the ideological ordering of society is succinctly summed up perhaps by the ANC's refusal to allow the Independent Development Trust to accept R100 million loan to help fund a national school and clinic building programme.

The ANC's reply to the argument, and indeed to black people for whom the schools and clinics were to be erected, is that the money would "bust economic sanctions".

The Government too, and especially De Klerk, is not entirely committed in its search for economic solutions in South Africa.

De Klerk has become such a gad-about that he has aircraft landing gear for legs and safety belt imprints across his lap, while in horrendous counterpoint the country is quite literally coming apart at the seams.

Murderous violence continues to rack the social fabric of the country. Black education is in a pathetic state.

Evidence

Reports and evidence is published daily about either South African Police or military involvement in the political violence in the country.

The country is trapped in a vicious recession. Serious drought is threatening to destroy millions of hectares of farmland.

And all of this is happening against the background of a spontaneous uproar across the country over the indiscretion with which criminals are being released into a society already riddled with crime and violence.

At exactly what point investment, economic stability and sustainable economic growth can be encouraged in South Africa is not clear at this point, but what is clear from the indications is that it doesn't matter among politicians that there is not enough money, jobs, schools, clinics, personal security and confidence to go once around the country.

Chikane warns against IMF

(60)

ADRIAN HADLAND

SA should not subject itself uncritically to IMF and World Bank policies, SA Council of Churches general secretary Frank Chikane this week told a conference on investment in SA.

In the past these policies had been followed by "universal outcry and misery in those Third World countries where they had been applied", he said.

"We cannot believe that the salvation of our country lies in an uncritical and undemocratic subjection of our country to IMF and World Bank policies."

Chikane was speaking at the opening of the Toward a Code of Investment conference in Broederstroom. BDay 12/2/92

The conference aims to pool ideas on an ethically sound investment practice for foreign and local investors.

Chikane said he believed "unbridled capitalistic investment practice" could not be proposed as a solution to SA's economic crisis.

The present tendency of local business to invest in capital intensive, instead of labour intensive, ventures meant business had to share the blame for the current crisis, he said.

'Time of essence' to attract capital

(60)

BDay 13/2/92

SHERIDAN CONNOLLY

SA WOULD have to accelerate radically its timeframe for achieving political stability and demonstrating a co-ordinated economic programme if it was to wrest capital flows from alternative destinations, Morgan Grenfell & Co directorMartin Kingston said yesterday.

He was speaking at a conference on investment, hosted at the Sandton Sun by the trade group British Invisibles.

In his address on The implications of developments in Eastern Europe and the former Soviet Union for South and southern Africa, Kingston said that eastern Europe, the former Soviet Union and South and southern Africa would be fighting for both private and public capital.

In the competition to attract such capital "... it will be the combination of internationally accepted economic policies, a recognition of the explicit guarantees that need to be afforded to external capital and an enduring, stable political environment which will reap rewards", Kingston said.

As the gateway to southern Africa, SA had much to offer.

"SA is the natural point of entry for the continent if satisfactory benefits are to be gained," he said.

"To achieve its potential in the face of competition from countries that will, effectively, attempt almost anything to achieve economic growth and maintain a degree of political stability, SA will actively need to stimulate the interest of foreign parties," he added.

He said the City of London currently provided assistance to Poland, Hungary, and other Eastern European countries which were undergoing transition to a market economy.

"The City of London is playing a leading role in providing such support — in the creation of structures, institutions and regulatory frameworks, in advising on corporatisations followed by privatisations, on large scale project financings and the mobilisation of capital flows."

Kingston said that it was increasingly apparent that southeast Asia had become the bailiwick of Japan and Korea, while Latin America had become the primary target for the US. That meant inevitably that eastern Europe and the former Soviet Union, and Africa, including South and southern Africa, were the natural focus for Europe.

He stressed that investors from outside SA and the region were highly sensitive to the apparent levels of uncontrollable violence. Thus the need to bring violence under control would be a key component of an overall strategy to attract foreign investment.

Foreign investors would be significantly influenced by the willingness of the local community to demonstrate confidence in their domestic environment instead of exporting capital, Kingston said.

Delegates to the conference hosted at the Sandton Sun by the British Invisibles, clockwise from top left: Anglovaal chairman Basil Hersov; Guinness Mahon and Co chairman David Potter; Anglo American Corporation chairman Julian Ogilvie Thompson; and Standard Chartered plc chairman Rodney Galpin. Pictures: ROBERT BOTHA

Talks with France and Hungary

SA seeks new tax deals to lure investors

B/Day 13/2/92

60

SA is negotiating new tax agreements with its trading partners in an effort to attract foreign investment.

LESLEY LAMBERT

Inland Revenue director Ian Meiklejohn confirmed yesterday his department was negotiating double tax agreements with countries where no agreements existed.

Inland Revenue commissioner Hannes Hattingh and leading tax officials were in France and Hungary last week to start negotiating the agreements, which would be more attractive to foreign investors than the current taxation method, he said.

A similar agreement with Taiwan was near finalisation. Negotiations with other major trading partners, including Eastern nations and the US, which terminated its double tax agreement when it imposed sanctions on SA, were likely to follow.

"SA is getting back into international traffic and we need to negotiate agreements which will encourage foreign investors to come here," Meiklejohn said.

He declined to comment on the terms of the agreements because these would have to be approved by Cabinet.

Most double taxation agreements are based on the standard OECD model where the signatories agree to limit the taxation of foreign investors' income to a certain percentage of that income.

While SA has maintained tax agreements with some countries — such as the UK, Israel, Germany and the Netherlands — during the sanctions years, investors from other countries have to pay normal income tax on interest earned from SA investments other than gilts.

On dividends, foreign investors pay non-resident shareholders' tax of 15% or less if there is a double agreement with the investor's home country. In most cases they are also taxed in their home countries.

Recent warnings that the tax authorities would continue to enforce the existing method of taxation sent the financial rand plummeting as disgruntled investors became bulk sellers of the currency unit.

The pending Taiwanese agreement is based on the standard OECD model but others, particularly those with European countries, may follow the more recent international trend in which the sole right of taxation is limited to the resident country.

If this is the case, foreign investors will not be taxed in SA and South Africans investing in foreign countries will not be taxed abroad on investment income.

Responding to concern that this could give foreign companies an unfair advantage over local companies, Meiklejohn said this could happen where the rate of tax imposed by the foreign investors' resident country was lower than SA's.

In the past, SA had a 10% withholding tax on foreign investors' interest income. But it was merely granted as a credit on assessment if the interest was subject to normal income tax.

Some tax experts say Inland Revenue should reinstate a low fixed-rated withholding tax on foreign investors' local investment income but exempt it from normal income tax.

This would make it easier for investors, many of whom are not disclosing their investments, to submit returns. The fiscus would then collect more revenue, they say.

Foreign investors 'allies of oppressor'

STAR 14/2/92

By Carina le Grange

Foreign companies and banks that thought of investing in South Africa now were allies of the oppressor, South African Council of Churches general-secretary Dr Frank Chikane said in Broederstroom yesterday.

He said the time to lift economic sanctions would come only when all South Africans had been given maximum participation in decision-making on matters affecting the country and their future.

Dr Chikane was speaking at a press conference at which a draft code of conduct with regard to investment was announced after a four-day consultative conference.

Influence

The title of the code is "Towards a Code of Investment: Ethics for South Africa's International Economic Relations".

The consultation was organised jointly by the SACC, the South African Catholic Bishops Conference, the Institute for Contextual Theology and the Kagiso Trust.

The proposed code of conduct would not be an economic policy document, however, but would "influence and complement" Government actions and domestic and foreign companies after sanctions were lifted.

Initial suggestions include provision for the monitoring of such a code.

The document emphasises social and moral obligations and says foreign investment should be regarded with caution since it "tends to withdraw wealth out of the country".

Advance

Guidelines include suggestions for affirmative action to advance the position of black people, and women in particular, as well as to redress the urban/rural imbalance.

No date has been set for the formalisation of such a code. This could be done only after wider consultation with all the interested parties.

More immediately, a call was made on the church to establish an ecumenical task force on economic matters.

The corporate community was urged to take part in the transformation of South Africa by adhering to ethical codes of conduct in keeping with the priorities of the people of the country.

General
Seminar Progr.
- Induction Seminar Progr — 6 Dec
- Student input 17 - 24 Jan.

'Hold back', investors told

Own Correspondent

JOHANNESBURG. — A Code of Investment conference in Broederstroom yesterday urged potential foreign investors to hold back on their investments until a code of ethics was formulated later this year. (60)

The conference was hosted by the SA Council of Churches, the Catholic Bishops' Conference, the Institute for Contextual Theology and the Kagiso Trust.

Principles to be incorporated into the proposed code included the accountability of companies to their workers, the encouragement of local initiatives and action to redress disadvantaged communities and the rural-urban imbalance. CT 14/2/92

They insisted on hav- ■ To Page 2

often abducted in broad daylight from the taxi rank in Vereeniging,

Some of the gir being abducted th

Mandela bid to ease investors' fears

By SEKOLA SELLO

(60)

THE ANC, reeling from international opposition to its economic policies, is considering adopting an investment code to encourage foreign capital.

The issue of an investment code comes in the wake of Nelson Mandela's recent trip to Europe, where he encountered open hostility from leading industrialists about the ANC's nationalisation policies.

Mandela, speaking to journalists at his Soweto residence yesterday, said that as long as a future ANC government maintained its policy of nationalisation, it would drive away potential investors.

CPRN 11/2/92

In a rare admission of the consequences of nationalisation, the ANC leader said: "As long as we maintain nationalisation, we will not get investors."

Mandela and members of the organisation's national working committee went into a three-day retreat this week to have an "in-depth look into the overall political situation, ways of addressing the fears of minorities and the peace process".

The issue of nationalisation and the attitude of big business was also discussed and the matter will be dealt with at length at the organisation's economic policy conference in April.

At the end of the session the ANC reiterated its opposition to a whites-only referendum on constitutional changes. It also rejected regional self determination.

Peter Fabricius comments on the Government's turnabout on foreign pressure

Looking to others to temper ANC

STAR 19/2/92

(60)

ONE of the more enjoyable ironies of President de Klerk's trip to Europe last week was the way the Government suddenly became an enthusiastic advocate of foreign meddling in South Africa's domestic affairs.

The main purpose of the trip was to mobilise foreign governments and industrialists to pressure the ANC into dumping the vestiges of its socialist economic policies.

It was not too long ago that this same Government was berating the world for interfering in South Africa's affairs. The Government's philosophy then was that apartheid was purely an internal matter.

The new approach to foreign involvement — most sharply manifested at the World Economic Forum at Davos — dramatically gave the lie to this old argument.

It revealed the truth of the NP position all along, that foreign pressure is fine, as long as it not applied to you.

Even as late as last week a slight contradiction in the Government's approach underscored the truth of this observation.

When President de Klerk received the Unesco peace award in Paris, he took the opportunity to warn Unesco that while it should encourage change, it should not "interfere". This warning was apparently issued for fear that Unesco might "interfere" on the wrong side — the ANC's.

Davos was an intense crucible of free market pressure, one of the most concentrated gatherings of world political and economic leaders ever. Under that pressure, ANC president Nelson Mandela offered important assurances to foreign investors which could prove crucial for the success of a post-apartheid economy: he promised their investments would be safe from nationalisation.

And in an earlier press briefing at Davos, he had made it very clear that he disapproved of ANC statements threatening to review foreign loans granted to the present Government. Mr Mandela said he did not think it would be wise to acquire the image of an organisation that "did not honour its debts" — implicitly repudiating his hardline colleagues.

On his visits to Hungary, Czechoslovakia and Poland, Mr de Klerk also tried to mobilise these governments against ANC economic policy. In nations which had just shrugged off the shackles of 40 years of oppressive communism, it was not hard to find endorsement for the free market.

The trip, and Davos especially, showed how in the future SA might come to be very grateful for foreign pressure — as it should have been grateful for the role which foreign pressure played in the past in persuading the Government to abandon apartheid.

But it is by no means certain that that all white South Africans are grateful. Witness the quiet but persistent rumblings in the National Party establishment about Mr de Klerk's foreign excursions, similar to the criticisms of Mr Gorbachev and Mr Bush. The line is that instead of currying favour abroad, he should have been fighting the Potchefstroom by-election.

That surely shows a misunderstanding of the purpose of the mission, to win support for critical policy decisions.

"A few years ago we had little support outside the country, now we probably have more than the ANC," a senior government source said.

"If you strip away the personal reputation of Mr Mandela, the ANC is being slowly destroyed by its exposure to the world."

That is putting it much too strongly, but the general drift is right. The ANC is not so much being destroyed as moderated. Thank God for world pressure. □

Anglo's Boyd backs tight monetary policy

STAR 19/2/92. (60)

The Reserve Bank's tight monetary policy must be supported in an effort to reduce inflation and attract new investments, says Anglo American deputy chairman Lesley Boyd.

He told the conference investments were the most effective way of achieving growth.

However, he said, to encourage new investments there had to be a climate of certainty, lower real interest rates, lower company tax and tax incentives — in order to make South Africa world competitive in attracting investors.

To achieve lower inflation, he said, there would have to be lower wage demands from unions and more resolve by employers to settle wage and salary increases at sub-inflation levels.

With regard to taxation Mr Boyd stressed that many industrialised and even developing countries had tax rates significantly lower than South Africa's. — Sapa.

Tax on foreign investors is under review

B/Day 19/2/92

SHERIDAN CONNOLLY

INLAND Revenue officials were reviewing "the universal taxability of earnings on non-residents", Finance Minister Barend du Plessis said yesterday.

Addressing the investment conference, Du Plessis said he was awaiting clarification from the Commissioner of Inland Revenue concerning tax on foreign residents.

He said although it was policy to tax such investments at their source, the world had changed since SA's isolation and it was necessary to review the country's position.

Du Plessis said government was committed to getting the corporate tax rate to around the 40% level. Although there was scope for tax relief, only limited funds were available to finance tax relief projects — fiscal drag, import surcharges and personal and corporate tax rates were some areas that would be investigated before next month's Budget, he said.

Du Plessis said the economy had not yet bottomed out and the upswing expected this year would be modest and gradual. Although SA's potential growth rate would be limited by the economic performance of its main trading partners, conditions in the world economy would still be favourable and a slight rise in international commodity prices would hopefully benefit the volume of SA exports.

With irreversible reform under way, traditional and new markets were opening up to exporters, he said. Manufacturing exports showed great potential and would be further stimulated by tax incentives for export-oriented projects.

Du Plessis said GDP would show positive growth in 1992 following negative growth rates of the past two years. The crisis in agriculture would put pressure on growth prospects and any expansionary phase would need to be nurtured.

In the past, nominal wages had increased at a much faster rate than the rate of inflation and had not been linked to productivity. This adverse factor had caused distortions in the economy.

Private consumption expenditure would

☐ To Page 2

Tax review

☐ From Page 1

grow in 1992 but, because of the poor performance in agriculture, this growth could be expected to be only modest.

Du Plessis said SA was en route to greater financial stability. He said the country's re-entry into the international financial market environment via recent Eurobond issues had been a great success.

A sustained higher level of foreign exchange reserves would enable government to continue its policy of maintaining a stable effective exchange rate.

Du Plessis' speech boosted the financial rand yesterday and it staged a small comeback. It closed at R3,61 a dollar compared to Monday's R3,77 close.

Call for major export drive

Sanlam pours R20bn into investments

BI Day 20/2/92 (60)

CAPE TOWN — Sanlam had committed R20bn to investment projects, the life assurer's chairman Abie van den Berg said at the company's annual meeting yesterday.

He said the capital had either been invested in recently completed projects or would be invested in projects that would be completed during the next five years. Van den Berg said the R20bn was roughly equal to the value of SA's annual gold production or a quarter of the annual national Budget. The larger Sanlam group of companies employs more than 450 000 people.

"A new gold mine and expansions to other gold mines as well as platinum and coal mines are some of the ventures involved. Investment in ferro-alloys, alloy steel, paper and wood pulp, liquid energy and a large variety of smaller industrial investments, ensure that our group is well represented in the most important mining and industrial industries."

Van den Berg said property investments in new areas of development created by urbanisation made up more than 100 000m² and were increasing.

In the year to end-September the market value of Sanlam's assets increased by 33% to more than R50bn. Investment income of R3,4bn was earned.

In his chairman's statement Van den Berg called for a greater degree of fiscal discipline. "It is essential that the rate of increase in government spending be strictly controlled and that this expenditure be financed in a non-inflationary way if we wish to prevent inflation from getting out

LINDA ENSOR

of hand, with disastrous consequences for the country in the longer term."

It was of the utmost importance that the confidence of local and foreign investors be restored. The support of foreign investors, bankers and businessmen would be forthcoming only if the safety of capital was guaranteed, attractive returns could be earned, the tax system was fair, unrest declined and strikes occurred only within reasonable limits, and if the political system was economically justifiable.

Foreign capital would be vital to achieve economic growth and foreign support for the enormous task of social upliftment was essential, Van den Berg said. He said the achievement of a higher rate of economic growth would also require a drastic improvement in the export drive.

"What we need is a comprehensive export strategy thoroughly planned by government in consultation with the private sector, to make us far more export-orientated." Manufactured and beneficiated goods would increasingly have to replace raw materials as the mainstay of foreign earnings.

In his seconder's address Transnet MD Anton Moolman said SA would not be able to count on large-scale foreign assistance in future and would have to exploit the inherent strength of its own economy.

Government had neither the funds nor the ability to lay the foundations for the country's socio-economic future, Moolman said, and the business sector would have to assume greater responsibility.

Mike Siluma reports that investors should observe certain guidelines

An economic balancing act

(60)

STAR 21/2/92

DURING his appearance recently at the World Economic Forum in Switzerland, Nelson Mandela went out of his way to reassure potential investors, promising a review of the ANC's policy on nationalisation and debt repayment.

But the other side of the investment coin, he might have added, relates to growing concern in his constituency that any new investments, while ensuring returns for investors, must also lead to visible material benefits for the majority.

The imminent restoration to full membership of the world economic community has galvanised the ANC and the Congress of South African Trade Unions into urgently considering the critical issues of when and how foreign businesses should be allowed to invest.

In Davos, Mr Mandela called on the world's investors not to pour in their money now, but to hold off at least until an interim government had been installed.

In Johannesburg last week, after a church-sponsored conference on investment, SA Council of Churches general secretary Dr Frank Chikane used even stronger language to emphasise the point made by Mr Mandela, declaring that to invest in South Africa now would be tantamount to collaborating in the oppression of the majority of South Africans.

The issue of the terms on which foreign investment should flow back into South Africa is not so straightforward. It is being examined with renewed urgency by both the ANC and Cosatu.

While mindful of the fact that international investors, despite their growing interest in South Africa, are not exactly scrambling to do business in the country, the Johannesburg conference warned that "foreign investments must be regarded with caution".

"Investors," it argued in its communique, "should only operate within the framework of control mechanisms which make it most advantageous for them to enhance a life-sustaining economy."

Delegates to the conference — representing the SACC, the Institute of Contextual Theology, the Southern African Catholic Bishops Conference and the funding group, Kagiso Trust — all commited themselves to co-operate with the liberation movements, the trade unions and other groups to draw up a code of investment and corporate conduct.

So far, debate on the issue of an investment code has tended to focus on the following areas:

- The need to stimulate economic growth with the objective of raising the standard of living of disadvantaged communities through, for instance, the provision of housing and electricity.
- Ensuring that the influx of new investments does not encroach upon the rights of workers and that all employers (including local companies) adhere to the International Labour Organisation (ILO) conventions.
- Encouraging employers to play an active part in improving living conditions in the disadvantaged communities through social responsibility programmes.
- The necessity of affirmative action within companies to advance the position of those previously discriminated against.

In addition, companies investing in South Africa would be asked to adopt responsible policies towards the natural environment.

Whatever form the code eventually takes, those who draw it up will have to do a delicate balancing act of ensuring that South Africa remains attractive to foreign investors (without too stringent an investment code) while at the same time striving to redress the injustices of apartheid and breathing new life into the stricken economy. □

EC urged to support SA economic development

B/Day 24/2/92

LINDA ENSOR

CAPE TOWN — EC Commission vice-president Martin Bangemann is to recommend to the commission that the economic development of SA and southern Africa be underpinned by a wide range of supportive measures from the EC.

Bangemann announced this at a media briefing on Friday to mark the opening of an SA office of the Friedrich Naumann Foundation. Bangemann is chairman of the foundation's board of trustees.

The measures would be aimed at providing public backing to private industrial co-operation between EC countries and SA, although ideally the measures would apply to a southern African regional bloc.

The measures could, for example, provide guarantees for investment; grant a southern African regional bloc greater access to the EC market with its 350-million consumers; and include SA in a private and publicly funded system of insurance covering the risk of losses incurred when investing in countries with which the EC has industrial co-operation agreements.

Other measures could provide political backing in the form of investment protection agreements, agreements for capital transfers and the transfer of profits, and the legal protection of intellectual property rights.

Bangemann said it was incumbent on European countries to back the political development of SA towards a fully fledged democracy.

Democracy without economic growth and stability was not possible and economic development could take place only with international co-operation.

Bangemann said he would recommend that Europe offer this co-operation to SA.

In his address at the opening of the foundation, Bangemann stressed the importance of regional co-operation.

It was impossible in the modern world to attempt to foster economic development on a national basis, he said. Doing away with the Customs Union in southern Africa would be a first, shy step towards regional integration. More important would be the standardisation of technical and tax systems and possibly the introduction of a common currency.

The Freidrich Naumann Foundation has an annual budget of about DM30m, of which about DM2m has been allocated to SA projects. It is involved in projects throughout the world but its attempts to improve living conditions in developing countries had not had the success desired, Bangemann said. A lack of regional co-operation had been a major obstacle to economic development.

He saw the foundation's role in SA as being to stimulate debate by holding seminars and conferences on different subjects and to bring out constitutional and other experts to SA.

SA told to sell its opportunities

B/Day 25/2/92

(60)

JOHN CAVILL

LONDON — SA's present package of investment incentives looked like a script from the Goon Show, British Industry Committee on SA (Bicsa) director Nick Mitchell declared here yesterday.

Mitchell, whose organisation represents 80% of UK companies with investment worth £10bn in SA, made a strong appeal for a coherent strategy and concentrated effort to sell the country's opportunities to international investors.

He was speaking at the two-day conference, Investing in SA, organised by Business Research International with the SA Foundation.

Apart from problems such as the violence in SA, Mitchell said there were several problems with attracting business in spite of the wide range of opportunities for British companies. The removal of disincentives, such as high corporate taxation and bureaucratic obstacles, were probably more important.

There was a need to clarify objectives and priorities and then to promote SA's case coherently in the markets of the world.

Mitchell said: "In the last year I have attended 15 seperate presentations — from promotions for Johannesburg and Qwa Qwa, Pietermaritzburg and KwaNdebele or the Cape and Transkei — but nothing which counted as investment in SA itself.

"The first decision in making an investment is the choice of country and the second is the choice of region. The case must be presented as a south or even southern African story. It is a fact that opportunities which are not sold in the market place means they go unfulfilled."

Mitchell said he hoped the National Economic Forum would produce a united effort from "those representing the present and the future" but he also warned of the dangers of bringing in codes of conduct, as proposed by Frank Chikane of the SA Council of Churches.

However much people might agree with the morality behind such codes, said Mitchell, "you must bear in mind that there are many competitors for investment in the world and conditionality can be dangerous".

He described urgency on the economic front as the "great missing ingredient" in developments in SA.

At the same time he warned British businessmen to be on the alert to the competitive advantage of acting now "before SA gets its act together".

There was already "a scrum" for investment prospects "with French, Germans, Italians and Japanese running around SA looking for opportunities", he said.

Internal markets, exports to grow — Keys

(60)

JOHN CAVILL

LONDON — Internal markets which will grow for decades as living standards improve and the potential for exports provide powerful reasons why foreign companies should invest in SA, Trade and Industry and Economic Co-ordination Minister Derek Keys said here yesterday.

In his first overseas appearance since taking office five weeks ago, Keys was speaking at a conference on Investing in SA organised by Business Research International with the SA Foundation.

Keys was confident reform would continue with President F W de Klerk winning the March 17 referendum.

He listed four growth imperatives to which any future government would hold. "Nobody wants to even mildly inconvenience the golden goose, let alone kill it, if its egg production can be stimulated to everyone's benefit."

Government wanted to see per capita incomes growing by 1% annually, implying expansion of 4% a year.

SA's large population of young people promised "big and growing markets ... (which) won't even approach saturation for decades to come," Keys said.

To reduce unemployment government was likely to maintain the encouragement of local production. At the same time it was necessary to generate competition "and a careful lowering of tariffs" would encourage this.

In many export markets, especially for intermediate and manufactured goods, SA was "small beer", he said. "There is room for us in the world supermarket of industrial goods." B/Day 25/2/92

Here SA's proximity to sub-Saharan Africa gave it an advantage. While sub-Saharan Africa was not "much of a prize" at present, Keys said the world could not stand idly by an see the region "become effectively de-linked from world economic growth".

There was a need for partnerships between SA and the developed economies which would play crucial roles elsewhere in Africa. These would benefit SA exports to the rest of Africa and boost the region's two-way trade with SA and sales to the rest of the world.

World's investors focus on referendum

STAR 26/2/92 (60)

By Michael Chester

The eyes of international investors were fastened on the March 17 referendum as a guideline to future investment plans, Sir John Banham, director general of the influential Confederation of British Industry, told businessmen in Johannesburg yesterday.

The result, he told a South African Chamber of Business (Sacob) luncheon, would be seen as a vital pointer to the kind of economic system that would emerge.

Crucial

"As far as overseas investment decisions are concerned, the stakes are high," he said.

Signals from the referendum and the Codesa negotiations would be crucial.

Indications of progress with a free-market system would flash a green light to overseas investors.

The alternative of trends towards a central-government command economy would bring about a crisis in business confidence.

The referendum aside, the omens looked good. British inquiries about the prospects of closer business ties with South Africa were running 10 times higher than two years ago.

Interest in current events was intense. South Africa ranked high among Britain's list of world-wide trade partners — one of its biggest single markets outside Europe, North America and Japan.

Since the early 1980s, the UK had ploughed tremendous amounts of investment cash into the US and Europe and was now looking elsewhere for new opportunities.

"Investors are now looking towards South Africa again," Sir John said. "They see remarkable potential — but for the moment they also have to balance the political risks.

"Businessmen don't like a climate of uncertainty, especially uncertainty about economic systems under which they are expected to operate.

"British investors are following developments here very, very closely."

● It was announced in Johannesburg yesterday that two businessmen have launched a campaign for a positive vote in the coming referendum.

Support

A statement said the fund, suggested by Times Media Limited managing director Stephen Mulholland, would seek financial support from business for a non-party-political campaign that would include extensive print and electronic-media coverage.

The fund would be jointly chaired by Dr Chris van Wyk and George Thomas.

ANC 'will regulate business'

JOHN CAVILL

LONDON — A future democratic government in SA was bound to bring in regulations to ensure that the big mining and business conglomerates "serve the public good", ANC economic adviser Vella Pillay said yesterday. B/Day 26/2/92

Speaking at the Investing in SA conference to bankers, businessmen and investors, Pillay, a former international banker, made no mention of nationalisation. But he spelled out a nationally planned restructuring of the SA economy involving a mandatory social compact between the state, business and trade unions.

"The ANC does not possess any doctrinaire position relating to the control of the conglomerates."

But they should be seen to serve the public good, to be accountable for the enormous power they wielded in the economy and their boards of directors should "cease to be self-renewing oligarchies", he said.

Thus a democratic government was bound to enact "regulatory arrangements" committing conglomerates to a set of social obligations to their workforces and to long-term investments in productive capacity to generate employment, technological innovation and progress, he said.

Pillay said there was no "quick start" to solve the deep-seated structural crisis in SA inherited from the apartheid system.

The "mindless" adoption of monetarist policy by the Reserve Bank had undermined the role of interest rates and monetary policy as an anti-inflationary device.

The ANC envisaged a mixed economy, with a sizeable private sector encouraged by monetary and fiscal policies but steered by an equally significant public sector.

Europe showing keen interest in SA

DARIUS SANAI

EUROPEAN firms and financial institutions are eyeing SA with great interest and several are already investing here, says an international consultant. B/Day 26/2/92

Manual Soto, head of Arthur Andersen's operations in Africa, Europe, the Middle East and India, said yesterday SA was in a "very promising situation regarding foreign investment".

He said he knew of a number of European firms actively involved in investing in SA.

"In five to 10 years, many things which now seem like a dream in SA will come true," he said.

Soto, who is based in Madrid, is on a week's visit to SA. He said European firms were beginning to wake up to the African market after ignoring the continent for years.

"SA will be the economic bastion of sub-Saharan Africa, and the success of SA is very important to European companies. They realise that SA is the only country in the region, at the moment, that has the economic and intellectual infrastructure to be a base for the African market."

SA was attracting an unprecedented amount of interest from his firm's clients worldwide, and it was Arthur Andersen's policy to advise clients to invest in SA as soon as possible, Soto said.

He said senior management figures from several banks in EC countries were coming to SA within the next few weeks to discuss establishing branches.

The other sectors showing an interest in SA were manufacturing and the chemical industry.

Firms in Germany, the UK and Spain were showing the greatest amount of interest in SA, Soto said.

And a consortium of French companies had recently visited SA to establish a supply route for SA-made supermarket supplies to west African countries.

'We need peace to woo investors'

STAR 27/12/92 (60)

BLOEMFONTEIN — It was critically important that South Africa took part overseas economically — if not, the country's political situation would be negatively affected, Trade and Industry director-general Dr Stef Naude said yesterday.

Dr Naude was addressing the Free State congress of the National Woolgrowers Association in Bloemfontein.

He said South Africa had the ability to recover economically provided the country became peaceful and stable, restored the confidence of overseas investors and became a full player in the international economy.

Dr Naude said international investment in South Africa was not merely a question of the lifting of sanctions and other trade restrictions; overseas investors had to be confident about South Africa.

He said most investment was made in the First World, and the percentage for developing countries was getting smaller and smaller.

In spite of sanctions and other restrictions, however, South Africa had had export successes since the middle 1980s. Exports had risen by an average of 10 percent annually and agriculture had made an important contribution.

There was also an increasing tendency to export processed goods rather than raw items. This was important because processing goods created jobs.

Dr Naude said industries had to be more competitive in the highly competitive overseas markets.

It would be possible, with the co-operation of the Government, to produce competitively, with reasonable tariff protection and barriers against "dumping" by other countries.

The Government was willing to co-operate, he said.

● J A Neethling of Smithfield was unanimously re-elected president of the Free State branch of the National Woolgrowers Association at yesterday's congress. C J Louw of Jagersfontein was re-elected vice-president. — Sapa.

Foreign investment brokers upbeat on SA

60

STAR 28/2/92

By Neil Behrmann

LONDON — An international conference on South Africa ended in London in a confident mood this week, with the proviso that President de Klerk wins the referendum.

However, most delegates at the investment conference, thought Mr de Klerk had made a shrewd move and that voters would support him.

There was merely uncertainty about the degree of support.

"Speakers were upbeat — prospects look interesting," said Lafayette Barnes, a black American investment analyst representing Capital Strategy Research, a Washington-based adviser to institutions.

Mr Barnes is due in South Africa to investigate the political situation, economy and market.

Relative optimism at the conference, however, contrasted with the uncertain mood of foreign investors, who are avoiding South African securities.

Their pessimism is reflected in a financial rand discount to the commercial rand, now around 23 percent.

But John Taylor, SA specialist at broker James Capel, said from the speakers' platform this was the best buying opportunity for almost a year.

"We believe the odds are substantially in favour of significant positive political developments within the next six months."

Assuming a positive vote for the referendum, the interim government could well be formed by September 1992, he said.

Bonds recommended

Mr Taylor is advising his clients to buy SA Government and para-statal bonds, which are yielding 21 percent for the international investor.

"We can see the financial rand discount narrowing to a conservative 13 percent within six months, with a potential for a 10 percent currency gain."

He forecast the JSE share index could easily rise to 3850 from around 3540 points and is recommending shares such as Gencor and Barlow Rand.

Mr Taylor foresaw a 20 percent return for the international investor over six months.

He was cautious about the SA market and financial rand between August 1991 and February this year, during which period foreign investors incurred large currency losses.

He said many foreign investors were losers because they tended to buy at the top soon after President George Bush of the US had lifted sanctions.

Months before, when the financial rand and securities were cheap, they ignored advice to buy.

"I feel nervous, but I believe that they are making the same mistake again," he said.

While the foreign fund manager was fearful of buying, domestic investors were beginning to accumulate securities.

"There is demand for scrip, but little selling," Mr Taylor said.

Robert Guy, director of N M Rothschild & Sons, was more cautious, but certainly not bearish. He is concerned about the rand.

"If Mr de Klerk is defeated, prospects of foreign investment would be nipped in the bud," he warned.

"The financial rand would fall, the move towards accommodation with the World Bank and the IMF would grind to a halt, trade would decline, unemployment rise."

Nevertheless, Mr Guy held the more optimistic view that the move towards a non-racial interim government would proceed swiftly

Joint ventures

He said the process would help alleviate the SA mining industry's dearth of long-term capital.

In the new South Africa, there was likely to be scope for joint ventures with foreign mining companies.

"Asset swops and mergers between local and foreign companies can provide a mutually attractive means of diversifying asset portfolios," he said.

The World Bank would open the door for its affiliate, the International Finance Corporation, to provide project finance for mineral developments.

There would also be opportunities for SA mining companies in Africa, said Mr Guy.

Investment at stake, says Sacob

STAR 28/2/92

The outcome of the March referendum would play a major role in international companies' assessment of investment in South Africa, the South African Chamber of Commerce (Sacob) said yesterday.

Sacob did not get involved in politics, the organisation said, but the importance of the referendum compelled it to identify some of the key issues at stake for South Africa and the business community in particular.

"Because of the decisive role of investment — both foreign and local — in a return to a substantial growth path, South Africa cannot afford to be isolated again from the world economy and its capital resources."

A high rate of economic growth was needed to face the enormous challenges that lay ahead, Sacob said, and South Africa had to normalise its external economic relationships and maximise its inherent human and other potential if it was to survive and grow.

To achieve satisfactory economic results a high level of confidence among businessmen both in South Africa and abroad was required, Sacob said.

The decision in the referendum would therefore play a major role when companies assessed the political risk of doing business in South Africa.

"The result should strengthen, and not weaken, business confidence so as to enhance investment, job creation and the addressing of urgent social needs."

The outcome could also have important implications for southern Africa in that it would have to be attractive to overseas businessmen. — Sapa.

'Return to racism would end all Western investment'

STAR 28/2/92

(60)

Moellemann . . . EC will ask South Africans to vote "yes".

German Economic Affairs Minister Juergen Moellemann, who arrived on a four-day visit to South Africa yesterday, has warned that foreign investment would dry up if South Africa "returned to racism".

Mr Moellemann, the highest-ranking German official yet to visit the country, said the European Community would ask for white South Africans to vote "yes" in the coming referendum because a "no" result would "disturb hopes and wishes all over the world".

Speaking at Jan Smuts Airport, where he was met by Foreign Affairs Minister Pik Botha at the start of his SA visit, Mr Moellemann warned that no foreign investor would invest in South Africa in a "phase of civil war" that would result from a "no" outcome.

He said Germany — in a bid to promote the negotiations process — would be prepared to intensify its economic and political co-operation with South Africa and to fully integrate the country in the world economy.

In a interview before leaving Germany, Mr Moellemann said it was disappointing to see that both white and black politicians willing to seek a negotiated settlement were coming under pressure from radical forces.

Referring to the ANC's threats of nationalisation, he warned: "Certain economic ideas emanating from radical elements in the ANC are not compatible with a belief in a free-market system."

The German Embassy in Pretoria confirmed that during his whirlwind tour, which will include Cape Town, he would meet President de Klerk, Nelson Mandela and Zach de Beer. He and Mr de Klerk were due to address a SA-German Chamber of Commerce banquet later today.

Helen Grange reports that Western diplomatic sources predict a return of punitive sanctions in the event of a "no" vote. Although diplomats were reluctant to be specific about likely reaction to a CP victory, they warned of the serious consequences of a return to world isolation.

- A European embassy source said the current flow of government officials and delegations to SA to explore and strengthen economic and political links would stop.
- In a statement, the British Embassy said reform was the "only course which would achieve SA's full reintegration into the international community and enable it to attract the investment it needed for economic growth . . ."
- The US Embassy stated that retreat from negotiations would be a "devastating step backwards towards international isolation . . ." — Finance Reporter and Sapa.

Exchange control 'must be abandoned urgently'

B/Day 3/3/92

(60)

SHERIDAN CONNOLLY

EXCHANGE control should be abandoned before any change of government and a new constitution can forbid currency regulation, Free Market Foundation research director Richard Grant contends in a paper.

He says a good investor would be very careful before investing in a country with exchange controls.

"On this score, a free country will come out ahead. Heavily regulated countries, such as our own, often attract foreign investors by offering them special deals that residents of the country are not eligible for.

"Instead, the residents end up paying for them. In other words, the government treats foreigners better than people who actually live here."

It is urgent that exchange controls be dismantled before a change of government, he says.

"Any new regime should, if it wants to have such controls, be forced to go through the visible parliamentary procedure of imposing them."

A better approach would be to have a constitutional clause forbidding any regulation of currencies, Grant says.

He notes the reason cited most often for exchange controls is that they prevent capital outflows. Exchange controls had not only failed to prevent capital outflows from SA, they had also discouraged capital creation and capital inflows.

Capital outflows had increased because "the expectation that people will not be allowed to take their money out if things get worse, leads them to plan ahead and take out as much as possible — now".

Grant says the existence of exchange controls also hinders the elimination of other regulations destructive of growth. "The sooner the exchange controls are removed, the greater will be the pressure to remove the other forms of government interference," Grant asserts.

He calls on government to cease its intervention in the economy, and says the only people who benefit from exchange controls are "the bureaucrats who administer them and the fraudsters who get away with forex violations".

Overseas firms for investment gathering

Bday 3/3/92 (60)

ADRIAN HADLAND

UP TO 300 international companies will send delegates to a major investment and trade opportunities conference in Johannesburg in June.

The conference, titled SA — The Gateway, will aim at establishing Johannesburg and SA as the "gateway" for foreign investment in southern Africa and will focus on setting up contacts between potential overseas investors and local companies.

The brainchild of the Johannesburg City Council's commerce and industry director Collin Wright, the conference is being organised by international investment magazine Corporate Location, a sister publication of Euromoney magazine.

Corporate Location publisher Richard Thomas said yesterday: "The potential for investment in SA is very substantial. There have been important strategic changes in SA and other African states which have made the world's corporate community optimistic about investments."

The conference, to be held at the Carlton Hotel in Johannesburg from June 8-10, will feature addresses by speakers which include Trade and Industry Minister Derek Keys, the ANC international affairs secretary Thabo Mbeki, Sowetan editor Aggrey Klaaste and SA Chamber of Business director-general Raymond Parsons.

The third day will be spent in private one-on-one meetings where potential investors will be put into contact with relevant local business, government and multinational representatives.

"A number of opportunities exist in developing transport and communications infrastructure, providing consumer goods, power generation and water management," the conference invitation states.

The real purpose behind the conference, says the invitation, is to provide "a network of invaluable contacts that can practically assist and identify specific opportunities".

Wright said, "It assists, in a practical manner, the facilitation of actual investments."

Local companies not wishing to directly sponsor the conference but hoping to get involved will have to do so through their business chamber representatives.

The city council, which has allocated R50 000 to the conference, will be assisted by major sponsors Ernst & Young management consultants and Werksmans Attorneys.

● Comment: Page 10

Anglo taps foreign interest

(60)

MATTHEW CURTIN

MOUNTING interest in investing in SA has prompted Anglo American to launch an investment roadshow to brief international investors on the group's activities.

Anglo official Glen Finnegan said yesterday that during June and July, Anglo planned to hold an "investor presentation in Johannesburg as well as in the main financial centres around Europe".

She said there would be "general presentations" on the corporation and its investments.

BDay 4/3/92

"They are a response to the growing and renewed interest from international investors in SA companies, and in Anglo American in particular," Finnegan added.

The news comes as SA's return to international financial and business respectability gathers pace.

Anglo American faces the prospect of having to contribute billions of rands to finance large new capital projects in SA, as well as more run-of-the-mill capital programmes under way in the numerous mining and industrial companies in which the corporation has interests.

Anglo has a 50% stake in the Columbus Stainless Steel joint venture, with Gencor, which is expected to be given the go-ahead this year at a likely cost of R2,5bn.

Anglo is involved in a variety of gold exploration projects and has a stake in Gencor's developing Oryx gold mine which will come to full production in the mid-1990s at a cost of R1,3bn.

Feasibility studies on Anglo's R900m Namakwa mineral sands project are also expected to be completed this year, when the corporation may give the project the green light.

Foreign trade delegates show increased interest

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BDay 9/3/92

SUBSTANTIAL foreign interest in being shown in this year's Southern Africa Industry & Technology Fair (SAITF) and Electrex '92 taking place at the National Exhibition Centre from tomorrow to March 13.

Organised by Systems Exhibitions, the combined SAITF and Electrex '92 have attracted a number of trade delegations from the UK, says Systems Exhibitions marketing manager Jo Melville.

A number of the exhibitors are hosting overseas visitors who are experts in a wide range of fields, and will be manning stands and advising on their products.

Special emphasis is being placed on application software, in an application software village which forms an integral part of the fair.

About 15 000 purchasing decision makers are expected to visit the show.

There are several conferences, workshops and seminars running alongside Electrex '92 and SAITF '92.

Vibration

Two seminars dealing with vibration technology are running alongside Electrex '92.

The first one-day seminar entitled Basic Vibration Technology takes place tomorrow and is aimed at newcomers to the field of vibration technology.

This will be followed by a two-day seminar for advanced users entitled Advanced Machine Monitoring and Vibration Analysis on March 11 and 12.

Also, the South African Institute of Electrical Engineers (SAIEE) is organising a symposium entitled The Management and Auditing of Electrical Energy.

Among the areas coming under the spotlight are the proposed changes to Eskom's tariff structure and principles of metering — issues of vital concern to a wide range of electricity consumers.

SAIEE liaison officer Jack Yelland says the symposium will deal with a mix of electrical power and electronics engineering.

With 1992 being the 18th bi-annual exhibition, Electrex is a well established show.

Electrex '92, however, is an expansion of the traditional SAIMC (South African Institute of Measurement and Control) show and will be SA's first exhibition to group together the electrical and electronics industries.

Meanwhile, the third bi-annual SAITF is poised to be the largest industrial and technological business-to-business fair in southern Africa.

Opportunity

It will provide visitors with an opportunity to see state-of-the-art products, locally manufactured products, systems, design and installation capabilities available to southern African industry.

The fair embraces categories from abrasives and business travel to valves and welding.

ANC investment code seen as encouraging

STAR 10/3/92 (60)

By Garner Thomson, London Bureau

LONDON — The ANC's prospective investment code guaranteeing rights for foreign investors is one of the most positive steps yet toward reassuring them about the future of South Africa, says the London Times.

The report, by finance writer Jon Ashworth, quotes Max Sisulu, ANC director of economic affairs, as saying that foreign investors would be allowed to repatriate some of their profits — the first time such a guarantee has been made in writing.

Mr Sisulu also agreed that a stable and growing economy was needed to attract investment.

But Mr Sisulu admitted that the ANC would want something in return for the concessions.

"We will want some of the profits to remain, and we also want foreign investors to concentrate on certain areas. We want them to come in where it is going to be productive, create work and create jobs".

However, Mr Sisulu was clear that until an interim government was in place, the ANC wanted no new investment.

He said: "Until there is a new form of government, until there is some kind of agreement on the constitution, we are opposed to any investment or loans because these tend to strengthen the present illegitimate regime.

"Having said that, we recognise that foreign investment has played an important role in South Africa and elsewhere.

"We would welcome in the future foreign investment and would like to believe that foreign investment will contribute to economic growth as well as to increasing the standards of the people."

He said the ANC was particularly interested in companies that would set up labour-intensive plants in areas such as the Eastern Cape, where work was desperately needed, pumping some of their profits back into the communities.

Mr Sisulu echoed Nelson Mandela's words last month in rejecting mass nationalisation as a path South Africa could reasonably follow.

Mr Sisulu said: "Nationalisation is not a problem for us, it is not a sacred cow.

"I don't see massive nationalisation going on. It is simply one of those options and one of the policy instruments for change. We are not opposed to privatisation."

However, he warned against continuation of the principle in which "one conglomerate controls everything".

He said: "We are looking at anti-monopoly/anti-trust legislation. We want to see how it works elsewhere and how it can be applied in South Africa to break up the monopolies and to open up competition."

New incentives for foreign investors

B|Day 10|3|92 (60)

MATTHEW CURTIN
and LINDA ENSOR

GOVERNMENT has moved to boost job creation in SA's rapidly growing metropolitan areas by extending relocation grants for foreign companies to the PWV and Durban/Pinetown areas.

Regional and Land Affairs Minister Jacob de Villiers said yesterday the Cabinet had approved the extension of a maximum relocation grant of R1m to "foreign industrialists who want to invest in SA irrespective of the establishment location".

De Villiers said the two industrial cores were "pre-eminently capable of attracting foreign industrialists" and the extension of the grant could make a considerable contribution to accelerated industrial growth and a corresponding increase in new jobs.

In launching its new regional industrial development programme last year, government excluded the PWV and Durban areas from relocation grants and concessions, on the grounds they already had infrastructural benefits which other areas lacked.

J J Pienaar, the Regional and Land Affairs Department's chief director responsible for regional industrial development, said government's move reflected its concern at unemployment in urban areas as urbanisation gathered pace in SA.

Although concessions for foreign investors which were applicable to industrial areas outside the PWV and Durban would not be extended, Pienaar said government was trying to further level the investment playing field.

He said it was important that the market was the main influence in determining where and how foreign companies invested, and the extension of the relocation grant would "optimise the viability" of new investments. Johannesburg Chamber of Commerce and Industry CE Marius de Jager said last night that the chamber

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Incentives

B|Day 10|3|92 (60)

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strongly welcomed the move.

He said Johannesburg and Durban had been concerned at their exclusion from the incentives last year at a time of massive retrenchments in the mining industry, the continued influx to the cities and the rising problem of homelessness.

Attracting foreign investment to the cities was a priority, and given the competition worldwide among countries for overseas investors, the move was one in the right direction, De Jager said.

Sacob also welcomed the move. Chief economist Ben van Rensburg said the extent of urbanisation, dramatically shown in the 1991 census figures, had brought home to government the need for job creation in the heart of the metropolitan areas.

Natal Chamber of Industry executive director John Bryce said: "Urban drift has hit inner urban areas where enormous numbers of people have arrived believing that jobs are available." The housing problems outside Johannesburg and Durban were evidence of the scale of the problem.

Bryce said the relocation grants might bring some relief. He noted the large number of foreign trade and government missions coming to SA. He said that in considering investment in SA, foreign investors looked more sympathetically on well-known areas like the PWV and Durban than unfamiliar rural development areas.

Pienaar said companies applying for relocation grants would be judged by existing criteria, subject to certain conditions. Foreign industrialists would have to register as a company or close corporation locally, maintain a minimum equity of 35%, and have their investment plans financially and economically evaluated.

Business is on hold until after referendum

Sowetan 12/3/92

60

Sowetan Correspondent

MANY jittery businessmen are adopting a wait-and-see policy before next Tuesday's reform referendum.

They are holding back on deals running into many millions of rands and placing large sectors of the economy on hold.

A resounding "yes" majority will help restore badly-needed confidence, according to local business spokesmen. And there are hopes that it will spark off a "mini-boom" in the property market, in financial investment by the public and in some other fields, particularly if next week's Budget is a popular one.

But the outlook is bleak if the "no" votes carry the day, according to the spokesmen. A number of big deals will crash.

Not all businessmen and members of the public are marking time. The overall picture is topsy-turvy - and one Durban financial adviser, Mr David Upfold, said that now was the time to invest and to buy property - before the "mini-boom", which he is confident will materialise.

A multi-million rand commercial property deal arranged by estate agents JH Isaacs is precariously balanced. A clause written into the agreement stipulates that it will fall through in the event of a "no" victory.

Brink Properties' marketing director, Mr Chris Williams, said yesterday that a R500 000 property offer had been frozen and was dependent on a "yes" vote.

He said: "The general trend is that people are looking around at properties but are reluctant to put pen to paper until after the referendum."

Share prices on the Johannesburg Stock Exchange drifted aimlessly yesterday as nervous investors mostly kept to the sidelines. Dealers described trading as directionless in jittery conditions ahead of the referendum.

Durban Metropolitan Chamber of Commerce economist Barry Poulsom said: "Everyone is on tenterhooks in business circles."

A Durban travel agent said quite a few nervous people had inquired in the last fortnight about the "cheapest possible one-way ticket to the UK".

A large number of other people, who had immigrated to South Africa years ago, had now made up their minds to quit the country.

The referendum has led to the postponement of Safto export marketing consultants' Southern African Trade and Investment Conference in Johannesburg this month.

The conference will now be held on April 28 and 29.

A Safto spokesman said: "We have speakers confirmed from Zimbabwe, Zaire, Kenya, Botswana, Ivory Coast and Angola as well as Europe and America. The referendum has influenced the situation and the speakers understandably don't want to be in South Africa before the results are clear."

Invest in the future urges ANC economist

STAR 12/3/92

(60)

By Tom Hood

CAPE TOWN — Everybody in business would like to hear a pledge to lower taxes and be offered incentives for development projects, says Trevor Manuel, head of the African National Congress Department of Economic Planning.

"If the economy was running well, generating prosperity for all its citizens, we might consider that type of commitment now," he told a large gathering of business people in Cape Town last night.

"With the current (economic) backslide, most of our people survive below the minimum subsistence levels. In these grim circumstances, we dare not hand out empty pledges," said Mr Manuel, guest speaker at a banquet held by The Argus and Ernst and Young for the Weekend Argus 1991 Business Personalities of the Week.

"The ANC has no desire to take away capital as long as it is used productively. If businesses use their resources well, for instance, to create productive employment, establish appropriate training schemes, raise exports or meet popular needs at a reasonable price, they can rest assured we have no wish to tax them out of existence.

"Our appeal to business is to demonstrate the same foresight it is showing in support for the process of political transformation in order to secure permanent peace and certainty.

"The implication of this is that business must now plan for longer horizons. The quick-fix short-term returns must be re-evaluated in the national interest, a step that will only begin to bring South African investors into line with the thinking in all successful countries.

"Interest in South Africa is currently luring literally hundreds of potential foreign investors here.

"They are looking for signals beyond the formal lifting of trade and investment sanctions. Local investors hold the key, only they can provide the all-important signal of confidence in the future of our country.

Govt acts to boost consumption

Hire purchase restrictions to be relaxed

B|Day 20/3/92

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BILLY PADDOCK, SIMON WILLSON and LINDA ENSOR

CAPE TOWN — Hire-purchase restrictions will be eased next week, says Finance director-general Gerhard Croeser.

Yesterday, Trade, Industry and Economic Co-ordination Minister Derek Keys also said measures to stimulate consumption in the economy would be announced next week.

Keys declined to detail the measures, but intimated that one would originate in his department. His reluctance to specify any other stimulus left open the possibility that a cut in official interest rates has been agreed with the Reserve Bank.

Croeser, speaking at the Old Mutual/Nedbank Budget forum yesterday, said the new HP conditions would be gazetted next Friday.

Minimum deposits on cars would drop to 10% (15%) and the maximum repayment period would be lengthened to 54 months (42 months). Minimum deposits for furniture would fall to 10% (12%) but the repayment period would remain at 24 months. Minimum deposits on imported white goods would also drop to 10% (12%).

Keys, responding in an interview to criticisms that the Budget did not do enough to stimulate growth in an economy still experiencing its longest post-war recession, said: "By next week it will be apparent the Budget isn't the whole story."

He said government was watching the economy's consumption levels more closely than its investment flows, and that consumption was more important and easier to monitor than investment.

On the Budget being devoid of economic incentives to foreign investment at a time when political obstacles were falling away, he said there was no reason to give foreign investors an advantage over local investors.

"I don't think I could ever justify giving the foreign investor a special deal that the SA investor could not get. We are not in a position to compete for the truly mobile international investor who will go to places like Ireland, which is much closer and has no tax."

SA did not want to compete in that league, he said. SA did not want "the marauding investors", such as international textile companies intent on getting out of other countries where they were tied to restrictive agreements. Should they come to SA the same measures would have to apply to prevent their opportunist practices.

Foreign investors would come into the SA market when they wanted to. "I am in possession of a great truth: when they want to come in, they will come in on their own terms. They will negotiate with us and we will do business."

Foreign companies "would come in their droves" once SA had the conditions where local companies were investing more concertedly.

Keys said there would be no new incentives to stimulate local export industry, beyond that announced on Budget day, because local industry was operating at below capacity and there was no need for

☐ To Page 2

HP restrictions

B|Day 20/3

encouragement and enticements. Taken with the General Export Incentive Scheme, full VAT input credits and GST scrapped on capital, there was nothing more government could do.

The Budget was exactly the sort needed at the bottom of a recession and the large deficit was necessary at this stage. The deficit would not have been allowed had there been any pressure or difficulty in access to capital, he said.

He said the state was at this stage not involved in talks about an economic forum because this would have to come through Codesa. But some business and employed labour were involved with talks.

Once an interim government had been established, a triangular arrangement for talks would get off the ground formally. At the interim government stage economic policy would become the number one priority. It would be critical to come to some arrangement about labour, linking wage increases with productivity and generally stabilising increasing wage demands.

Keys said deregulation was proceeding

/92 60

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but government could change things only at a primary level. As soon as this was done, second- and third-tier authorities jumped in to re-regulate.

He said there was a great "head of steam" behind the Industrial Development Corporation report on tariff protection when he arrived in office, "but I called a hold on it". He said SA needed an anti-dumping mechanism in place before tariffs were reduced. "If we want to carry deregulation through we have to go for a cultural change deeper than that we have had so far," he said. Five years was too short a period; 10 years was a better goal.

With regard to privatisation, Keys said no one would want to buy the Post Office, Telkom or Spoornet at this stage because they were not yet ready to be bought.

Privatisation was not seen by government as a source of revenue but as a means to stimulate competition. He said the process was going ahead to commercialisation — the halfway stage to privatisation.

● See Page 3
● Comment: Page 10

Money comes pouring in

S Times 22/3/92 60

CHARLENE SMITH tots up the cash benefits of Tuesday's referendum

THE final result of the referendum was not even announced when telephones in South African trade missions around the world began ringing with inquiries from potential investors.

Billions of dollars worth of foreign aid and trade are now set to pour into the country. May promises to be a month of wall-to-wall trade delegations from around the world.

Denmark, which only recently lifted trade sanctions against South Africa, has awarded R60-million over the next five years to development.

Its Chamber of Commerce and Federation of Industries believe annual trade between the two countries could exceed R720-million before long.

A 30-member trade delegation will accompany Denmark's Foreign Minister here in April.

America, home to some of the toughest sanctions legislation, announced a R75-million, four-year housing programme, a trade and development programme and export-import bank guarantees.

An aerospace trade mission with 30 members from 18 major corporations, including Westinghouse International and Gulfstream Aerospace arrive in April.

They are "seeking new business partners through distributors, sales representatives and joint ventures, as well as sales".

Canada gave SA just over R12-million in development aid. Foreign Minister Barbara McDougall, who chairs the Commonwealth Foreign Ministers Committee, will discuss with them the easing of further sanctions and will speed up the exchange of trade missions.

Britain is calling for an end to EC trade sanctions. Its largest importer of fresh and canned fruit and wine has lifted restrictions against SA.

Germany has announced it will offer SA a unique development package to help it through the transition, probably by classifying the country as a "developing" nation.

In SA, meanwhile, the tourist industry is predicting a 15 to 30 percent upswing in the R3-billion a year tourist market — after being warned at the recent international tourism fair in Berlin, Germany, that trade would dry up with a "no" vote.

Sheraton Hotels confirmed plans to invest here and Hong Kong investors made known intentions to spend R150-million on hotels.

Close to R100-million in property deals have firmed after the referendum, including a R12,7-million deal with Hong Kong investors.

A major Belgium bank, in a joint venture with a Swiss and French bank, will study opportunities in SA.

IRG Plastics will investigate opportunities here. Forty business leaders led by the Belgian Trade Minister will visit in May.

A marriage between CMB Transport and Safmarine has been taken out of the balance. M-Net's new venture with Filmnet in Europe will also now continue unhindered.

Malaysia confirmed establishing airlinks and said it would consider lifting some sanctions.

A major industrialist will visit in April with the aim of establishing a television manufacturing factory.

Japan's powerful economic federation, the Keidanren, arrives in April with a 30-member delegation. A major Japanese company has launched investigations into mining and beneficiation operations.

These moves could provide a much needed boost to SA's sagging GDP, which relies on trade for 50 percent of its revenue. The positive referendum result boosted competition to pull SA into trading blocs. Italy will use SA as a base for joint ventures in third countries both in the African continent and Eastern Europe.

Portugal will use SA for development projects in Angola — in line with many other countries using SA to assist development in Africa.

SA representative in Mauritius Coen van Wyk said Indian Ocean countries were keen to form an Indian Ocean Rim economic bloc, similar to the highly successful Pacific Rim, which includes Japan, Australia and Hong Kong. It would take in India, East Africa and Kenya.

Nigeria, the first country to congratulate SA this week, is keen, once OAU sanctions are lifted, to include SA in a five-point continental economic power grid.

A major African development agency with links to the World Bank has begun seeking ways to do business with SA.

Graham Chisholm, a trade official at the SA Embassy in London, said since the referendum results were announced "phones haven't stopped ringing in the trade office with queries about increased trade and the establishment of manufacturing facilities in SA".

HP growth was 'normal'

B/Day 23/3/92

SYLVIA DU PLESSIS

THERE was a "relatively normal" rise in hire purchase and lease-credit creation in the last quarter of 1991.

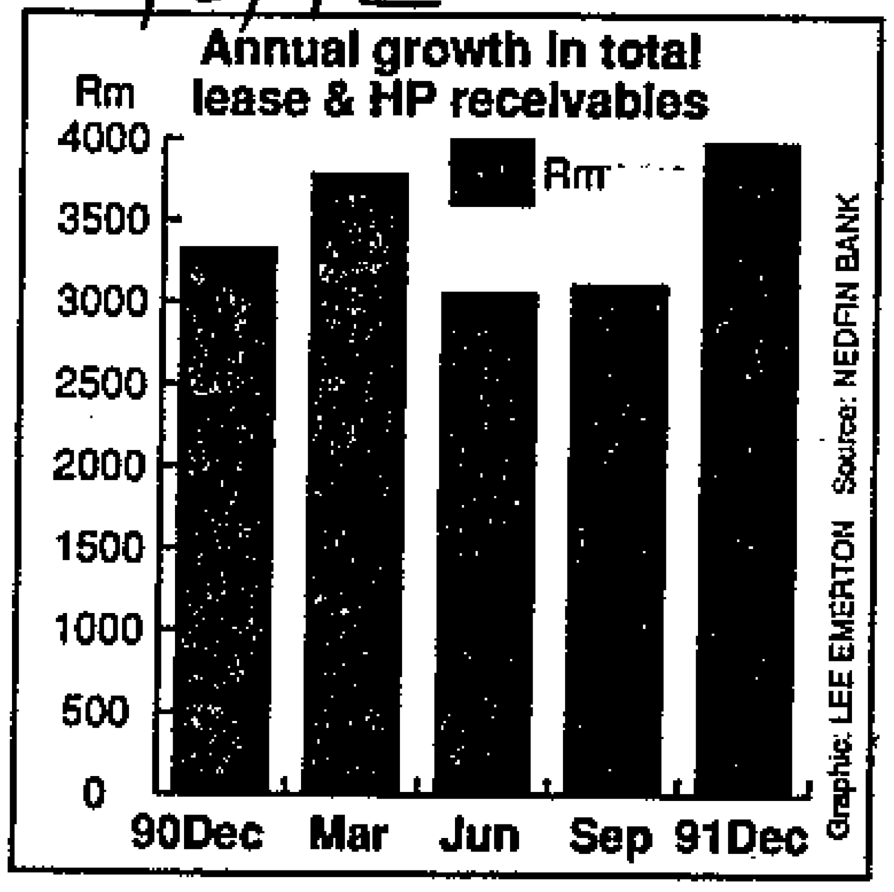
This emerges from an analysis of the D1900 (BA9) returns — the forms banks send to the Registrar of Banks detailing their assets and liabilities.

Nedfin Bank CE Christopher Beatty said in a statement on Friday that total receivables for the period grew by R1,460bn to a total market size of R31,650bn — a 4,8% increase.

This growth rate was "well above" the 3,8% average experienced for the corresponding quarter over the past two years. Growth on an annual basis was R3,980bn, or 14,3%. This was much in line with the generally accepted rate of inflation.

"From a seasonal point of view, credit creation through hire purchase and leasing is back to its old pattern of a fourth-quarter surge," he said.

Growth in credit creation could be attributed to many companies being forced to make more use of credit facilities other than their own cash resources, in view of the recession.



This was supported by the growing number of company liquidations.

Beatty added it was interesting that since the introduction of the DTI regulations in February 1991, HP and leasing had grown at an annual rate of 15,4% compared with 11,3% for total private sector credit.

Wyse wants more of SA Unix market

WITH more than 50% market share in many countries, Wyse Technology hopes to increase its SA penetration.

GM for Northern Europe and SA Mark Jordan said during a visit last week that although the company had not yet opened an office in SA, it was investing in promotions and other resource input.

Wyse is the world's largest independent supplier of general purpose terminals.

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Jordan said that because of its high-end products, like those for the one to 300 user Unix market, there were significant opportunities in SA, which has a substantial Unix user base.

B/Day 23/3/92

The company has chosen Altech subsidiary Wise Decisions to distribute its terminals, PCs, monitors and Unix-based systems.

CSS Distributors sells the terminal range, and CS Systems is a SuperVAR (Value Added Reseller) for the Unix-based systems.

PROFESSIONAL

BUSINESS DAY, Monday, March 23 1992

Sanctions seem set to stay pending new govt

BDay 23/3/92 (60)

PATRICK BULGER

A HOST of international sanctions imposed on SA in oil, weapons, investment and trade are likely to remain in place until an interim government is installed.

SA was continuing to lobby for the lifting of sanctions on the basis of last week's referendum result, a Foreign Affairs spokesman said at the weekend.

Although the Danish government was prepared to shift its stance on the basis of the referendum result, at least 120 US city and state sanctions remain.

The Gramm Amendment which technically blocks SA access to IMF funding is still in place, although the US administration said the amendment would not be invoked.

Other sanctions have conditions attached to their dismantling.

The Commonwealth, which lifted person-to-person sanctions at the Commonwealth Heads of Government meeting in Harare in October last year, is demanding the introduction of "transitional mechanisms" before lifting trade and investment sanctions. Government is arguing that Codesa represents a transitional mechanism, but the Commonwealth is holding out for an interim government. Failing this, it awaits a signal from the ANC.

The Commonwealth has agreed that lending by the IMF and World Bank should only be allowed once the text of a new constitution has been agreed upon.

The OAU has adopted a similar stance.

Japan has lifted all sanctions. The Netherlands is discussing lifting sanctions on petroleum products this week, while France has lifted its ban on coal imports.

The UN Security Council arms and oil embargo remain in place with little prospect of that being lifted until majority rule has been introduced.

In public statements Government has played down the effect of sanctions and has refrained from making public appeals to have them lifted. But privately intensive lobbying is being conducted, the Foreign Affairs spokesman said.

The ANC — which has been fundamental in forging a common sanctions position with world bodies — has been insisting that investment sanctions remain until an interim government is installed. It is urging potential investors to prepare for investment, but to hold back for the time being.

US 'presence' at lowest ever level

Star 24/3/92 (60)

Despite American president George Bush lifting the ban on new investment in South Africa in July last year, the number of American companies present here is "the lowest it had ever been".

According to the latest Race Relations Survey, published by the South African Institute of Race Relations this week, none of the 215 companies which disinvested between 1981 and August 1991 sold South African subsidiaries to black management, and that only two gave black workers minority stakes.

The number of non-American companies with direct investments in the country increased by 23 to 456 in 1991, thus reversing a four-year declining trend.

According to the survey, of those companies that still had direct investment, 156 were British, 132 German, and 104 American.

Though few foreign investors were prepared to commit money to South Africa for fear of political instability and future economic policies, the country nonetheless rapidly reversed its international isolation after February 2 1990.

In a special section highlighting the turnaround in South Africa's international position, the 1991/92 Survey reports that trade delegations from more than 50 countries visited South Africa during 1991.

By the end of October 1991 new South African missions had been opened in Bulgaria, Czechoslovakia, Hungary, Morocco, Namibia, Poland, Romania, Rwanda, the Soviet Union and Turkey.

The year also saw the lifting of the ban on flights by South African Airways (SAA) over Africa. Flights were opened to a number of new destinations, among them Nairobi, while flights to New York were reinstated.

It was also reported tht Czechoslovak Airlines would open an office in Johannesburg in 1992, and that the Malaysian airline was expected to open flights to South Africa next month. — Staff Reporter and Sapa.

Blame for unrest 'hard to pinpoint'

Own Correspondent

DURBAN — Pinpointing the major perpetrators of the violence in SA was an almost impossible task, says a new study by the SA Institute of Race Relations.

The institute's 1991/92 Race Relations Survey released yesterday said various organisations made conflicting statements about last year's political violence.

It said one agency had, on the basis of Press reports, blamed Inkatha for 51% of the acts of violence on the Reef; the SAP for 23%; the ANC for 4%, and other groups for 23%. BDay 24/3/92

Where both aggressors and victims could be identified, the police blamed the ANC for 56% of attacks and Inkatha for 40%.

It said firearms were used in 30% of incidents; explosives and incendiary devices in 25%; hacking and stabbing instruments in 16% and stones in 15%.

The report also said more than 60 000 SADF personnel and one-third of the police force were deployed to stop the violence.

Little investment as isolation ends

BDay 24/3/92 (60)

THOUGH few foreign investors were prepared to commit money to SA for fear of political instability and future economic policies, the country nonetheless rapidly reversed its international isolation after February 2 1990, says the latest Race Relations Survey.

In a special section highlighting the turnaround in SA's international position, the survey, published by the SA Institute of Race Relations this week, reports that trade delegations from more than 50 countries visited SA during 1991.

However, even though the US lifted the ban on new investment in SA in July last year, the number of US companies present here was "the lowest it had ever been".

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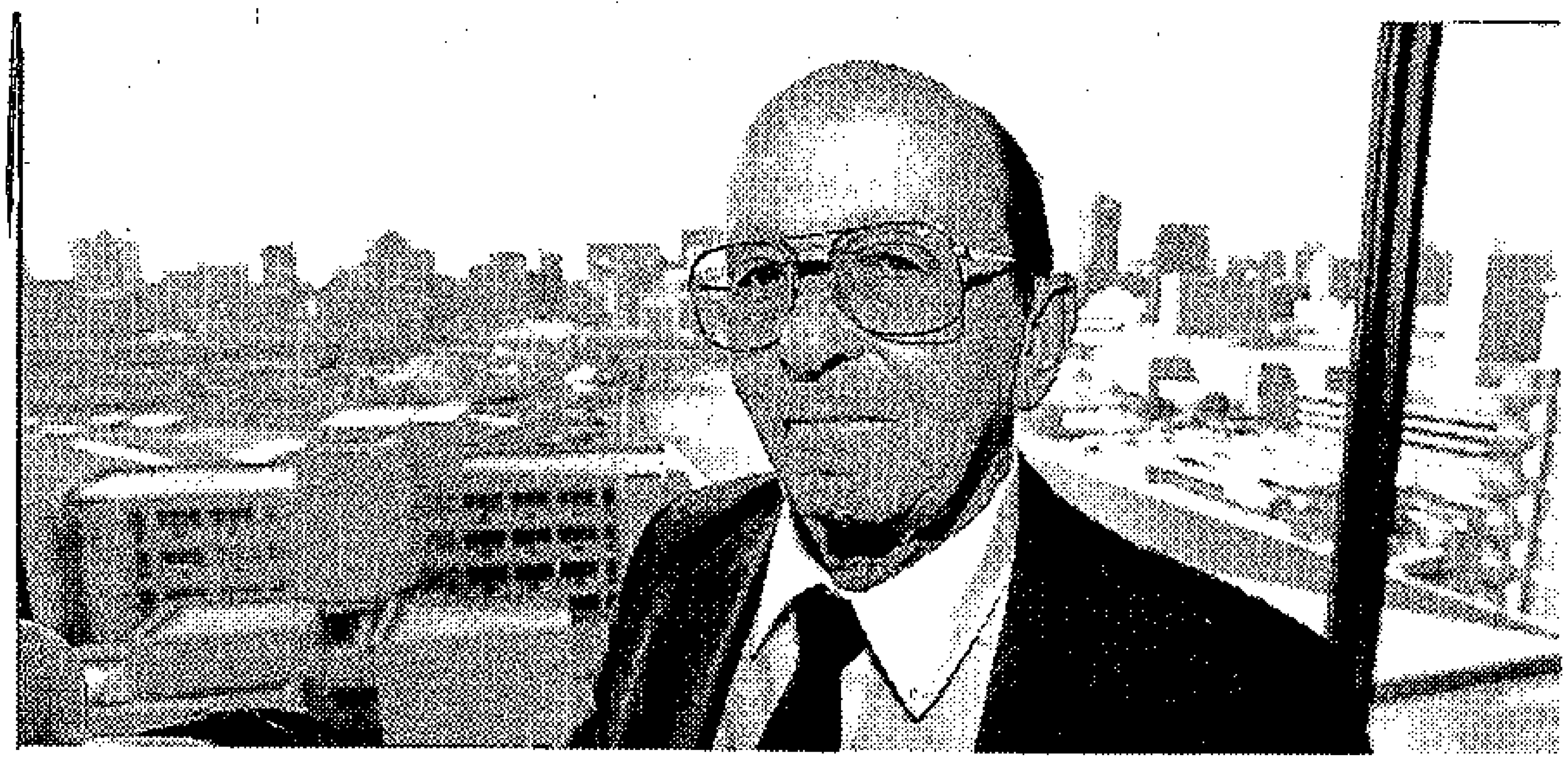
It was also reported that Czechoslovak Airlines would open an office in Johannesburg in 1992, and that the Malaysian airline was expected to begin flights to SA next month.

SA's progress in ending apartheid also resulted in the general assembly of the UN unanimously urging all countries to restore sporting, cultural, scientific and academic exchanges with SA, said the survey. — Sapa.



BORKUM ... optimistic over Codesa negotiations Picture: ROBERT BOTHA

Many factors confusing investors, says Borkum

BDay 24/3/92 (60)

HAROLD FRIDJHON

TOO many imponderables currently overhanging the Johannesburg Stock Exchange are blurring shorter-term perspectives of the market, says Max Borkum, past president and doyen of the JSE.

In his 46 years of broking, Borkum, who turns 75 today, cannot recall a period when the market was beset with so many diverse influences which are confusing investors and reducing turnover to minimal levels.

The referendum — which the market had discounted days before the event — has brought some relief, a return of confidence, but not a flood of investment capital pouring into SA.

"The resounding 'yes' vote has undoubtedly changed overseas perceptions of the positive developments in this country, but an offsetting, and disturbing, influence is the 'killing fields' with its daily death toll," says Borkum. "We will not see foreign capital coming our way in any quantity until the violence is quelled."

Borkum attributes some of the violence to prevailing socio-economic tensions, which he hopes will be eased through the Codesa negotiations which he views with optimism. The ANC is performing more like a political party with an ability to give and take, he says, and less and less like a liberation movement.

A prime factor in the undermining of share market confidence has been the sliding gold price, performing in an unpredictable fashion. Investors abroad are large holders of gold shares and their associated mining houses and most of their trading on this market has been through the financial rand.

"Now the Reserve Bank has introduced a note of uncertainty into the gold market by declaring its intention to intervene in the finrand market. It has introduced a new element into that trade because dealers will not know when the Bank is participating and when it is abstaining."

Borkum, for 46 years a bull, has not turned bear.

In spite of some present difficulties, some misunderstandings, he is convinced that basic factors, common sense, assets and the will to co-operate will bring into being a new and prosperous SA.

MP: foreign investors still wary

STAR 25/3/92

Statements about nationalisation, incidents of violence and threats to wreck the economy were continuing to frighten off foreign investors from South Africa, Deputy Minister of Trade and Industry David Graaff said yesterday.

In a debate on a private member's motion on the economy proposed by Brian Goodall (DP Edenvale), he said that in the next decade South Africa would have to compete with about 106 other countries for scarce surplus capital.

Conditions for loans would be determined solely by the lenders, and political stability would be a major priority for foreign lenders and investors.

One of the megatrends in the next century would be the shift towards free-market, democratically governed societies. Three major trading blocs — Japan, Europe and the US — would dominate the world economy.

South Africa would have to determine how it would adapt to this new world.

Douglas Gibson (DP Yeoville) said all major players should reach consensus on economic policy to be followed by the present Government, by a transitional authority and by a democratically elected government in the long term.

Melt Hamman (NP Ceres) said South Africa should take part fully in the process of technological innovation.

Dr Pieter Gous (CP Parys) called on the Government to lift exchange-control regulations as an "ultimate guarantee" to foreign investors. — Sapa.

Property industry unsure of 'yes' vote's influence

B/Day 25/3/92

(60)

Reports by PETER GALLI

WHILE the property industry has welcomed the "yes" vote in the referendum last week, players disagree about the influence it will have on the market.

Pam Golding Properties executive director Mike Bissett says it will instil investor confidence in the country and the property market. This means overseas buyers will keep their lines of communication open and local investors will again start "putting pen to paper".

Property Economist Neville Berkowitz says international financiers should be willing to lend money to a new SA well on the road to political reform, which should see interest rates come down over the next year.

"There have been many tenants sitting on the sidelines waiting for the results of this referendum and who will now be more likely to commit to longer-term leases," he said.

However, Seeff Group Holdings chairman Lawrence Seeff feels the euphoria engendered due to the referendum result was partly offset by the Budget which did "less than nothing" to stimulate growth in the construction and property market.

"The fact that only 6,5% of government spending is to be allocated to capital projects is hardly stimulatory. While there is some relief for large construction companies in the provision for economic housing, this has been partly offset by the 2% increase in transfer costs," he says.

The Minister had failed to meet the challenge of SA's current needs. Seeff was hoping for an anti-inflationary budget with measures to promote business and industrial growth.

This will have put more people into jobs. "Tax holidays could have been offered to the overseas industrial investment and moves to end the wildly expensive and irrelevant tri-cameral system could have been announced," Seeff said.

However, Camdon's group MD Scott McRae disagrees with this, saying the increase in transfer duty and the fuel price will have little impact on the market and improved overseas sentiment could see an inflow of foreign capital into local property.

"The Budget was clearly aimed at investing in political stability and the increased policy budget indicated a commitment to capital formation. This will also have a stimulatory effect on the property market.

SA Property Owners' Association (Sapoa) executive director Brian Kirchmann says the property industry can now look forward to relative prosperity.

"I believe we will soon see a number of foreign investors and developers looking for opportunities ...

Anglo American Property Services MD Gerald Leissner says the referendum result and conservative Budget could between them give a slight boost to the property market.

"The residential market, which has been dead, will start to improve, but for the commercial market to improve will need a drop in interest rates and general growth in the economy," he says.

COMPANIES

No merger, say FNB and Nedcor

MERVYN HARRIS and SHARON WOOD

SPECULATION hotted up again on financial markets yesterday about a possible merger between FNB and Nedcor, but both denied there were plans to join forces.

Nedcor CEO Chris Liebenberg said a merger could not be done without Old Mutual, because it was the majority shareholder in Nedcor and it was not looking for a buyer. FNB senior GM Norman Axten said the two parties had not spoken and had no intention of merging.

Speculation was bound to happen after the Absa/Bankorp merger, Axten said. FNB and Standard Bank were seen as unlikely partners and this left a possible Standard Bank/Nedbank merger or an FNB/Nedbank merger, and markets had settled on the latter.

The rumours first started circulating about a month ago after Absa announced it would be taking over Bankorp. While some analysts initially scoffed at the suggestion, the persistence of the rumours has given credence to such a possibility.

An analyst said Anglo American would probably be happy to reduce its stake in the financial services sector. It had recently reduced its interest in FNB.

On the other hand, FNB would be favourably inclined to increasing its share of the home loan market through the Perm, which was part of the Nedcor group.

There could be cultural synergies between Nedcor and FNB, the analyst said. While Old Mutual would have to have discussions with Anglo's insurance-arm Southern Life, analysts pointed out that Old Mutual already had interests in all the major banks.

B/Day 26/3/92

Immediate investment rush unlikely, says poll

B/Day 26/3/92

Business Day Reporter

THERE has been a subtle post-referendum shift in sentiment towards investment in SA among UK investment brokers, according to a survey.

But while the referendum will provide impetus to the renewed global interest in SA, it is unlikely to galvanise institutions into immediate investment activity.

This has emerged from a snap survey of influential brokers by London communications consultancy Financial Dynamics.

James Capel broker John Taylor said SA was now increasingly viewed as a legitimate market. "The final moral impediments are now out of the way and the stigma of unacceptability has been removed," Taylor said.

But without exeception, brokers did not expect the reform mandate to kick-start investment in SA immediately, the survey found.

Capital House CE Norman Riddell told Business Day yesterday there was still a lot of work to be done before SA could expect any significant inflow of funds.

Inflation remained a hurdle and the country could not expect any serious investment until government had addressed the problem, Riddell said.

Smith New Court analyst Steve Oke said there had not been a flood of activity into the market but the way had been cleared for investors to make informed decisions about SA.

The brokers surveyed were still looking forward to positive words from ANC leader Nelson Mandela regarding US investment.

"This, coupled with the clear positive message from the referendum, will provide the much needed boost of American interest. The frustration of still having American investment potential excluded continues to dampen the market," the poll found.

Investors could still take the view that the balance between risk and reward did not yet lie favourably. Although the attraction of the financial rand discount did not go unnoticed, liquidity was a serious hindrance and the market was considered expensive.

Govt slated for backing takeover

LINDA ENSOR

CAPE TOWN — Government action in overturning the Competition Board's ruling against the takeover by FSI of Arwa raised doubts about its commitment to the promotion of competition, Cape Town Chamber of Commerce acting president Herbert Hirsch said in a statement yesterday. B/Day 26/3/92

Government had counteracted the first major action by the board in recent years to combat monopolistic practices, as FSI's takeover of Arwa created a monopoly in the manufacture of women's hosiery, Hirsch said, adding that government should instead give the board its support.

EXECUTIVE SUITI

Investment queries reach 'unmanageable levels'

STAR 31/3/92

By Garner Thomson
Star Bureau

(60)

LONDON — South Africa is on the brink of an investment boom, according to trade officials at the South African Embassy here.

One of them, Peter Pullen, Pretoria's commercial minister in London, has admitted to a British newspaper that inquiries about investment have reached "unmanageable" levels.

He told the Daily Express's City Editor, Tom McGhie, that calls to the Embassy about opportunities in the Republic had almost doubled, especially since the recent Yes vote in the referendum.

At the same time, trade missions to the country have increased five-fold in the past two years, with at least 10 missions, comprising about 10 companies each, scheduled to visit during this year alone.

Virgin Atlantic founder Richard Branson's recent sortie into South Africa has also helped boost confidence in the country's future and several banks, including Standard Chartered and Barclays, are contemplating returning to the Republic, together with several hotel and catering chains.

British-based companies specialising in selling South African properties also report a strong upturn in inquiries in line with investment interest.

Giving another boost to South Africa's fortunes, it was announced in Bonn that Germany is drafting a package of economic cooperation steps with South Africa to accompany any lifting of European Community sanctions.

Chancellor Helmut Kohl's spokesman said the cabinet agreed some sanctions should be lifted but it was waiting for an EC decision.

Claus Hommer, spokesman for Economics Minister Juergen Moellemann, told reporters Germany was putting together measures to help South Africa beyond lifting sanctions, including training programmes.

Mr Moellemann was having talks with Bonn's finance and foreign ministries to find ways to promote economic cooperation between Pretoria and its southern African neighbours.

Mr Hommer said it would be desirable for South Africa to join the regional South African Development Conference.

Foreign investors still have doubts

(60)

Finance Staff STAR 2/4/92

While the South African equity market had become infinitely more attractive to foreign investors, they were not likely to pile into the market, says Genbel Investments managing director Anton Botha.

Speaking at a conference yesterday Mr Botha said that recent trips to the United States and Europe had confirmed the view that foreign investors were far more positive in their attitudes towards South Africa, "but are adopting a cautious, wait-and-see attitude".

Foreign investors comment that they find South African management generally very competent and they are more at ease with our managements than with those of the emerging markets, he said.

Mr Botha added that there were a growing number of investors who believed that, as a result of the strong stand against inflation taken by the South African Reserve Bank, the risk of a devaluation of the commercial rand was diminishing.

Currency risks

"This is important because in many developing economies the currency risk is so high that it can wipe out an otherwise good investment decision," he said.

However, he pointed out that foreign investors were not about to invest in South Africa on any significant scale.

Two reasons he cited for their hesitancy was the financial rand and the perceived overvaluation of the local market.

Mr Botha explained that the financial rand was a thin market which complicated the buying and selling of shares and added a speculative element to the market.

"Because of this thinness and the fact that only non-South African investors can trade in the market, the financial rand market is volatile and a speculator's paradise."

The second negative was the fact that the stock market was perceived to be overvalued and illiquid.

"Both these factors are a direct result of exchange control imposed on South African investors and will remain a serious disincentive for foreign equity investment in the future," he added.— Sapa.

STAR 6/4/92 (60)

R1 stands offered to investors

WELKOM — Stands on offer for just R1 are being advertised in European publications in efforts to attract foreign companies to the Free State gold fields.

Dawid Vermeulen, executive director of the Free State Gold Fields Development Centre, said last week the advertisements had attracted great interest from both Europe and America.

The FGF marketing campaign was launched last month.

The organisation was recently formed to broaden the region's economic base.

Mr Vermeulen said the advertisements, which reached about 32 000 companies worldwide, outlined the incentives offered by the FGF, including the R1 a stand offer.

In addition to the marketing campaign, a working group was set up last week by Transport Minister Piet Welgemoed to investigate the key to the area's development: the national road between Kroonstad and Odendaalsrus.

Mr Vermeulen said FGF directors and other community leaders wanted to see the N1 linking Kroonstad with the gold fields instead, but as an interim measure wished to see the existing highway upgraded by the Free State Provincial Administration.

The working group, which is headed by the ministerial representative for the region, Dr Flip Nel, is also looking at the plans to develop the region's economy. — Sapa.

Eager market awaits return of investors

BDay 7/4/92

60

DESPITE a glut of commercial and industrial space and tight economic conditions, the landslide "yes" victory in the referendum and a moderate budget has given the property industry renewed optimism.

As a result of the overwhelming support of the white voter for continued political reform, offshore companies are expected to begin investing in SA.

This will see industrial growth and increased demand for commercial and industrial property across the board. However, exactly how long this will take to materialise is the question.

In the meantime, the industry battles against high interest rates, a surfeit of space and limited demand.

In an effort to stimulate the market, novel financing schemes and alternatives are being found and promoted, with tenants and borrowers alike being in a strong negotiating position.

Alternative markets and marketing techniques are also being used. The auctioning of property is an area that more and more brokers and companies are examining.

Eliminates

In many cases, it is believed to be a more marketable tool that eliminates much of the delay associated with bids and offers and the price obtained is seen as a realistic market guide of the value of the property.

Many of the larger institutions, believing that initial economic growth will come from the industrial sector, are buying large tracts of industrial land and taking positions ahead of the upturn.

Despite the oversupplied market, areas of growth do exist and are being taken advantage of. One such area is refurbishment, where the property is upgraded at a lower cost to a new development.

As a result, rentals can be targeted lower and, provided the development is well placed and caters for tenants' requirements, there is still good demand.

However, others argue that only cosmetic refurbishments are viable as structural refurbishment is often only marginally cheaper than a new development.

Certain industrial areas have also been targeted as growth areas, but the industry is divided as to exactly where the growth lies. Brokers disagree whether the mini-unit market is still a growth area or not.

Some feel that market is oversupplied and has no room for growth. They argue that growth lies in larger units and warehousing. Others feel that demand for larger space is restricted and any movement is in the smaller area.

Conditions nevertheless remain cut throat, with brokers competing to let or sell space to a limited number of clients. However, clients are making the most of this position to negotiate the best rentals or price and the greatest number of incentives.

Incentive

Long rent-free periods, discounted rentals and generous fitting allowances are all part of the growing list of incentives offered. Some existing tenants are using depressed rental levels to negotiate future rental terms.

While the general mood of the industry is more bullish, renewed local interest and foreign demand are essential to its recovery. While all the elements are in place for this, the time required for it to take place is unknown.

OECD's investment policy a model for SA

STAR 7/4/92 (60)

It is of utmost importance that the future investment policy of South Africa meets international standards and compares favourably with existing policies of competing countries, says the SA-German Chamber of Commerce and Industry chief executive Klaus Schuurman.

Mr Schuurman made particular reference to taxation, nationalisation and equal treatment of foreign and domestic companies in a statement at the weekend.

He suggested that the Declaration on International Investment and Multinational Enterprises of the OECD countries should serve as an investment policy model for a future SA government.

"This means the creation of an environment that is conducive to investment, not only foreign, but also for domestic funds," he said.

To create this environmnet Mr Schuurman pointed out that political as well as economic factors would have to be considered.

"Political stability is as important as stability in labour relations."

Taxation in SA, he said, had to be favourable for enterprises and with specific guarantees with regard to the repatriation of capital and dividends.

He also strongly voiced his opposition to the possibility of nationalisation.

Nationalisation

"Nationalisation of whole industries has failed to reach positive results all over the world and this must therefore be a taboo in the New South Africa."

Mr Schuurman said that in return for a favourable investment environment South Africa could expect German companies to take into account the general objectives of the host country.

"They consider South Africa's aims and priorities with regard to the urgently needed economic and social progress, industrial and regional development, the creation of employment and the protection of the environment and consumer interests".— Sapa.

From Malawi to Bolivia at Show

By Peter Davies (60)

STAR 9/4/92

The foreign exhibitors at this year's Rand Show reflect the strides South Africa has made in wooing overseas trade interest over the past year or so.

For the travel-frustrated South African, a tour of the foreign stalls allows the local show-goer to feel every bit a tourist as an Iowa farmer trekking round Japan in loud Bermuda shorts.

More than 220 companies from 37 nations, housed in Halls 7 and 8, offer a multitude of products ranging from Bolivian domestic appliances to Malawian coffee beans and Canadian non-burn ironing board covers.

Fourteen nations are exhibiting at the show for the first time, and the air buzzes with sales talk in a many foreign accents.

Cool and composed, the high-cheeked Russians speak out on the particular advantages of Agrochimexport fertiliser and chemicals; while suave Turkish carpet sellers try to coax cash from interested customers.

The Ivory Coast stand features three ebony-skinned Ivorian women dressed in colourful batik garments.

A little-known snippet of trivia from the Czechoslovakian display is that America's record breaking Budweiser beer, in fact, has its roots in the Czech town of Budweis.

Italy is the "guest nation" this year and is the largest single exhibitor in the show's history. The Italians have shed their stereotype image — there are no shoes, food, textiles or furniture on show. Instead their display concentrates on the wares of two large corporations.

Most of the foreign exibitors are delighted to be in South Africa, but the Kenyan exhibitors are already missing home.

"You never hear a gunshot in Nairobi, but here we have to watch out for bombs," lamented one worker, recalling Saturday night's limpet mine blast.

ANC seeks future anti-trust laws

B Day 10/4/92

60

TIM COHEN

AN ANC government would definitely introduce anti-trust or anti-monopoly legislation, ANC economic planning head Trevor Manuel said yesterday. He said this would encourage foreign investment.

Manuel said foreign investors had told the ANC it would have to free the economy as SA wealth was too tightly held.

The three central objectives of ANC economic policy were to address the imbalances and poverty in SA, build a viable economy and broaden wealth ownership.

ANC economic policy did not favour either inward industrialisation or export oriented growth, but favoured a mixture of both, Manuel said. He criticised current unilateral management of the economy, saying everything privatised from now on would be renationalised.

A new management style was needed to encourage South Africans to get involved in economic planning. The ANC was not averse to the idea of a social compact.

Manuel described the State's role as a "development agent" which should create the right economic environment.

He said the nationalisation issue was a "red herring". The ANC did not have a company hitlist and nationalisation would only be used as a last resort.

Neither control of the economy's commanding heights nor the unfettered free market would adress SA's deeply rooted problems, Manuel said.

SA 'needs body to co-ordinate trade'

81 Day 14/4/92 LINDA ENSOR 60

CAPE TOWN — The absence of a central body to co-ordinate foreign investment in SA was an obstacle to the implementation of effective investment programmes, the Cape Town Chamber of Commerce's recent trade mission to France and Holland discovered.

The chamber's latest bulletin said it became clear during discussions with policy-makers overseas that SA had been earmarked for investment, but the lack of a co-ordinating body was an impediment.

"It was realised everywhere that SA would form the commercial gateway to Africa and that its infrastructure, raw materials, labour force and technology were the vital components to become the economic engine of southern Africa. It is now waiting for SA to take the next step and indicate under what conditions it will re-enter the international market."

Chamber president Kenneth Marcus said close co-operation by government, local authorities and chambers of commerce and industry would be necessary to devise a plan for participation in world trade.

"In particular, it will be vital to meet foreign standards ... have a clear understanding of the markets and customers ... and develop an appropriate export culture ..."

Surge of interest in SA

STAR 14/4/92

Finance Staff

A major surge of interest in South African companies by international concerns has been noted by business and credit information supplier ITC.

Commercial operations manager Carl Opperman says the first three months of this year had witnessed a staggering 138 percent increase on the same

(180)(60)

Most of the inquiries channeled through ITC had focused on the petroleum, steel, pharmaceutical, textile and electronics sectors and came from Switzerland, Canada, the UK, Germany and Japan.

Foreigners still wary of investing in SA

W/Mail 16/4 – 23/4/92

(60)

By MONDLI MAKHANYA

DESPITE numerous trade delegations and fact-finding missions, foreign investment is barely trickling in.

Relatively good infrastructure, an excellent banking system and the country's proximity to African markets are making South Africa an attractive investment area for Western businesses.

However, political and economic uncertainty are proving a deterrent to potential investors. Also scaring off the money men are repeated threats of nationalisation from left-wing organisations.

Several American companies, among them Pepsi Cola and Heinz are planning to invest here. German companies Hertz and catalyst producers Zeunar Starcheten are among European giants which are considering setting up plants here. Another notifiable trend is of companies choosing to enter into joint ventures with local companies in order to get grounding in the market.

But these plans are still up in the air pending negotiations and clarity on the economic policies of a future government. To press home the urgency of the need to make business decisions, the German Chamber of Commence and Industry has written an open letter to parties at the Convention for a Democratic South Africa urging them create a conducive climate for investment.

The letter highlights issues of concern of almost all the foreign investors waiting to come into the country: high taxation and guarantees on repatriation of capital and dividends out of South Africa; fear of possible nationalisation, and that foreign firms should be treated on the sme basis as local companies.

Points out German Chamber of Commerce deputy director Matthias Boddemberger: "There is a lot of interest but people are just waiting. As long as there is violence and the economic future is not certain, investors will not commit their money."

Low growth — which has been with us for the past decade and which worsened with the onslaught of sanctions — has created a vicious circle.

"Investors are unwilling to invest because of the low growth rate here, but that in itself is preventing the economy from growing," says Econometrix director Azaar Jammine.

This is exacerbated by high real interest rates which are set to remain as high so long as the inflation rate is high.

What South Africa also needs to avoid, says American Chamber of Commerce executive director Michelle Cohen, is prescribing to investments via an investment code.

"We must be aware that people are not queuing up to invest here. There are plenty of exciting investment opportunities opening up in other countries," notes Cohen.

The cost of labour is another issue which concerns foreign investors. Jammine says a lot of foreigners, particularly Oriental businessmen, are fearful of unionisation and are perturbed by the "high cost of labour in relation to productivity". Americans are also fearful of unions. But to the Europeans, who are accustomed to unions, unionisation does not prove a problem.

For some, conglomeration in the economy and the existence of near-monopolies in certain industries prevents possible entry into the South African market. This is said to be a major reason why some of these companies have gone into joint ventures and licensing agreements with local companies.

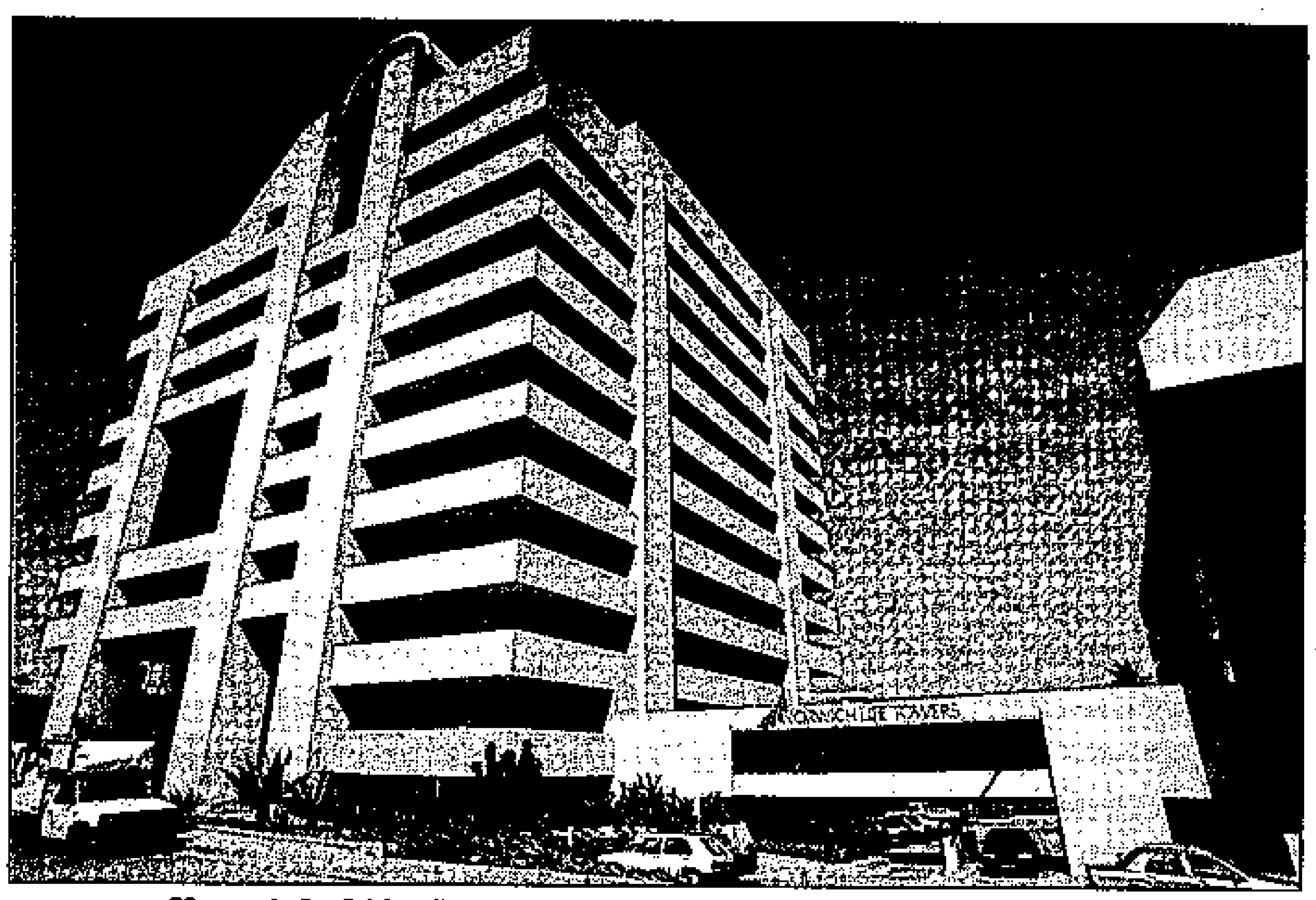
But Jammine reckons large multinationals have enough power to "break the backs" of any local business that tries to keep them out of the market.

FOREIGN FIRMS FM 17/4/92 (60)

Watch this space

A growing list of foreign firms is coming to town — and the town of choice seems to be Johannesburg. Whether it's the lifting of sanctions that accounts for heightened levels of activity over the past six months or the positive outcome of the referendum that's spurring them on hardly matters; the good news is that more customers are on their way.

Many of the deals have been concluded in recent weeks — since the referendum. Airlines, travel companies, banks and trading operations predominate. Interestingly, as an *FM* survey indicates, commercial agents are largely unaware of each other's successes in this much sought-after market.



Norwich Life Towers ... *'the address' in Sandton*

RMS Syfrets — which last week placed Singapore Airlines in offices in 257 Oxford Road, Illovo, has the longest list of foreign leases. Through RMS, Thai Airways International (198 m²), Czechoslovak Airlines (70 m²) and Ljubljanska Banka (a Republic of Slovenia bank, 115 m²) have all taken space in Norwich Life Towers, Sandton. The Towers has also become home to Hong Kong-based Cathay Pacific (325 m²) since last May (JHI signed it up), as well as to Banque Commerciale Zairoise (a Zaire-based bank taking 105 m²).

Other RMS clients include Kenya Air (350 m²) in Northstate Building in the Johannesburg CBD; Air Zaire in the Old Mutual Centre in central Johannesburg (150 m²); JAL, a Japanese airline, in Princess of Wales Terrace, Parktown, Johannesburg (120 m²); UK merchant banker Robert Fleming in FNB House, Sandton (300 m²); pharmaceutical company Maybaker SA in the Morningview Office Park (950 m²), also in Sandton; and Alitalia (500 m²) in Time Developments' Oxford Manor, Illovo.

RMS also reports that in the past six months it has placed the Austrian Trade Delegation (600 m²) and Swiss Consulate (500 m²) in Cradock Heights, Rosebank, Johannesburg. Rentals achieved were R34/m² gross — the highest in the northern suburbs.

Preceding these deals was China Air's lease in President Place, Rosebank, brokered by Baker & Associates. JHI's Steve Kessler recently let 200 m² of Parktown offices to UK-registered overseas bank Standard & Chartered.

At the end of last year, Property Negotiators' Munro Donan signed up three foreign groups: the Turkish Embassy in 6 Valley Crescent, Sandown; a Zairean commodity trader, SA Zaire, in Sandhurst Office Park (350 m²); and a Botswana logo carpet manufacturer Patgo Design (1 000 m²) in Germiston on the R24.

Landmark MD Max Braudé will not be drawn on which two buildings he has sold to Taiwanese investors — but says he is in close contact with them, as well as with a French company on a major turnkey project. Landmark director Gerald Blumenthal did a similar deal with a Spanish biscuit manufacturer, Continental Biscuits, in Aeroton last year.

In recent weeks, Ampros senior leasing executive Eddy Stern says the company has concluded a substantial number of foreign-linked deals and adds that a significant number are being processed. Talk is that Air India is contemplating taking offices in both the Carlton Centre, Johannesburg, and in Durban.

Ampros hopes that UN agencies will follow the precedent set by the UN High Commission for Refugees which recently signed a lease with Ampros in the Carlton and took an office in Cape Town. Other Ampros deals involve Portuguese trader Portrad; education and training funding organisation African-American Institute (Braamfontein Centre); Zambia Airways (450 m²) and the Zambia National Tourist Office (750 m²), both at Finance House, Bruma Lake.

Retail Property Projects, for its part, reports having let 1 500 m² to Mitsui (the elevator company of the Japanese giant) in Sunnypark, Parktown, six months ago.

The list will go on — which is heartening, given our oversupplied office market, particularly in the A and B categories, and more particularly in the suburbs where unlet space in projects under construction was recently shown to be highest.

Rosebank (including Illovo and Dunkeld) tops the charts at 95,3% — according to Ampros's latest research — followed by Bedfordview (including Bruma) at 90,8%, the Randburg CBD at 86,4%, greater Sandton at 48,6% and Parktown at 44%.

There are clearly holes to fill in Braamfontein as well, with 53,9% of its space under construction unlet. The figure for the greater Johannesburg area is 45,9%. For Johannesburg CBD, the picture is much healthier, at 9,5%, principally because most buildings are put up for owner-occupiers.

A-grade space

It would clearly be folly were more spec offices built in expectation of foreign arrivals, before we can even reach some kind of healthy take-up rate, as in 1988-1989. There are at least two years' worth of new A-grade office space (existing and under construction) countrywide, waiting to be let in a very low-growth economy. Any addition to this space, says property economist Neville Berkowitz, could be irresponsible at present.

He notes: "Regrettably, certain financial institutions have ignored our forecasted oversupply scenario three years ago and have continued and continue to finance spec developments. The net effect of the oversupply is to keep rentals depressed and negatively affect investment returns. Real office rentals in 1992, that is after inflation, are 40% lower than 1980 rentals." ■

UK MARKET

Banks to the rescue

On top of the news of Olympia & York (the world's largest property developer) and UK-based Heron International's attempts to reschedule their debts, come reports that developer Speyhalk is also in serious trouble.

Commenting on the UK's over-developed and over-borrowed property market, both the *Financial Times* and *Sunday Telegraph* say Speyhalk has had to write down the value of its properties by £205m (its debt is £303m) and its 46 bankers have agreed to support it. But, as the *FT* points out, in any restructuring it takes just one unco-operative bank to scupper the talks. This raises the question as to how much longer companies can rely on the patience of banks.

According to the *FT*: "The worst prognosis is reserved for a UK election result that puts sterling under pressure. Any rise in

Investment think-tank to be set up

B/Day 28/4/92 (60)

DIRK HARTFORD

MAJOR political and business organisations have agreed to set up a joint policy think-tank on foreign investment as a step towards an independent institution, which they will control, to encourage local and foreign investors.

This emerged at a weekend conference attended by the ANC, SACP, NP, DP and PAC, as well as Sacob, the Afrikaner Handelsinstituut, Nafcoc and the Black Management Forum.

The conference was organised by a steering committee of the participating parties under the chairmanship of Prof Wiseman Nkhulu from the Independent Development Trust.

Among issues discussed were:

- Whether there should be incentives for foreign investors and how these should apply to local investors; and
- The benefits of foreign investment, global and domestic restraints on investment and the need to balance investors' demands with the needs of SA's people.

A number of local and international investment codes were looked at.

While all parties agreed the economy could not grow without foreign investment, and incentives for foreign and local investors should be the same, there were differences over how rigid an investment code should be.

The meeting agreed discussions should continue and that research on pertinent issues was needed.

Government does not care for us - reader

Sowetan 29/4/92

60

A FEW weeks ago Minister of Constitutional Development Dr Gerrit Viljoen was a guest on Radio Zulu. Listeners telephoned and asked questions.

I was shocked to hear him say the Government has no say over the private sector. This really hurt me.

We all know the private sector is made up mostly of business people who came to South Africa to invest. They do not care about us.

If the Government has no say over them, that means they can pay us what they like. There is no directive from the Government that says they must pay a living wage.

This means that the Government does not care for us. A government which cares for its citizens must be able to tell investors what they should pay employees.

Maybe when they came to South Africa they were told about cheap labour. The private sector is ripping us off.

I wish the ANC can take notice of Viljoen's statement so that when our government takes over this can be stopped.

I support Mr Nelson Mandela when he says apartheid victims will have to be compensated.

HAROLD KESWA,
Katlehong, Germiston.

GERRIT VILJOEN

...and more public.

Intellectual property system held in high esteem

BDay 29/4/92 60

CHRIS SLABBERT:
Adams & Adams

AN essential foundation for attracting foreign investments is an effective intellectual property system. SA is fortunate in having a system which is held in high esteem internationally and can meet this challenge.

About 40% of the approximately 10 000 annual patent filings and 11 000 trade mark filings originate from overseas.

Stringent

SA has consistently ranked in the top 15 to 25 countries for the number of annual patent and trade mark applications — a rating maintained during the years of most stringent sanctions and international isolation.

Japan ranks top with about 400 000 filings a year, followed by the US, Germany and the UK. SA is on a par with Norway.

There are several reasons for this situation.

Firstly, there is a high regard for the judiciary handling intellectual property litigation.

Such litigation frequently involves foreigners and it is not uncommon for all the litigants in a matter to be foreign.

Secondly, practitioners in this specialised area of the law are well qualified. It is necessary to be an attorney to practise trade mark law, while only a patent attorney may practise patent law.

This means a patent practitioner, apart from being an attorney, must also have passed patent examinations to equip him to handle the varied and advanced technologies involved in patents such as electronics, pharmaceuticals and biotechnology.

The SA Institute of Intellectual Property Law gives free tuition to students studying for the patent and trade mark examinations.

Intellectual property laws include those governing patents, trade marks and designs, which all require registration at the Patents, Trade Marks and Designs Office in Pretoria to secure protection, and copyright for which no registration system exists except for cinematograph films.

Review

All these laws are under review by the Advisory Committee on Intellectual Property Law to ensure they take into account international legislative and technological developments in this area.

The Patents Act has been in force since 1979. It is modern and sophisticated and is almost entirely based on the legislation of the European Patent Office, which has been adopted by many other countries.

Patent applications are not examined technically and take about 12 months to proceed to grant. Almost anything can be patented.

Trade marks, although intangible, are among the most valuable assets of a company. They are often worth many times the tangible assets.

In take-overs, it is quite common to pay several times the book value of a company for goodwill, of which trade marks usually comprise the most important element.

For example, Philip Morris bought Kraft for $12,9bn, or four times the book value and Nestle bought Rowntree for $4,5bn or five times the book value (Economist, September 7 1991).

The present Trade Marks Act, in force since 1964, is being revised to extend the range of goods and to take into account market developments, and a new Act could come into being in a year or two.

Provision

The Registered Designs Act, in force since 1968, is also being revised and is expected to make provision for the registration of functional designs as well as aesthetic designs, but to exclude spare parts from protection.

The Copyright Act, operative since 1979, is likewise being revised. Specific provision is to be made for the protection of computer programs which, as present, enjoy copyright protection by being treated by the courts as "literary works".

In SA's favour

S/Times (Buss) 3/5/92

Business Times Reporter

A SENIOR World Bank consultant has listed the advantages which South Africa still enjoys in attracting foreign investors — despite inflation, recession and high interest rates.

Witney Schneidman told a forum on Investment Policy in a Post-Apartheid South Africa this week that the economy's weakness was offset by sound financial institutions and policies.

Mr Schneidman said: "South Africa has a well-regulated financial system that is run in an orthodox, predictable manner. The highly respected Reserve Bank lends a critical measure of stability and predictability to financial developments."

The fact that the dual exchange-rate system provided a discount in the conversion to rands also favoured investors. But most bankers would prefer a single, realistic exchange rate.

Other pluses listed by Mr Witney included:

- the availability of local capital,
- the existence of the Johannesburg Stock Exchange which made the transfer of capital and access to it much easier,
- an excellent physical infrastructure,
- the size of its consumer market with a real cash economy which in percentage terms may be larger than Nigeria's.

Mr Schneidman warned, however, that SA was unlikely to receive major new investment capital soon.

Waiting for realistic economic manifesto

STAR 4/5/92

By Michael Chester

How long will South Africa sit back and assume that new investment funds are bound to start flowing now that we have donned sackcloth and ashes in repentance for apartheid?

In an eager rush to stake allegiance to democratic reform, most of us seem to have grasped hold of an odd notion that somehow the outside world owes us massive rewards for political reform.

Why no gush of new investments or loans from the World Bank? Or the International Monetary Fund?

Or all the big private-sector financial institutions and multinational corporations that made a fast exit when anti-apartheid storms broke out in the mid-1980s — with hints they would return when South Africa mended its ways?

True, potential investors have started to put South Africa back on the world atlas of possible new business opportunities, especially with all of its chances to become a gateway into the much larger arena of the sub-continent market as a whole.

But as pointed out by a number of seasoned observers, most of them are carrying notebooks rather than chequebooks.

The hesitation is understandable. Professor Lawrence Schlemmer, a general manager of the Human Sciences Research Council and vice-president of the SA Institute of Race Relations, put a finger on a few of the reasons last week.

He had got hold of results of surveys that showed that as many as nine out of 10 investment fund managers in Britain, as an example, favoured deals with South Africa now that apartheid problems had been buried.

Yet six in every 10 of them still placed SA in the medium- to high-risk category as far as international investments were concerned, largely because of chronic violence and political instability.

Equally fascinating, though, were revelations in the surveys about the ignorance of overseas fund managers about the economic and political realities in the new South African scenario.

At first there may be hoots of derision, even among sophisticated SA observers here at home, about the naivety of anyone suggesting there were any clear-cut guidelines.

Professor Schlemmer sounded ready to agree. But he had delved deeper than most into a more dispassionate and unbiased analysis of the scenario that may well unfold.

Of course, there was allowance for the risk of the canvas being torn into shreds. However, he also made a lot of sense about the blunt realities about how far the political extremists can influence the ultimate outcome.

Refusing to be deafened by political rhetoric, he found that calm research indicated that no single one of the main parties had the muscle to win the sort of majority vote it needed to be dictactorial.

If elections were held at the moment, he forecast, the ANC/SACP alliance would harvest 45 percent of all the votes; the NP and DP would muster 32 percent; Inkatha 12 percent; the Conservative Party no more than 5 percent — leaving around 6 percent of the vote to be shared out between the also-rans.

So? In all probability, he said, the government in power in 1995 would be a coalition — which was precisely what the rank-and-file supporters of all the main parties wanted, whatever the bluster of party leaders shouting from public platforms.

An Alice in Wonderland scenario? Perhaps not, if one turns down the volume of rhetoric.

It may be premature to place bets on the outcome. All it needs is for each of the main political parties to offer an economic manifesto that shows at least tentative offers of compromise away from hard-and-fast dogma.

Investors wait for interim rule

60

Sowetan 5/5/92

MAJOR decisions on foreign investment in South Africa were being delayed until an interim government was in place, a member of a top-level Belgian government and business delegation said yesterday.

Textile industrialist Mr Philip Verbeke said it was critical that Codesa did not lose its momentum.

"The closer we get to a solution, the more people are adopting a wait-and-see attitude. People say 'wait for an interim government'."

Speaking at a Press conference in Cape Town hosted by Belgian Minister of Foreign Trade and European Affairs Mr Robert Urbain, Verbeke said it was hoped that the African National Congress would embrace foreign investment.

South Africa already had an export base to the rest of Africa and the world was looking for its next cheap labour base.

Verbeke said if stability were achieved South Africa's growth-rate could move close to double-digit figures.

Urbain, who heads the Belgian economic mission to this country, said their presence in the country served to encourage the Government that "the process here is clearly understood abroad".

The mission was looking for means to achieve a more balanced trade figure, which currently favoured South Africa, and methods to improve bilateral trade between the countries.

Belgium's international exports totalled R250 billion in 1991. It exported goods worth R1 billion to South Africa and imported R2 billion. - *Sapa*.

Trade group contributed to ANC policy — Mandela

STEPHANE BOTHMA

TALKS between the ANC and a Japanese trade delegation visiting SA provided valuable information for the formulation of an economic policy by the organisation, ANC president Nelson Mandela said yesterday.

Mandela, however, urged the group of businessmen to join the demand for an interim government before making new investments in SA.

Mandela met the trade delegation, led by Itoh Koya Mica, MD of Sito and Co — one of Japan's largest trading houses — yesterday afternoon shortly after his return from a week-long visit to several African states.

Speaking at a Johannesburg news conference, Mandela said he regarded Japan as one of the most economically successful countries in the world. Japan was also an inspiration to SA.

B/Day 6/5/92

Mandela said the talks, which took place at the ANC's head office in Johannesburg, made a valuable contribution to the ANC's search for an economic policy and provided ways to draw foreign investors to SA.

He added that the ANC was seeking to break government's monopoly on political power. He expected all business groups to join the demand.

Mica, who also addressed the news conference, said SA would offer great economic prospects if stability could be achieved by people like Mandela.

SA had a strong infrastructure and good people, Mica said.

His company was interested in investing in SA, but stability in the country was a prerequisite.

Mica said the delegation was visiting SA to explore the investment opportunities for Sito and Co and to ensure the transfer of technology through licensing.

This would create independent industries capable of producing high quality products.

Cutting sugar cane in Natal.

Ambitious plan to attract investment

BI Day 15/5/92 (60)

THROUGHOUT SA, cities are realising they stand or fall by the number and quality of the investors they are able to attract and in recent years this has led many of them to adopt a more aggressive stance in an effort to attract investment to their areas.

Durban has traditionally concentrated almost entirely on the promotion of its tourist industry. However, this position has changed and the city council has created the Greater Durban Marketing Authority (GDMA) to market both tourism and economic development.

Durban City Treasurer's Department project executive Rory Turner says: "We have recognised for some time that we needed to promoted Durban from both the tourism and economic development side. The Durban Publicity Association was too concentrated in tourism.

"So GDMA has been set up. The city has commited itself to putting R6,5m into the GDMA this year, and the amount will escalate each year.

"It is all very well for the city to get involved but we are also looking for private sector participation. We are also broadening the catchment area to include the whole Durban Functional Region.

"Economic development, from the GDMA's point of view, is endeavouring to get investors and businessmen to locate in the functional region. The GDMA will set out all the advantages to investing in the region. The GDMA will then hand the investor over to Durban's new growth and facilitation director, Keith Matthias."

"One of the problems in the past has been that a developer acquires a piece of land then tries to put his plans into operation. It is at this point he starts to run into problems which, had he known about them before, could have been avoided by taking a slightly different direction.

"We want to start at the beginning working with the investor, rather than entering the picture half way through the project.

"We will guide him through the regulations and provide the local input so that when he is ready to move, the whole project will fit and plans can be passed quickly.

"We are also looking at our regulations and putting them under review."

Another aspect of the City's development strategy is the creation of a database showing all the vacant or under-utilised land, both private and council held.

"We are identifying vacant and under developed land in the region that is more than a hectacre in size and what sort of potential it has. The database will not just concentrate on land for industrial use, it will look at all opportunities.

"We are looking at releasing more city land than in the past. Before we held back a bit. If we had an inquiry we would think about it. When the economy starts moving again we will be going to the market place to say we have land to sell and asking who is interested.

"This is city land which has been allowed to appreciate over time — all types of land. The city has always had an "estate" bank. We are one of the very fortunate local authorities to have large land holdings and this includes land for all types of use.

"Some is ripe for redevelopment and other parts are under development. We are also negotiating to acquire more land from the state," says Matthias.

Private sector 'will drive economy'

Mandela bids for foreign investment

Bday 20/5/92

60

TIM COHEN

ANC president Nelson Mandela yesterday edged further away from nationalisation, launching an all-out effort to encourage investment and promising a rosy economic future for SA.

In a speech at an investment seminar in Oslo, Mandela said the ANC envisaged a private sector-driven economy. He urged business leaders to investigate investment opportunities immediately.

Focusing on SA's potential, rather than its current problems, Mandela said: "We have no hesitation to say, with all humility, that our country offers tremendous business and investment opportunities.

"We are determined to create the necessary climate which foreign investors would find attractive. We are also determined that trade and investment sanctions should be lifted as soon as possible, namely once an interim government of national unity is in place."

Mandela stressed the highly uneven levels of wealth in SA, but emphasised that there were no quick fixes, and said the ANC was not bound to any doctrinaire ideological positions.

He invited Norwegian business leaders to explore investment opportunities in SA immediately, "so that you are ready to invest as the opportunity arises in the near future".

SA could prosper under democracy with a dynamic blend of public and private enterprise, in keeping with what the World Bank, in its development report of 1991, saw as "the interaction between governments and markets", he said.

The ANC was seeking a mixed economy which, led by the private sector, would play a central role in ensuring the creation of wealth and jobs.

It envisaged a public sector similar to that of countries in western Europe where the state played an important role in areas such as education, health and welfare and the provision of infrastructure, he said.

A new democratic government would have to initiate detailed discussions to determine whether any of the public assets should be privatised, commercialised, left as they were or whether there should be increased public sector ownership.

"Our decisions will be influenced not by any ideological commitments but by policies that are aimed at growth and equity, and taking into account that we are addressing problems of a society ravaged by war over decades.

"We are acutely conscious of the fact that the rates of economic growth we seek to enable us to achieve our objectives cannot be reached without a significant inflow of foreign capital."

Noting that at least 75% of the shares quoted on the JSE were controlled by four white-owned and white-managed conglomerates, Mandela said this would have to be addressed as part of the process of creating a new SA.

The ANC considered a redistribution of wealth necessary but was convinced that the private sector should and would play the central and decisive role.

SA, endowed with enormous natural re-

☐ To Page 2

Stals's independent stand lays ground for foreign investments

(60) STAR 21/5/92

By Neil Behrmann

LONDON — International bankers are impressed that the South African Reserve Bank is maintaining a relatively independent stance, is intent on reducing inflation and is against rand devaluation.

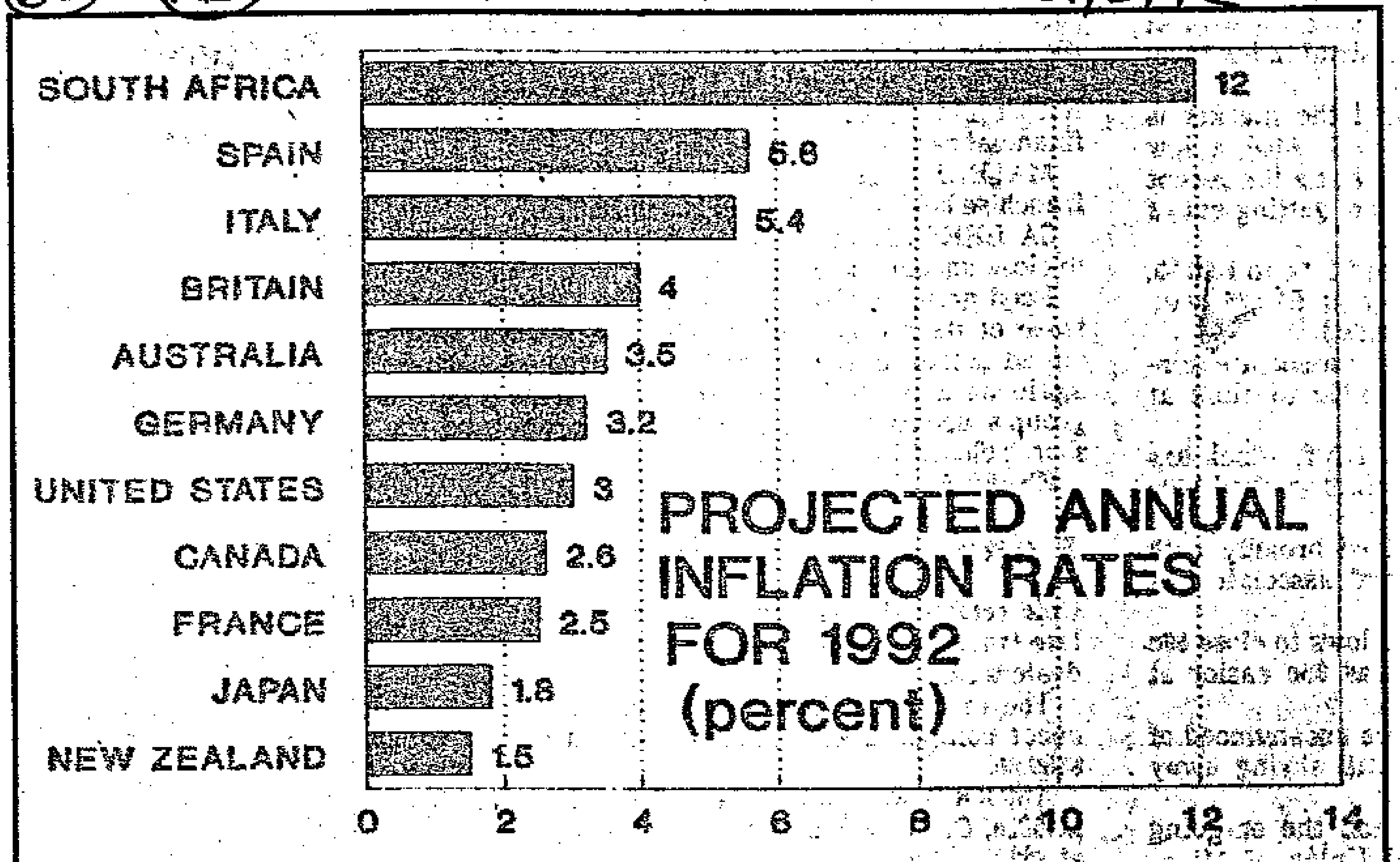
They say that by avoiding the temptation to devalue the currency to improve the revenue of mines, the Reserve Bank's governor Dr Chris Stals is laying the foundation for future foreign investment.

An independent central bank on the lines of Germany's Bundesbank would instill international business confidence in South Africa, particularly during the transition period.

The Bundesbank is intent on preserving the value of the mark, despite the enormous costs of unification.

Politicians who have tried to influence the Bundesbank governors have walked away frustrated.

Reserve Bank independence could lead to an end to exchange control in South Africa, bankers say.



An optimistic forecast puts South Africa's inflation rate for 1992 at 12 percent, compared with its present level of 15,7 percent. But that compares poorly with American Express Bank's projected 1992 inflation for other countries, including SA's main trading partners.

Competition

Once exchange controls are lifted and international corporations are confident that monetary and foreign exchange policy are not influenced by the politicians, they will be encouraged to invest in South Africa.

That investment will increase competition in the domestic economy and help reduce inflation.

Britain and Australia, countries which both had exchange controls, are case studies of what can happen. Once exchange controls were abandoned their economies attracted more foreign investment and competition.

Their currencies, subject to the normal cyclical fluctuations, were firm and inflation decelerated.

International companies will be reluctant to invest in South Africa if they fear that the capital value of their South African projects will depreciate in terms of their own currencies.

Exchange controls are also a major disincentive.

European countries in particular are intent on maintaining stable exchange rates and reducing inflation. Economic con vergence and open economies are the buzz words.

UK, German and other European businessmen are thus not only examining the potential of projects in foreign countries, but are also concerned about the long-term potential of the currency.

A project may well turn out to be profitable in South Africa, but a falling rand may offset any earnings or capital benefits for the investor.

Investors have been burnt badly in South Africa and other weak currency countries.

Multi-national corporations in Japan, the US and Asia take a similar view, although the rand has not fared as badly against their own currencies.

In essence, South African business is now part of a disinflationary world, now that sanctions have been disbanded and the economy is open. To compete for capital the mixture of economic growth, inflation and currency stability must be right.

Inflation is comparatively low in most countries already and continues to decline.

SA inflation, now at 15,7 percent is expected to fall to 12 percent by the end of the year.

But that compares poorly with American Express Bank's projected 1992 inflation for other countries, including South Arfrica's major trading partners.

Moreover, American Express Bank and most other institutions believe that only a strong economic recovery could prevent further declines in the next two years.

Large-scale international debt, weakened banking systems, low confidence and exten sive government borrowing indicate that world economic boom is improbable.

Spur prices

So excessive demand is unlikely to spur prices, says American Express.

"Moreover, international competition continues to intensify and is restraining inflationary pressures."

The prospects are that developed country inflation in the coming economic upswing will average less than the 3,6 percent rate seen in the 1960s.

Central banks, including commodity producers such as New Zealand and Canada, believe inflation should be pushed down to levels of one to two percent.

South Africa would be left way behind and the economy would continue to be caught in a vicious circle of devaluation, high inflation and low investment.

But in the 1950s and '60s, when the gold price was fixed at $35 an ounce, the mining industry was healthy and inflation was at single digits.

So single-digit inflation is not an impossibility. The key to the success is the breakdown in inflationary expectations of both local businessmen and consumers.

It took time in the UK, where inflation was 22 percent in 1979. But the British public is now so price conscious that they expect discounts.

Labour bodies show concern

By JOSHUA RABOROKO

TWO labour federations have expressed concern at the desire by British and multinational companies operating in South Africa to drop the European Community code of conduct governing employment conditions.

Although the Congress of South African Trade Unions (Cosatu) and the National Council of Trade Unions (Nactu) said the code did not protect black workers against exploitation, they called for a new approach to safeguarding the interests of their members instead.

Cosatu called for a new code to address the socio-economic status of workers, help create jobs and restructure the economy. Nactu, on the other hand, said the code was useless and urged workers to negotiate codes of conduct with employers without interference from parent companies. Sowetan 26/5/92

The two federations were reacting to reports that European foreign ministers meeting in Brussels this week will discuss the argument of top companies that the code had "outlived" its usefulness and is difficult to apply because of reform in South Africa.

Cosatu spokesman Mr Neil Coleman said: "Those issues must be negotiated by trade union federations and multinational companies wishing to invest in South Africa."

BUSINESS

Gone with the winds of change?

WMail 29/5-4/6/92. (60)

Are the big foreign companies likely to scale down their social responsibility programmes now that apartheid is waning?

REG RUMNEY *reports*

NOW that South Africa is on the point of being fully admitted to the community of nations it is natural that foreign firms will once again look at the social investments forced on them by anti-apartheid activists overseas.

US firms are still bound by law under Title 2 of the Comprehensive Apartheid Act to report in terms of the Statement of Principles (formerly the Sullivan Principles) on their social responsibility programmes. How long this will last no one knows.

But as South Africa becomes part of the world again expensive social responsibility programmes will be scrutinised.

Shell SA has been bound by the European Community code rather than the Statement of Principles and its social investment programme has attracted almost as much public attention in South Africa as its involvement in South Africa has overseas. Its distinctive full-page ads have graced the pages, and boosted the coffers of, the alternative press.

That may change. Shell SA public relations genreal manager Humphrey Khoza confirms: "If we want to be treated like a normal operating company of Shell worldwide we will be expected to behave so."

However, he says, Shell SA has argued that the enormous historical imbalances in the society mean the

Khoza ... Keep spending high

local operation's high social commitment should continue. In the foreseeable future, he says, social investment will not decrease.

According to Khoza, Shell worldwide devotes one to two percent of its net income to social responsibility or investment. In South Africa, by contrast, this figure has risen to a high of seven to eight percent.

Over the past five years Shell SA has spent, according to the 1991 Business Report, R50-million on social investment through its "Social Involvement Programme".

Shell SA's turnover in 1991 went above R5-billion. The R11-million spent through the social involvement programme represents around seven percent of capital expenditure (including all those proliferating Ultra-Cities). It also disburses money through its chairman's fund.

In the 1991 year R11,3-million was spent through the programme, on projects as various as the Legal Resources Centre, the Wildlife Society of Southern Africa, the Valley Trust and Learn and Teach.

On educational projects alone, Shell SA has spent more than R16,6-million over the past two years.

"While this is a very significant level of funding in relation to the company's net income," notes Khoza, "perhaps the most important thing about the programme has been the approach. It has been one of very much designed not to be paternalistic, patronising or prescriptive but to aid activities and initiatives with high levels of community acceptance and accountability."

On the affirmative action front, the percentage of blacks in managerial jobs rose to 16,2 percent in 1991 from 4,9 percent in 1986. The percentage of blacks at supervisory levels and above rose from seven percent in 1980 to 30 percent in 1991.

Khoza is the only black face on the executive committee, and there are no blacks on the board itself.

Colgate Palmolive, whose social responsibility programmes have not been widely publicised, has set up a foundation to handle its projects.

Colgate Palmolive SA's vice president Gerry Nocker said at the launch of the foundation recently that the company had been involved in social investment in South Africa for 25 years, and had been a signatory to the Sullivan Code for 15 years.

He committed R10-million to the foundation, more than the annual spending in terms of the Sullivan Code, and added, "we expect that sum to increase substantially over the years to come".

Foundation administrator Linda Rowell says the idea of the foundation is to "try to prepare Colgate Palmolive for the post-sanctions era". Company support and commitment to social responsibility will continue.

While disinvestment allowed firms taken over to quietly shelve expensive social investment programmes, the normalisation of South Africa on the other hand should step up the pressure on foreign firms which remain.

Get off fence first, SA business told

STAR 29/5/92

SOUTH Africa has not been backward in telling the international community what it expects of it: trade, investment, aid and all the other things that are needed to reconstruct an afflicted country.

But the international community wants something in return, and at the various discussion groups that one attends here in London its spokesmen, increasingly, are spelling out the response they expect from our businessmen.

As the Gallup Poll commissioned by the London office of the South Africa Foundation in February disclosed, there is a worrying level of indifference among the 25 fund managers, 50 MPs and 25 media figures who were polled. "Not only are levels of ignorance about SA surprising," the Foundation remarked, "but when it comes to matters of trade and investment, it is very clear that SA has not come in from the cold."

The Foundation, more than any other organisation, is trying to dispel the ignorance that exists about South Africa, and the hard core of businessmen, fund managers and others who attend its monthly forums here certainly know what they are talking about.

What they are saying is that SA must fight harder for its international share, harder than it expects.

The Foundation's survey looked mainly at problems that fall within the arena of political negotiations, like the endemic violence, but foreign businessmen are looking pointedly at the SA business community itself and are making some uncomfortable observations. Here, for example, are some of the questions that were put at a Foundation forum last week.

First, a merchant banker suggested, the lead in South Africa's rehabilitation will have to come from within SA, not from outside.

Why was all that money chasing so much scrip around the Johannesburg Stock Exchange? Why was it not being invested, say, in manufacturing industry?

Why were South Africans (with exceptions) investing so little in their own country?

"If South Africans have inadequate confidence in their own country," the banker said, "how can they expect outsiders to have confidence? Surely, if anyone has to get off the fence first, it must be the South Africans themselves.'

Another criticism is that South African businessmen, with exceptions, are just not taking advantage of opportunities that present themselves, and that will fade before long. "They are not moving and shaking," as one regular visitor to SA put it to me.

South Africans, he maintained, on the whole know very little about Africa, although it is on their doorstep. He mentioned Tanzania as a country worth looking at. They are missing all manner of chances, he believes, both on the continent and elsewhere.

At the discussion sessions here, SA businessmen are being urged to take advantage of the interest that still exists in SA before it dissolves. The time to strike, they are told, is now, not at some leasurely time in the future.

Last week's Foundation forum was addressed by Dr Vic Razis, senior lecturer in the Department of Business Science at UCT. Dr Razis, who has the gift of lucidity, catalogued the main elements of the SA economic-political situation. But the tone of the response was that he was being too starry-eyed, particularly about the extent of funds the IMF and World Bank may provide.

Also, another banker suggested, these institutions might attach conditions that SA will find unacceptable — all cautionary advice to the country not to pitch its expectations at an unrealistic level.

As South Africa's internal and international situation normalises, it is becoming clear normal international criteria will apply to trade and investment. The Republic will no longer be in the "special" category.

Overall, the mood among businessmen here (and in official circles) is of impatience. These businessmen are saying, quite bluntly, that SA is just not getting its act together — that in the final reckoning its own behaviour will determine what place it finds for itself in the international queue. — Star Bureau. □

ANC plan for curbs on foreign firms

S/Times 31/5/92.

By EDYTH BULBRING and BRIAN POTTINGER

THE ANC has proposed that a range of restrictions and conditions be imposed on foreign investments in South Africa under a future government.

An investment code accepted at the organisation's national policy conference yesterday puts affirmative action for both women and blacks high on the agenda when approving foreign investment.

Foreign investors may also be blocked from investing in certain "strategic" areas — land and natural resources, for example — and companies controlled by non-residents could have limits placed on their ability to borrow money locally.

Help

In its economic policy document, the ANC proposes the expansion of the public sector in certain key areas and suggests curbs on monopolies and mergers.

It also says that financial institutions must help oppressed communities to break the cycle of dependency.

A "democratic" government, said the document, would introduce mechanisms to end discrimination in lending against blacks, women and informal producers.

The two documents — the investment code and the broader economic policy guidelines — are the results of many months of discussions within the organisation, partly spurred by recent controversy in the ANC over the question of nationalisation.

Safeguards

ANC economics spokesman Tito Mboweni told a press conference yesterday nationalisation was still considered an option by the organisation.

The investment code, however, guarantees that, in the event of nationalisation, there would be fair compensation in accordance with principles of international law.

The code welcomes foreign investment that contributes to the growth and socio-economic development of the economy, but suggests certain safeguards for the economy would have to be built into the overall policy framework.

The ANC assures foreign investors that, subject to Reserve Bank regulations, foreign inves-

□ To Page 2

FOREIGN CASH CURBS

□ From Page 1

tors will have access to foreign exchange for repatriating after-tax profits, repaying interest, buying inputs and remitting the proceeds of the sale of assets.

It also guarantees foreign investors would enjoy the same treatment as domestic investors, but important exceptions could be made. Special advantages and investments offered to "previously disadvantaged groups" may not be extended to foreign investors.

The document makes it clear the factors which would be relevant in approving foreign investment include the extent to which the investment would increase employment, provide for training of South Africans beyond minimum training obligations required by law and promote the spread of high-level technical skills.

Other factors would be the extent to which the investment advanced people who had been "socially, economically or educationally" disadvantaged by past discriminatory laws and made provision for equal opportunities for women.

The impact of the investment on the environment would be also be considered.

S/Times 31/5/92.

Needs

The document on a growth and development path for a democratic South Africa proposes a national economic strategy based on two components — redistribution programmes to meet the basic needs of South Africans and the restructuring of the economy on the basis of new, comprehensive and sustainable growth and development strategies.

Economists call new investment code 'the kiss of death' for SA

TIM COHEN and THEO RAWANA

THE ANC intends protecting property rights and says if any land is appropriated by the state, "just" compensation will have to be paid. BDay 1/6/92.

This was one of the key stances adopted at the ANC's policy conference which ended in Johannesburg yesterday.

The ANC also rejected special treatment for foreign investors, saying such investors might also be blocked from investing in strategic areas and have limits placed on their local borrowing facilities.

The proposed investment code ran into immediate opposition from several economists and business leaders. One described it as a "kiss of death".

The conference formally adopted a general economic policy which opted for the principle of "national treatment" of foreign investors.

In terms of the principle, foreign investors would be treated the same as domestic investors, except for certain exceptions.

The property rights policy was accepted despite some ANC regions proposing that nationalisation of land and companies should should take place without compensation.

The adopted policy document states that "just" compensation will consist of establishing a balance between the public interest and the interest of those affected.

This will not be based solely on the market value of the property, but there will be recourse to a special independent tribunal with an appeal to the courts.

ANC representatives endorsed the "balance of evidence" approach to determine when there should be nationalisation and accepted that nationalised companies would be compensated at a just rate.

Also endorsed was the concept of "mixed economy" which would foster a new and constructive relationship between the state, the trade union movement, the private sector and the market.

The ANC has pledged to introduce anti-monopoly and anti-trust policies "to curb the continued domination of the economy by a minority within the white minority and promote greater efficiency in the private sector".

A progressive tax system was endorsed, and the ANC pledged to end indirect taxation on basic foodstuffs, health care and basic household services.

Financial institutions were particularly targeted, with the ANC pledging to ensure that they channelled resources into productive investment and ended discrimination in lending against blacks, women and the informal-sector or small-scale producers.

A new mining strategy which would involve the introduction of a new system of taxation, financing, mineral rights and easing was also adopted.

The ANC said it would adopt and implement International Labour Organisation conventions.

Yesterday economists attacked the pro-

☐ To Page 2

Investment code BDay 1/6/92

☐ From Page 1

posed conditions for foreign investment as "a kiss of death" and said they were "going in the wrong direction".

Nedcor chief economist Edward Osborne said the requirements would restrict foreign investment which should be completely unhindered.

"Foreign investment is being made to jump through too many hoops. What (the ANC) is saying is that the whole investment should be overseen by an investment committee such as has been seen in Zimbabwe, which resulted in bureaucratic stalling and all sorts of problems," he said.

Sacob chief economist Ben van Rensburg said the policy showed a gross unawareness of the forces "which today drive decisions to invest offshore".

Van Rensburg added: "These forces are: potential returns on investment, certainty in both the political and economic environment, a proven history of macro-economic policies aimed at preserving the value of the currency and the ability of government to follow economic policies which foster sustained economic growth.

"On top of these the developing countries of the world are also expected to offer attractive incentive packages and investor guarantees.

"Curbs of any nature obviously do not fit into such policy packages."

"Competition for foreign capital is fierce today and SA is starved for foreign capital and imported technology," said Van Rensburg.

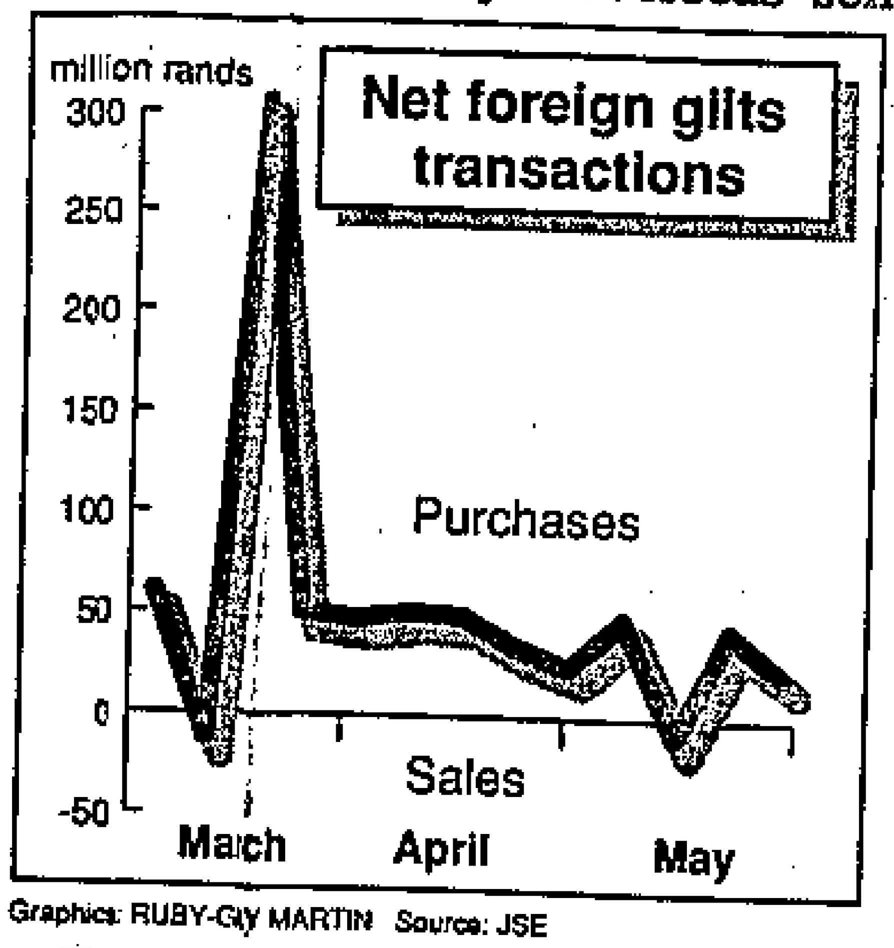
"The ANC's policy has to be seen as a step in the wrong direction. It will serve to weaken, rather than strengthen, the interest of foreign investors in SA."

Jitters, but no big sell-off on ANC stance

B/Day 3/6/92

SHERIDAN CONNOLLY

NERVOUSNESS in the capital market continued yesterday following the tough line on foreign investment adopted by the ANC this week — but there were no major overseas sell orders, analysts said.



Graphics: RUBY-GAY MARTIN Source: JSE

They said the ANC's rejection of investment incentives or special treatment for foreign investors would not encourage much needed inflows of foreign capital in the short term. In the meantime, foreigners would still benefit from buying SA gilts at a discount via the financial rand while earning interest at the commercial rand exchange rate.

The ANC's foreign investment stance had promoted bearish sentiment in the market and rates were expected to be steady in the next week or so, they added. The yield on the benchmark Eskom 168 climbed another ten points yesterday to finish at 15,92% from its previous level of 15,82% and the RSA 150 closed at 16,15% from 16,02%.

Analysts said although capital market rates were sensitive to foreign sentiment, overseas investors had not reacted as strongly as expected to the ANC's policy announcement.

In a future market environment, the abolition of the financial rand would remove the present investment incentive for foreigners. But, a lower value of a unitary rand might still be cheap enough to attract foreigners to purchase SA gilts, analysts said.

The financial rand at first reacted negatively to the ANC's policy moves. It recovered slightly yesterday and firmed to R3,48 per dollar after dropping to R3,50 on Monday.

11% earnings rise for Specialty

S/Day 3/6/92

MARCIA KLEIN

RETAIL group Specialty Stores aimed to improve earnings for the eighth consecutive year in financial 1993, joint MDs Stewart Cohen and Laurie Chiappini said in their annual review.

While traditional department stores worldwide had declined, they said international specialty store chains had shown superior growth.

They had the benefit of narrow and deep assortments — which yielded lower purchase costs, shorter lead times, higher sales densities and lower markdowns.

These factors gave management confidence and confirmed that Specialty had strategically positioned itself in "the fastest growing and most profitable sector of retailing internationally," the directors said.

They said the group had an advantage as it could respond quickly to changes in consumer lifestyles.

Specialty, which owns Milady's, The Hub, Mr Price and Footgear, had an 11% earnings rise to 83,5c (75,1c) a share in the year to end-February on a 19% turnover rise to R293,6m.

Cohen and Chiappini said Specialty would continue to focus on maintaining financial strength and improvements in asset management. They said it was comfortable with its 56% gearing as the proportion of cash sales continued to rise and should exceed 30% in the coming year. Margins were also expected to increase.

Milady's had performed exceptionally well after an average first half.

The Hub's sales were lower than budget, but it showed a 17% increase in its profit contribution.

Seven new Mr Price cash stores had opened, but the chain's rapid growth had stretched management and it had showed a profit decline.

The 11-store cash chain Footgear had made "a meaningful increase in its contribution to group profits".

New plan for sale of Qantas

CANBERRA — The Australian government yesterday announced plans for its international airline Qantas to acquire the state-owned domestic carrier Australian Airlines for A$400m and for 100% of the merged company to be sold to investors and other international airlines.

Last weekend Prime Minister Paul Keating proposed a merger of Qantas and Australian Airlines and the sale of a 70% stake in the merged company.

Since then, the government has decided to sell 100% of the merged airline, provided it retains a share that allows it to protect the national interest in the airline. — AP-DJ.

DP warning on economic forum

Tax break for foreign investment

BIDay 4/6/92. (60)

CAPE TOWN — Finance Minister Derek Keys yesterday provided a major boost for foreign investor confidence, announcing government was exempting from tax all interest on foreign investment.

Opening his first debate as Finance Minister, Keys said SA had to compete for foreign investment in an increasingly competitive international environment and it was essential not to discourage foreign investors from making funds available.

"In order to introduce certainty into the area of foreign investment and to remove whatever disincentive remains in the form of taxation, it has been decided ... to exempt from tax all interest which from today accrues to a person who is not ordinarily resident in the Republic or to a company which is not managed or controlled in the Republic," he said.

The exemption would also apply to emigrants, subject to the further condition that they do not carry on business in SA.

He said the move had the unanimous support of the Tax Advisory Committee.

Interest earned in SA by non-residents was already exempt from tax in certain circumstances and this latest exemption was pulling all the remaining areas into the same net.

Keys said little revenue was being forgone by introducing this exemption, particularly in view of the problems in obtaining returns and raising assessments on foreign lenders.

"Furthermore, there is a move in the European Community towards taxing interest income only in the country where the recipient of the interest is resident."

BILLY PADDOCK

SHERIDAN CONNOLLY reports that foreign investors took fright in February when the then Finance Minister, Barend du Plessis, announced that Inland Revenue officials were reviewing the taxability of non-residents' earnings.

Reports then arose that non-residents would be taxed on interest earned from deposits in SA banks.

This resulted in a sharp deterioration in foreign investment sentiment as anxious foreign investors dumped finrands.

In Parliament yesterday the DP launched a two-pronged attack on previous management of the Finance portfolio and suggested areas Keys should concentrate urgent attention.

Finance spokesman Ken Andrew welcomed negotiations on an economic forum but warned that this should not become a cartel of economic elites.

It was essential that organised business, labour and government were in the forum but other stakeholders such as consumers, women, environmentalists, the unemployed and the rural poor needed to also have their voices heard "specifically and directly in any economic forum", he said.

He also called on Keys to eliminate the anomaly of retirement annuities suffering severe taxation penalties, and to allow people access to more than the current third of their annuities in a lump sum.

DP deputy finance spokesman Jasper Walsh said Keys had to attack with vigour government's overspending. He said the lack of control over spending had caused the private sector to be crowded out, thereby restricting job creation.

South Africa interests ready to bear fruit

Guardian |W[mW|Mail] 5/6-11/6/92 [redacted] [redacted] (60) [redacted]

By Roger Cowe

THE South African dilemma facing liberal shoppers in Sainsbury's may soon come to hard-nosed brokers in the City. Anglo American Corporation, the mining group whose interests encompass most of the South African economy, is preparing to embark on a European roadshow to sell its (and hence its country's) potential attractions to investors. Few of those investors are likely to share shoppers' angst over whether it is yet acceptable to buy South African apples and oranges. Their main concern is likely to be whether the risk of a breakdown in South Africa is balanced by the potential financial return if there is not.

But the ethical investment service, Eiris, reports its subscribers are still concerned about. companies with South African interests — one of the earliest ethical criteria for investors. And despite the haste with which Britain and some other countries have abandoned sanctions, the stance of international agencies from the Untied Nations downwards is that sanctions should remain until the successful completion of negotiations between the government and the African National Congress.

Anglo American has long been a prime mover in the internal business campaign to end apartheid, but opposed sanctions, bolstering criticism that the company's commitment to equality and democracy was barely skin-deep.

There was a time when the group's commitment to South Africa was questioned. The 1989 bid from an Anglo satellite Minorco, for Consolidated Gold Fields was seen in some quarters as an attempt to lessen the group's dependence on its home country. Anglo strenuously denied this, but in any event the bid failed.

Now there is no doubting Anglo's patriotism. "We are still basically optimistic about South Africa," a spokesperson said. And it believes now is the time to promote itself in Europe as the ideal vehicle to invest in the country.

BUSINESS

No strangers in ANC paradise

w/mail 5/6-11/6/92

The ANC's recent economic policy document has drawn fire for its proposals on foreign investment.

By **MONDLI MAKHANYA** (60) [redacted]

AFRICAN National Congress planners would be forgiven for shaking their heads and proclaiming: "You can never win."

Although the organisation's latest economic document has significantly toned down on the nationalisation bogeyman, there was widespread criticism — this time of its "dismissive treatment" of foreign investors.

The document the business community and potential foreign investors had been waiting for does not go out of its way to entice foreign investment. In fact it puts restrictions on which sectors foreigners may operate in and also on certain activities they may undertake.

While noting that foreign investment will be welcome in a democratic South Africa and that it will be encouraged through political stability, economic growth and the [illegible] same manner as local investors but will be barred from borrowing internally and from operating in "strategic areas" such as land and natural resources. Special treatment will only be given to investors who "meet defined objectives".

Local resources ... Foreign companies may not be allowed into mining

Foreign firms' access to foreign exchange for the purpose of repatriating after-tax profits will be subject to regulations administered by the Reserve Bank. The ANC also seeks to halt capital flight by local organisations seeking to invest abroad — hinting at some form of exchange controls.

The first salvo of criticism came from the South African Chamber of Business (Sacob) which called for greater consultation between the business community and political organsations about economic policy.

Says Sacob chief economist Ben van Rensburg: "The first thing foreigners ask when they come to seek out investment opportunities is what our incentives are. Everybody in the world is offering enormous incentives. That is how the newly industrialised countries achieved their growth."

But the ANC is adamant that the document's assertion that special incentives will be offered to investors who meet defined national growth and development objectives is adequate. There is a feeling that the country should not seek fly-by-night investors.

Remarks ANC economic adviser Alan Hirsch: "We will give special treatment to people who meet certain needs: if they earn the country foreign exchange, transfer of technology and the creation of jobs. Otherwise they are just the same as domestic investors and will be treated the same."

But reality may not be all that friendly. The collapse of socialist regimes in eastern Europe, the break-up of the Soviet Union and the reconstruction happening in Africa has ensured there is strong competition among developing nations for investment. And in the process standards have been drastically lowered.

Ben Turok, who sits on the ANC's economic commission, notes: "The kind of investors we want are experienced investors who won't just be taken by any investment incentive. The serious investor looks beyond that. We want people who will comply with our labour laws and who will respect our environment."

And, as Econometrix director Azzar Jammine points out, the "strategic areas" from which the ANC seeks to bar foreigners are just those in which foreign investors would be interested.

"Natural resources and the land are two of the few fields where we actually have competitive advantage, and obviously where foreigners would most likely want to get involved," he says.

●See PAGE 25

Baiting the hook to get foreign investors to bite

SOUTH 6/6/-10/6/92. (60)

RADICALLY increased local and foreign investment is widely seen as being vital to resumed economic growth and job creation in the new South Africa.

"We have to get the level of investment up before we can get a decent growth rate," the new Minister of Finance, Mr Derek Keys, said soon after his appointment.

But how does a government encourage investment?

Keys said it would be vital to cut the level of consumption by both the public and private sectors.

This implies lower government spending on items such as the salaries of civil servants — including teachers, nurses and even policemen. Ordinary South Africans, meanwhile, are encouraged to save rather than buy consumer goodies.

But that alone will not bring in the money. Investors need incentives — clear financial reasons as to why they should put their money into new projects. And in a new South Africa, they will need hard and fast guarantees that they will make a profit and get their money back when they need it.

The ANC guidelines make a commitment to encouraging investment.

This will be done, among other things, through guarantees on the repatriation of after-tax profits, the purchase of inputs, the sale of domestic assets, the maintenance of macro-economic balances by the state, transparency and consistency of overall economic policy and a climate of peace and stability.

In addition, the ANC promises that foreign firms will not be nationalised without adequate and fair compensation.

But foreign investors will be required to comply with domestic regulations, including those covering the environment, labour market, education and training of workers and affirmative action.

Foreign investors in natural resource-based industries may be subject to additional regulations.

An ANC trade and foreign investment advisor and UCT lecturer, Mr Alan Hirsch, said the ANC accepted the importance of foreign investment for balance of payments reasons.

"Economic growth can be a drain on foreign exchange reserves because of the capital investment needed to support that growth. That can be eased by direct or indirect foreign investment."

In conjunction with some of its allies, the ANC is discussing how it can evolve an investment policy using the experience of other countries.

It is also consulting organisations such as the United Nations Centre for Transnational Corporations and individuals.

In general, the ANC is in favour of an open policy to foreign investors which would make it as easy as possible for them to enter.

But there will be some areas, such as the exploitation of natural resources, where they will not be given carte blanche.

In all cases, the aim is to provide the kind of assurance foreign investors need. These include assurances that they can repatriate their profits, get foreign exchange for inputs and, if they sell up, repatriate their profits.

Companies have also been assured that they will not be nationalised without fair compensation. Hirsch admitted that this was not meaningful if you did not say who would decide what was fair.

"Foreign investors want international arbitration. There is no firm commitment to that yet and it is being explored," he said.

Some might ask why we should bother about foreign investment at all if it wants all these reassurances. But there are undoubted advantages to foreign, as opposed to local, investment.

These include the inflow of foreign exchange, job creation and technology transfer to help make up for the years of neglect in the development of new technology in some areas because of the weak economy since the 1970s and sanctions.

Foreign investment can also help provide access to foreign markets as a great deal of trade takes place through the subsidiaries of parent companies.

Hirsch said the ANC would encourage joint ventures between new or existing foreign investors and black South Africans who had previously not had access to such investments. These would be in new areas or areas dominated by monopolies.

He believed that many investors would be interested in such joint ventures, possibly in the mistaken belief that it would also give them political clout in the new South Africa.

Foreign investment is usually capital intensive, but the ANC wants not only to look to investment by the multinationals, but also by the smaller companies in other developing countries.

This covers the whole area of exchange with, for example, the Malaysians, who have developed appropriate technology.

DEPARTEMENT VAN FINANSIES

No. 1601 12 Junie 1992

13 PERSENT BINNELANDSE GEREGISTREERDE EFFEKTE, 2009/10/11: SERTIFIKAAT No. 8336 VIR R84 500 UITGEREIK TEN GUNSTE VAN MEV. RACHEL ANN BECKER

Aangesien daar by die Departement van Finansies aansoek gedoen is om 'n duplikaat van bovermelde sertifikaat wat verloor of verlê is, word hierby bekendgemaak dat tensy die oorspronklike sertifikaat binne vier weke na die datum van publikasie van hierdie kennisgewing by die Departement van Finansies, Privaatsak X115, Pretoria, ingelewer word, die verlangde duplikaat uitgereik sal word.

No. 1639 12 Junie 1992

VERKLARING DEUR: MNR. DEREK KEYS, MINISTER VAN FINANSIES EN VAN HANDEL EN NYWERHEID: 3 JUNIE 1992

MET BETREKKING TOT RENTE WAT DEUR BUITELANDERS IN SUID-AFRIKA VERDIEN WORD

Suid-Afrika bevind homself vandag in die posisie dat hy in 'n al hoe meer mededingende internasionale omgewing vir buitelandse beleggings moet meeding, en dit is noodsaaklik dat buitelandse beleggers nie ontmoedig word om beleggingsfondse beskikbaar te stel nie.

Rente wat deur buitelanders in Suid-Afrika verdien word, is alreeds in die volgende omstandighede van belasting vrygestel:

* Alle rente verdien op fondse wat binne die skuldstilstand geblokkeer is.
* Rente verdien op effekte uitgereik deur die Staat, plaaslike owerhede en sekere ander instansies soos Eskom en Transnet. Hierdie bepaling word vrylik deur emigrante gebruik vir die belegging van hul gebrokkeerde fondse.
* Rente verdien op kapitaal wat buite Suid-Afrika aan die lener beskikbaar gestel is en wat derhalwe ingevolge bestaande inkomstebelastingwetgewing nie uit 'n bron binne Suid-Afrika verkry word nie.

Ander rente wat uit 'n bron binne Suid-Afrika verdien word, is tegnies steeds aan belasting onderhewig. Baie min belasting sou egter op hierdie wyse beskikbaar wees, veral in die lig van die probleme wat ondervind word met die verkryging van opgawes en die hef van aanslae op buitelandse leners. Daarbenewens is daar 'n beweging onder die Europese Gemeenskapslande om rente slegs te belas in die land waarin die ontvanger woonagtig is.

Ten einde sekerheid op die gebied van buitelandse belegging te verkry en om enige oorblywende ontmoedigings in die vorm van belasting te verwyder, is daar met die eenparige goedkeuring van die Belastingadvieskomitee besluit om alle rente van belasting vry te stel wat van vandag of toeval aan iemand wat nie gewoonlik in die Republiek woonagtig is nie, of aan 'n maatskappy wat nie in die Republiek bestuur of beheer word nie. Die vrystelling sal ook op emigrante van toepassing wees, onderworpe aan die verdere voorwaardes dat hulle nie in die Republiek besigheid dryf nie.

Navrae: Lesley Lambert.
Telefoon: (021) 45-3796/8.

DEPARTMENT OF FINANCE

No. 1601 12 June 1992

13 PER CENT INTERNAL REGISTERED STOCK, 2009/10/11: CERTIFICATE No. 8336 FOR R84 500 ISSUED IN FAVOUR OF MRS RACHEL ANN BECKER

Application having been made to the Department of Finance for a duplicate of the above-mentioned certificate, the original having been lost or mislaid, notice is hereby given that unless the original certificate is produced at the Department of Finance, Private Bag X115, Pretoria, within four weeks from the date of publication of this notice, a duplicate as applied for, will be issued.

No. 1639 12 June 1992

STATEMENT BY: MR DEREK KEYS, MINISTER OF FINANCE AND OF TRADE AND INDUSTRY: 3 JUNE 1992

60

REGARDING INTEREST EARNED IN SOUTH AFRICA BY NON-RESIDENTS

South Africa has to compete for foreign investment in an increasingly competitive international environment and it is essential that foreign investors are not discouraged from making investment funds available.

Interest earned in South Africa by non-residents is already exempt from tax in the following circumstances:

* All interest earned on funds which are blocked in terms of the debt standstill.
* Interest earned on stocks and securities issued by the Government, local authorities and certain other bodies such as Eskom and Transnet. This provision is widely used by emigrants as an avenue for investment of their blocked assets.
* Interest earned on capital which was made available to the borrower outside South Africa and which is therefore, in terms of existing income tax law, not derived from a source within South Africa.

Technically, other interest which is derived from a source within South Africa remains subject to tax. Very little tax would however be available in this way, particularly in view of the problems obtaining returns and raising assessments on foreign lenders. Furthermore, there is a move in the European Community countries towards taxing interest income only in the country where the recipient of the interest is resident.

In order to introduce certainty into the area of foreign investment and to remove whatever disincentive remains in the form of taxation, it has been decided, with the unanimous approval of the Tax Advisory Committee, to exempt from tax all interest which from today accrues to a person who is not ordinarily resident in the Republic or to a company which is not managed or controlled in the Republic. This exemption will also apply to emigrants, subject to the further condition that they do not carry on business in the Republic.

Enquiries: Lesley Lambert.
Telephone: (021) 45-3796/8.

BUSINESS DAY, Wednesday, June 10 1992

ANC explains Heinz decision

(60)

ADRIAN HADLAND

INTERNATIONAL food corporation Heinz decided against investing in SA because insufficient progress was made at Codesa II, and not because of ANC economic policies, ANC international affairs chief Thabo Mbeki said yesterday. B/Day 10/6/92

Mbeki told an international trade and investment conference in Johannesburg the ANC and Heinz had been in regular contact for some months.

Sapa reports Mbeki was responding to weekend news reports that Heinz had called off a "multimillion-rand deal" because of the ANC's new economic policy. Mbeki said when Codesa II failed to reach agreement, Heinz decided not to move into the market because of the sensitivity of US opinion over economic sanctions.

"We do not want to drive away foreign investors," he said. The speed of political change, however, would affect the transformation of the country's economic relations, as was the case with Heinz.

The reason for the Heinz decision had been Codesa II's failure to agree on an interim government. Mbeki reaffirmed ANC policy that foreign companies should not reinvest in SA until an interim government had been installed.

He told the conference the ANC did not envisage selling off the assets of private companies to redistribute wealth.

State expenditure on the underprivileged would have to be increased to improve social equity in a new SA. The proportion of SA's GDP devoted to social expenditure would have to be increased from 12% to 15%. This would be achieved by streamlining the public service, and a redirection of resources.

"You cannot sustain political transformation if you do not address the question of inequality," he said.

Mbeki suggested redistribution would cause a further expansion of the domestic market ensuring an accelerated rate of new capital formation. "Redistribution can take place without any negative effects on the private sector," he said.

The private sector would continue to have a central role in the economy, but had a responsibility to train black management and support affirmative action.

J Walter Thompson back in SA market

MARCIA KLEIN

INTERNATIONAL advertising agency J Walter Thompson (JWT) Worldwide has re-entered the SA market after a 64-year absence by acquiring a significant stake in the local JWT operation. Bday 11/6/92

The international company would buy a parcel of shares in the local company from seller Timothy Hamilton-Russell, who had about 80% of the business, JWT Europe CE Miles Colebrook said yesterday. Financial details of the deal were not disclosed.

Colebrook, who has regional responsibility for SA, said local management had also taken substantial shares.

The move "resolves three years of speculation following a walkout by several senior employees in April 1989", he said, referring to the walkout by the current top management of the SBBW Partnership.

The agreement was a vote of confidence in SA. JWT also followed its multinational clients, and many were looking at entering the SA and southern African region.

JWT SA MD Don Carpenter said the SA operation was profitable and would now look at taking on new business.

Although most of its work was for multinational clients, it did have significant local business, including Foschini, Syfrets, Prima Toys and Anglovaal. Colebrook said JWT wanted a 50/50 balance. International clients included Ford and Unilever.

60 2020 2025

Where business and ANC paths diverge

WMail 12/6 - 18/6/92

60

Although the fuss about the ANC's investment policy was a storm in a teacup, there are several problem areas in the movement's attitude to foreign investment. **REG RUMNEY** *reports*

Mbeki: We're not driving foreign investors away

AT a trade and investment conference in Johannesburg this week, African National Congress international affairs head Thabo Mbeki made a telling comment about foreign investment.

It summed up the difference between the attitude of the business community and the ANC on attracting foreign investment.

Mbeki commented at the South Africa — The Gateway conference: "We don't believe that critically we need tax holidays, etc, but an economic environment attractive to both domestic and foreign investors."

He said incentives might be correct for any country with a smaller capacity than South Africa to generate funds internally.

Mbeki stressed the need for foreign investment and acknowledged the competition for investment funds in the world.

But he said the ANC considered political stability, economic growth, and a transparent and consistent economic policy more important.

He was reiterating points made in the policy guidelines adopted last month at the ANC's national conference.

Crucially, neither the policy guidelines nor Mbeki made any mention of an "investment code". Nor is the proposed limitation on foreign-owned companies' ability to borrow new. As was mentioned more than once at the conference, this is the case now for any company which is more than 25 percent foreign-owned. The idea is to prevent foreign companies financing dividend payments and the like from local borrowing.

The big problem for business is that the ANC's policy is a reactive one rather than the active approach favoured by other countries trying to climb out of economic stagnation.

Though there is a commitment to an open investment policy, the wording of the section on foreign investment has given rise to concern: "... the ANC will welcome foreign investment, in accordance with our objectives for growth and development..."

"It's too bland," remarks Nedbank chief economist Edward Osborn of the ANC's proposed investment policy. "A much more positive approach is needed."

Osborn suggests that bureaucratically judging any foreign investment against a set of predetermined criteria will lead to complete failure to attract new investment.

"It should be entirely up to the investor what to invest in. The only requirement is that he comply with the law, including exchange control regulations."

Osborn says numerous studies have shown that South Africa has a high cost of capital. Moreover, in relation to productivity, wages are high. Against this must be set, in certain cases, low energy costs.

Other issues which may put off foreign investors came to the fore in other papers delivered at the conference.

In examining the South African economy a common thread is the concentration of corporate ownership in a relatively small share market with a high illiquidity.

First National Bank senior executive Alex Grant remarked that because of this concentration it is often difficult to operate under normal free-market conditions. All the major participants will have the same views, resulting in an often one-sided market.

The concentration of power surely represents an obstacle to a new business setting up in South Africa — unless it enters into a venture with a strong South African partner. This was the case with Heinz, whose business partner Foodcorp is one of the major players in the food industry.

The conference was told the Competition Board (CB), which is supposed to address such issues, had not acted with much vigour so far, but that there were signs of a harder attitude.

The CB cannot be entirely dismissed. It is investigating the tie-up between Guinness and SA Breweries. Moreover the ANC policy guidelines specifically mention beefing up anti-cartel and anti-monopoly laws.

For the moment though, the clubby atmosphere of South African big business will be a deterrent.

Ernst & Young partner Graham Royston remarked: "A small market also has brotherhood characteristics, common directorships, cross holdings — in short, everyone knows everyone else. Be warned of this when entering this market for the first time."

Heinz still meanz beanz in SA

SUDDENLY this week all eyes were on the African National Congress' stance on foreign investment.

The reason was twofold. Firstly, the ANC's most recent policy formulation had come up with the idea of an investment code for foreign companies.

Secondly the assertion was made in a Sunday newspaper that giant multinational Heinz had pulled back at the eleventh hour from making an multi-million rand investment in South Africa.

Heinz' jilted partner Foodcorp CE Dirk Jacobs confirmed investment was "temporarily suspended".

At an investment conference this week Thabo Mbeki of the African National Congress dismissed the notion that Heinz took fright at the ANC's economic policy.

Mbeki argued, rather, that the lack of movement at Codesa towards an interim government and sensitivity in the US about apartheid had been the real reason for Heinz holding back. He pointed out Heinz and the ANC had been in discussion for many months and he claimed Heinz had no problem with ANC economic policy.

Sisulu calls for investor boycott

(60)

BOSTON — ANC chief economist Max Sisulu told an investment meeting on Sunday it was not time to put money in SA, saying this would wrongly reward Pretoria's white leaders and stymie democracy talks.

Sisulu said sanctions had brought SA's white leaders to the negotiating table, where talks aimed at establishing a nonracial democracy had stalled. Sanctions alone would keep them there, he said. B/Day

"We are therefore saying now is not the time to reward (President F W) de Klerk, now is not the time to embrace apartheid, now is not the time to invest in SA," Sisulu told a meeting of the Social Investment Forum, a private US group that encourages value-oriented investing.

He said opportunities in a post-apartheid SA were "limitless" but that the ANC did not think a free market alone could deal with "the structural imbalances and inequalities" centuries of colonial and apartheid rule had brought. 16/6/92.

The ANC was committed to the creation of a "mixed economy" with co-operation between the state, private companies, financial institutions and unions, Sisulu said.

SA would need "massive flows of foreign investment" but the ANC believed this should "complement" domestically derived investment and productivity, he said. — Sapa-Reuter.

Azapo claims govt and ANC have secret pact

B/Day 16/6/92

WILSON ZWANE

AZAPO claimed yesterday to have documentary evidence that government and the ANC had come to a secret agreement ruling out majority rule for 10 years.

The organisation claimed the ANC/SACP/Cosatu alliance had misled its supporters by saying its mass action programme, starting today, was aimed at ousting government.

ANC and Cosatu officials have said the mass action programme was aimed not only at breaking the Codesa logjam but also at the transfer of power to the majority.

A senior Azapo official said yesterday his organisation had documentary evidence that the transfer of power to the black majority was not the alliance's top priority.

The official said according to documents — obtained from Azapo supporters in Europe — there was an agreement between government and the ANC, which effectively ruled out majority rule for 10 years.

ANC spokesman Saki Macozoma said yesterday Azapo would be better advised to concentrate on its campaigns aimed at ousting government.

Macozoma also rejected Azapo's proof as fabricated.

The Azapo official said judging by statements by the alliance's officials, including ANC Youth League president Peter Mokaba, it was obvious the campaign was aimed at making Codesa negotiations successful.

Mokaba last week said his organisation would hold a "people's referendum" to test the scale of rejection of government's proposal of a senate, a 75% majority in a constitution-making body and on regionalism.

The Azapo official said his organisation was not opposed to mass action. "On the contrary. We are prepared to launch joint mass action campaigns with whatever organisation, provided such campaigns centred on the transfer of power to the black majority and the redistribution of wealth."

Cosatu assistant general secretary Sam Shilowa said at the weekend his union would propose discussions with Azapo, the PAC and Nactu to secure their participation.

The Azapo official said his organisation would treat today as a public holiday. But that did not suggest Azapo supported the alliance's mass action programme.

National peace committee spokesman Val Pauquet said the committee's executive had agreed to set up a system to monitor violations of the national peace accord during the mass action programme.

OPINION

The impact of protests will be on investment confidence, argues **Joe Latakgomo**

Mass action brings danger

STAR 17/6/92

AS South Africa emerges today from the launch of the ANC-led mass action campaign, and the dust from marches and toyi-toying begins to settle, debates over how much such campaigns cost the country will be revived once more.

There will be the usual pessimistic estimates of over R1 billion, and the more realistic view that yesterday, at least, will have cost industry no more than an ordinary holiday as most unionised companies have negotiated a June 16 holiday. The impact will, however, be felt more by workers employed in the under-ten category of employer, who would usually not be unionised. In the present economic climate, it is this category of employer who will use the opportunity to lay off workers without the liability of severance pay.

The greatest impact on the economy, however, is long-term, particularly in investment confidence. At the end of the ANC policy conference, secretary-general Cyril Ramaphosa said his organisation was ready to govern, raising the question of whether the organisation was ready to make the transition from a liberation movement to a political party.

The economic policy from that conference still reflects a focus on redistribution, and emphasises a programme of systematic growth — creating a strong, dynamic and balanced economy which would, the document claims, eliminate poverty, democratise the economy and create employment opportunities.

The business confidence index declined somewhat following this conference, but it was the subsequent threat of mass action which shook confidence even further. Nelson Mandela said that nationalisation had to remain part of the ANC's policy, and suggested it was part of other Western countries' economic policies, naming Germany.

At the weekend, Mr Mandela reportedly said that while he realised the negative impact his organisation's campaign would have on the economy, it was the only way left for them to force the pace of negotiation as the Government had not responded to the ANC's compromises.

Professor Charles Simkins, professor of political economy at Wits, once observed in a paper that for South Africa's economic growth rate to be improved, one of the requirements was a return of direct foreign investment.

"Signs of interest are appearing at present, but whether the policies to sustain it will emerge remains to be seen . The 'post-apartheid dividend' will not materialise automatically," he said.

Another economist pointed out that investment interest in South Africa is at the moment only at the level of looking. Investors are bringing with them their notebooks, rather than their cheque books, he said.

When President de Klerk started his reform programme in February 1990, he seemed to have prised loose the rock of sanctions long held in place by the country's apartheid policy. The ANC lost the initiative on this issue. In response, they resorted to threats of reneging on debt repayments, and even action against investors who considered investing.

Conflicting signals kept on emerging from the organisation. Recently, Thabo Mbeki restated the ANC's position that investors should stay out of the country until an interim government is in place. This presupposes that investors will be queuing up to put their money into South Africa.

Two factors seem likely to influence investors. The first is political, and the other is the violence that has wracked the country over the past four years.

Investors will be looking for areas where they can get the best possible return for their money, and, as we were told by a businessman during a visit to Austria by a group of South African journalists recently, South Africa is not an attractive investment proposition at all.

Austria has identified what it calls "focus countries", and we are not one of them. Other major Western countries hold similar views, in spite of what they may say to South African politicians who visit them.

One economist described the ANC's policy as "the kiss of death", and another added, referring to the forces which drive investment offshore: "These forces are: potential returns on investment, certainty in both the political and economic environment, a proven history of macro-economic policies aimed at preserving the value of currency, and the ability of government to follow economic policies which foster sustained economic growth."

The outcome of the referendum not only accelerated the removal of sanctions, it also gave domestic investment a boost. But whether this can be sustained in the light of the current campaign is doubtful.

An example of how easy it is to scare off investors is the recent decision by food giant Heinz, who called off a multimillion rand deal reportedly because of ANC policies. The ANC, however, insist the withdrawal was because of the lack of progress at Codesa 2.

Many other investors are holding back, ostensibly until an interim government is in place, but more likely until clarity emerges on a future government's economic policy once the leap from sloganeering and toyi-toying to governance has been made.

The actual cost to South Africa of mass action therefore goes beyond simple calculations based on production hours lost. How the Government reacts to the campaign will also be important. Already, the police have embarked on an advertising campaign to persuade South Africans that the security forces are not opposed to mass action per se, but would act if laws are not obeyed.

The intention seems to be to put the responsibility of acting peacefully with the ANC and its affiliates. Then there are those organisations who oppose the action — like the Inkatha Freedom Party who would no doubt assert its right not to participate in the action. While the PAC and Azapo oppose the action in principle, their followers are less likely to engage in confrontational acts.

The danger always remains that in any sustained programme of action, the chances of violent flare-up increases as tempers are frayed. The possibility of *agents provocateurs* sparking violence also remains a real danger. It is this violence that will be reported overseas and which will influence the decision-makers. □

Still hope for

Viljoen calls on Brussels to encourage foreign aid

Bday 18/6/92

BRUSSELS — Pretoria's chief negotiator in talks to end apartheid, Gerrit Viljoen, appealed to the European Parliament in Brussels yesterday to encourage an immediate return of foreign aid and investment to SA.

In an address to the Euro-parliament's foreign affairs commission, he called for foreign pressure to be put on extremists on both sides in SA to join negotiations for a new constitution.

Viljoen, State Affairs Minister, said a week of mass action launched by the ANC on Tuesday risked degenerating into political intimidation and violence.

The ANC called the protest to put pressure on government to make more concessions in constitutional talks deadlocked over Pretoria's insistence on safeguarding minority rights under future black majority rule. Behind-the scenes talks were continuing.

He pleaded with foreign governments to give development aid to SA and to encourage private foreign investment without first waiting for the installation of a new, democratically-elected government.

"The sooner those governments ready to do so help us with development funding and facilitate new investment by the private sector in economically viable projects, the sooner the socio-economic climate will promote the holding of (all-race) elections," he said. — Sapa-AFP.

cial statistics indicated yesterday.

Manufactured output rose by 0,2% in April, having risen by the same amount in March.

Retail sales rose by 0,3% in May, after rising 0,8% in April.

This year, not next

BUSINESS Day incorrectly reported yesterday that Simpson McKie economist Graham Boyd said positive economic factors would only impact on the economy in the fourth quarter next year, when in fact he said the fourth quarter this year. Business Day regrets the error.

REPORTS: Sapa-AFP, Business Day Reporters.

R250m Woodmead office development

BDay 18/6/92

ANDREW KRUMM

THE Newport Property Fund would go ahead with the R13m first phase of its R250m office park in Woodmead, Sandton, in spite of an oversupplied office market, RMS Syfrets director Mike Deacon said yesterday.

Deacon said RMS Syfrets — the development's leasing agents and project co-ordinators — were aiming at a niche market and capitalising on a trend towards low-density, environment-friendly business surroundings.

The Harrowdene development, situated near the recently upgraded Woodmead/Buccleuch interchange, would offer 55 000m² lettable space.

RMS Syfrets had already had large space inquiries at the R25/m² net rental, but no contracts had been signed.

Newport Property Fund MD John Peters said the first phase, of three buildings with 4 500m² lettable space, would cost R13m by completion in early 1993. The fund would risk developing the first phase without pre-let tenants, but subsequent development depended on leases being entered into with major tenants. An analyst it could be vacant for months if completed before an upswing.

Privatisation can attract investors — bank

SIMON BARBER

BDay 18/6/92

WASHINGTON — By convincing investors that a government is committed to genuine market reform, the privatisation of state-owned industries can be a major stimulant to foreign investment, says a new World Bank study.

The study cites the experience of Mexico, whose privatisation policies have attracted $15bn in new foreign investment over the past two years.

The study, Welfare Consequences of Selling Public Enterprises, considers three sell-offs in each of four countries, Mexico, Chile, Malaysia and Britain.

The study included airlines, telecoms, electricity utilities, a road haulage concern, a state lottery and a container port, most of which were sold between 1984 and 1988.

On average, the 12 privatisations produced annual net gains of about 26% of the companies' turnover in the year before privatisation.

Only the airline Mexicana showed a loss, while Chile Telecom was able to double its capacity in four years and posted an annual 155% advance on turnover. Malaysia's Kelang container facility increased 53%.

The ability to raise prices to realistic levels benefited most of the firms, especially Telmex, the Mexican telephone system, British Telecom, Malaysian Airline System and the Chilean electricity supplier Enersis.

Consumers gained from four privatisations and were net losers in five. In Britain, the cost of long distance calls fell. However, British Airways, which was permitted to purchase its sole domestic competitor, British Caledonian, charged higher fares than would have been permitted had its stayed in state hands.

In many cases, the companies increased productivity by cutting previously protected workforces.

Nonetheless, workers often gained. Employees of Enersis, Telmex and National Freight profited hugely from receiving company shares.

Sacked employees of Aeromexico, a second privatised Mexican airline, all received a year's redundancy pay.

In several instances, foreign investors were big winners and reaped the lion's share of the gains, 90% of them in the case of Telmex.

Such gains were more than offset by the investor confidence the privatisation policies generated in and of themselves.

Nietgedacht residents yesterday protested against the resettlement of Zevenfontein squatter families in the area. Picture: ROBERT BOTHA

Bond issue criticised

BDay 18/6/92

HILARY GUSH

THE Public Investment Commissioners (PIC) was sharply criticised yesterday after the results of the Reserve Bank's zero-coupon bond issue.

There had been market speculation that the PIC, a government body in charge of investing public service pensions, had taken up the majority of issues.

One dealer accused the PIC of being a "dumping ground" for uncompetitive government stock issues. "This indicates a wast of public pension fund money."

PIC secretary Badie Badenhorst said the rates were favourable in current money market conditions. "If we obtained the major portion of the tender it has nothing to do with anyone else."

Of the R300m in five-year stocks on issue, the Bank received tenders of R305m and allotted R50m, while R80m of the R320m offers collected for R300m in seven-year bonds was accepted by the Bank.

Traders believed the yields were too low and the minimum prices acceptable to the Bank too high. One dealer felt the majority of tenders were at prices below the Bank's quoted minimums, hence the relatively small allotment of R130m out of the R600m in bonds.

The yield on the five-year stock was calculated by market players to be an effective 14%, while they felt the rate needed to attract investors was at least 14,7%.

LOCAL FARMERS CAN NO LONGER PAY FOR HISTORIC WINE ESTATES

Foreign buyers snap up SA farms

S/Times [Cape metro] 21/6/92

(60) wine + Viticulture

By GLENDA NEVILL

BOLAND wine farms, long the exclusive preserve of generations of South African families, are being snapped up by overseas buyers for prices totalling tens of millions of rands.

The majority of buyers are German or Swiss with a smattering of American, British and French citizens investing.

South Africans increasingly cannot afford to buy the land, while many of the present owners do not have the large amounts of money needed to introduce new cultivars and replant their valuable hectares, estate agents active in the Boland said this week.

Comfortable

Another reason for the foreign activity is that since KWV lifted the grape quota system recently there is a greater incentive for the wine farms to increase production and break into new overseas markets.

But again this is extremely expensive and the foreign buyers have the advantage of the favourable exchange rate for foreign capital investments.

Some Americans, according to a reliable source, are currently investigating the viability of farming grapes for juice, rather than wine. They are apparently looking at setting up bottling plants in South Africa.

One wine industry source said that until a few years ago a farmer could produce 500 tons of grapes and live comfortably on the profits, but this was no longer possible.

At least 18 of the Boland's most prestigious wine farms were sold to foreigners in the past decade, including Buitenverwachting, Chamonix, Morgenhof, Neethlingshof, Rozendal and Dieu Donne, according to Mr Henry Hopkins, editor of KWV's Wynboer magazine.

Writing in the June issue of the magazine, Mr Hopkins said many new owners were spending large sums of money to restore historic Cape Dutch farmhouses, often at a cost of up to R1 800 per square metre.

Benefit

Franschhoek's prestigious wine farm La Provence was sold this month for an estimated R4,5m to an "Italian industrialist". Ex-owner Mr John Rudd was loath to disclose the name of the buyer, saying only that the valley would "benefit" from his presence.

Weltevrede, on the Stellenbosch/Paarl wine route, was recently sold for a reported R3,5m to the Chinese brothers Chu and Michael Man, who also bought the Arena nightclub on the Waterfront. According to a reliable source, plans are afoot to build an R80 million "yuppie" housing estate among the vines.

Mr John Wilmot of Pam Golding Properties said they had sold the "lion's share" of farms in the area — including Neethlingshof and La Terre de Luc.

"Prices, depending on the area, are about R100 000 per hectare and higher. South Africans can't keep up and the foreign buyers are giving the business a great cash injection," Mr Wilmot said.

Interest

Mr Dick Durr of Durr Realty said he received large numbers of inquiries from overseas businessmen interested in wine farms.

"I am currently dealing with a group of Germans who want to invest R175 million on farms in South Africa," Mr Durr said.

"They have expressed interest not only in wine farms but in game farms as well.

"Prices have escalated but the land is still sold at a viable price for foreigners and even some very wealthy people from Johannesburg."

The consensus among estate agents was that the new landowners were "uplifting" the farms and "doing the job properly".

Left in the hands of impoverished South Africans, some of the farms could only go "backwards" without a solid cash injection.

Local jobs have not been affected and South African managers generally ran the farms for absent owners.

Why SA is losing out on foreign investment

S Times (Buss) 21/6/92 - [redacted] (60)

Many countries offer attractive investment incentives as competition to corner the world's limited capital heats up. But not South Africa. ZILLA EFRAT reports

FOREIGN investors are not waiting for South Africa to get its act together. They are going elsewhere — to countries which offer far more attractive packages.

Experts say SA's investment incentives are unco-ordinated, complex and compare poorly with many countries.

"It is almost a case of too many opportunities chasing too little funds," says Sacob deputy director-general Ron Haywood. "High risk countries are losing out."

Industrialised countries, especially the US, Japan and EC nations, receive the lion's share of world foreign investment.

However, developing countries in South-East Asia, Eastern Europe and Latin America are increasingly attracting this investment. This is despite the slow down, over the last five years, in the growth in worldwide direct foreign investment.

Largest

These countries are scoring from a trend to move manufacturing bases of highly competitive products into regional export markets and countries with lower production costs and export processing zones.

One country that has benefited from this trend is Malaysia. Its annual foreign investment has grown from below M$300-million in the early 70s to M$9,5-billion in 1991.

Chile's foreign investment per capita is the largest in South America. It has grown steadily in recent years, from $137,4-million in 1985 to about $1,2-billion in 1990.

In addition, recent research shows that 22% of the Global 1 000 companies regard Central and Eastern Europe as their top investment priority over the next five years.

Many countries are aggressively marketing their varied investment incentives, even to South African investors.

For example, Gibraltar has targeted SA as its prime market to sell its investment package to.

A recent delegation from Dubai hired a conference room at a Johannesburg hotel to outline Dubai's benefits — and then treated more than 400 guests to lunch.

But investors are coming to SA in dribs and drabs.

Foreign companies gain a foothold in the local market by establishing offices, appointing agents and looking for partners. But they are not yet committing major capital, says Webber Wentzel partner Leora Blumberg.

SA's major plus as a base for investment is its use as a stepping-stone into Africa — particularly southern Africa.

Other advantages include its developed infrastructure, abundant raw materials, low energy costs and its sophisticated financial services sector.

SA's key drawbacks, however, are political instability and violence.

Other negatives are its poor economic growth, high inflation, bureaucratic red tape and a lack of perceptible investment by South Africans themselves.

Observers say SA's corporate tax is high at 48% — compared with a maximum of 40% in most industrialised countries.

SA also lacks both export processing zones and agreements with many major foreign investing countries to avoid double taxation. In addition, it offers no guarantees to potential investors.

Foreign investors can take advantage of SA's Regional Industrial Development Programme (RIDP) and various incentives offered by regional and other development corporations.

The RIDP offers grants over five years for new manufacturing operations. There is also an incentive for relocating to SA, where up to R1-million can be reimbursed.

Export incentives — which include the General Export Incentive Scheme and Export Marketing Assistance schemes — will especially benefit producers of value added products. However, observers say these conflict with GATT principles and could change in the future.

Tax incentives exist for depreciation, lease premiums and research.

Tax experts say the recent exemption of tax on interest accrued by foreign investors with certain exclusions, has been a positive development adding certainty to investment conditions in SA.

The use of the finrand however, offers both advantages and disadvantages to foreign investors.

WHAT OTHER COUNTRIES OFFER:

MALAYSIA: Malaysia has abundant natural resources, high economic growth and low inflation. It offers political stability, good infrastructure and inexpensive labour — $1,75/hr on average, compared with $4,75/hr in SA.

The corporate tax rate is 35% and there are tax incentives for investments in the manufacturing, agricultural and tourism sectors.

These include tax holidays, investment allowances, accelerated depreciation allowances and reinvestment allowances.

There are various incentives for exports, R&D and training.

Export benefits include tax allowances, short-term credit at preferential interest rates and help with export credit reinsurance payments.

DUBAI: Dubai has access to more than 1,2-billion consumers. Close to 70% of its imports are re-exported to more than 120 countries.

It has a highly sophisticated and efficient infrastructure to support its growing re-export business.

Dubai's Jebel Ali Free Zone offers full foreign ownership, exemption from import duties, full repatriation of capital and profits, freedom from corporate tax and a 15-year guarantee.

Companies setting up regional head offices pay no tax and are not subject to foreign exchange controls.

Dubai offers inexpensive labour, largely from the Indian sub-continent, cheap energy and is crime free.

CHILE: Chile does not have a special foreign investment package.

According to Chile's economic counsellor to SA, Roberto Aguayo, the major reason for the large growth in foreign investment is Chile's economic and political stability compared with the rest of Latin America.

Import duty is 11% across the board and the maximum corporate tax rate is 35%. There are tax breaks for reinvesting of profits.

HUNGARY: Advantages include geographic position, modest wages, high education standards and new legislation to assist investors.

Full repatriation of profits in the currency of original investment.

The government offers guarantees against nationalisation and expropriation of property.

Foreign companies effectively pay corporate tax of around 28%. The general tax rate is 35% on an initial amount — HUF3-million — and 40% thereafter.

Ventures in specified priority areas — such as electronics, tourism and telecommunications — which have foreign participation of more than 30% enjoy a five-year 100% tax holiday. This is followed by a further five years with a 60% tax holiday.

Companies with foreign participation, and which derive more than 50% of their profits from manufacturing, enjoy 10 years' tax relief — a 60% reduction in the first two years and 40% thereafter.

There are also tax benefits for development in some regions, foreign banks and insurance companies.

In addition, companies with foreign participation may establish their own free trade zones.

Dubai draws SA exporters

S Times (Buss) 21/6/92

EXPORTERS are clamouring to take part in a South African exhibition in Dubai in October. The huge interest has prompted Safto to send its trade fair manager to Dubai with an urgent request for a second exhibition hall and more stand space.

Safto has already received confirmed applications or payments for more than half of the available stands.

The exhibition, organised with the Department of Trade and Industry, was officially launched at a Johannesburg function held by the Dubai Chamber of Commerce and Industry earlier this month. The first exhibitor signed up there and then.

Since the launch, Safto has been swamped by calls from potential exhibitors.

its 10 factories.

About 50 brick factories had been closed over the past five years due to

ment emphasis in this sector from brick and mortar homes to serviced sites using other materials.

Vujovic said that on a regional ba-

the national housing shortage existed, homeland government agencies were showing much interest in purchasing bricks, Vujovic said.

Bank examines incentives

GAVIN DU VENAGE

THE World Bank has produced a report which cites unrestricted entry for private investors as an important tool for attracting outside capital, the latest edition of African Business reports. B/Day 22/6/92

The Foreign Investment Advisory Service, a subsidiary of the bank, says countries should reduce the number of areas in which investment was subject to screening.

In a recent economic study the ANC said it intended to introduce measures which ensured foreign private investment fitted in with the national development strategy.

Report co-author Guy Pfeffermann said countries should have a short negative list rather than a longer positive list.

The negatives could relate to highly sensitive industries such as defence. The list should avoid vague and open-ended criteria like activites of strategic importance or small businesses. 60

All industries not on the list should be open for investment without being subject to approval.

Pfeffermann suggested countries defined clearly what investment incentives were available and granted these automatically, as incentives lost their attractiveness if investors had to bargain for them.

Haggling for incentives wasted time, eroded confidence and led to corruption, he said.

Black accountants

GAVIN DU VENAGE

COMPANIES remained reluctant to employ black accountants, Black Accountants of Southern Africa (Basa) president Juneas Lekgetha said last week. B/Day 22/6/92

He called on the private sector and professional bodies to facilitate the training of more black accountants, 52 of whom had qualified this year.

Reluctance to take on blacks had resulted in many candidates not writing their final exams as they had not had the opportunity to complete their articles. Of the 52 who passed the Public Accountants Auditors' Board exams, 12 were African and the rest Indian and coloured, bringing the total number of African accountants to 54 from 42 last year.

SA ranks high in business potential

STAR 23/6/92 (60)

Finance Staff and Sapa-Reuter

South Africa is regarded as one of the few developing countries in which to do business, according to an annual competitiveness survey among leading executives issued in Geneva.

The survey, using hard data and responses to surveys mailed to 18 000 executives around the world, sought to define which "national environments" are most conducive to the domestic or global competitiveness of companies operating there.

It was based on eight factors — domestic economic strength, internationalisation, government, infrastructure, finance, management, science and technology, and people.

The 695-page study reviewed the competitiveness of 22 industrialised countries and 14 leading developing or newly industrialised economies.

It was compiled jointly by the IMD international management school in Lausanne and World Economic Forum, a Geneva body that specialises in business conferences.

For the fourth year, Singapore led the newly industrialised countries, while Taiwan rose to second from fourth place and South Korea dropped to fifth from third.

South Africa, which was included in the list for the first time, was ranked eighth, behind Thailand and Mexico, but ahead of countries such as Brazil, Indonesia, Hungary and India.

Germany and Japan led the list of industrialised countries.

The survey found that Japan leads the world in management, research and development, domestic economic strength, education and work force motivation — keeping it in first place even though some doubts began to be expressed about its future standing.

Germany replaced the United States in second place, though the survey found its future standing was also uncertain because of the costs of unification. It said German businesses may find it cheaper to invest in eastern Europe rather than in the former East Germany.

The United States dropped to fifth place behind Switzerland and Denmark. — Sapa-Reuter.

Overseas involvement in SA firms at low level

(60)

STAR 24/6/92

LONDON — South African mining and other resource corporations are valued at over $70 billion, but foreign involvement in them is lamentably low, says Gencor executive director Tom de Beer.

He told an international forum of bankers and investors in London that these companies were almost exclusively financed by private-sector risk capital in the form of equity, while debt financing, by contrast, amounted to only $1,3 billion.

He told the Euromoney Issuers and Borrowers Forum that a recent estimate put foreign involvement in South African companies at only $10 billion, which amounted to less than 15 percent of the current market capitalisation.

However, three major South African companies ranked among the top eight global resource corporations in the world by way of market capitalisation.

De Beers ranked second, Anglo American came in at fourth place, with Gencor eighth on the ladder.

Mr De Beer said these three stocks together accounted for 50 percent of the precious-metals and minerals sector of the Financial Times Actuaries World Index.

He believed political hurdles were falling away for foreign investment in South African companies, but that foreign exchange controls would continue to hamper international diversification. — Sapa.

(60)

LEGAL PIRACY, INC

FM 26/6/92

Foreign companies that want to set up business in SA, now that sanctions are on the way out, could find they don't own the SA rights to their trademarks. Rumours are that several smart operators have been applying to register foreign trademarks, including names and logos, in SA, and holding them.

If the targeted companies decide to start operating here they will have to do so under licence from the people who registered the trademarks.

This piracy is legal and profitable.

Michael Judin, a Johannesburg attorney who serves on the board of the American Chamber of Commerce in Southern Africa, says that anyone can claim to be the proprietor of a trademark in SA — if nobody else has used it before — and apply for its registration. The applicant must propose to use the trademark but the law imposes no time limit on this.

He adds: "In SA law, a trademark is a purely territorial concept; registering it simply grants the exclusive right to use it within SA's borders."

In an article in the chamber's newsletter, he advises US-based companies that intend to trade in the new SA to register and protect their names, trademarks and logos.

Meanwhile, Clive Grinaker, chairman of Grinaker Sports Management — the official marketing agent of the National Olympic Committee of SA — has issued a warning to unauthorised users of the Olympic rings.

"The emblem has finally been registered as a trademark," he said, threatening any companies that are breaching trademark laws with public embarrassment, prosecution and confiscation of their merchandise.

He told a news conference that the International Olympic Committee authorised member countries to incorporate the rings in national Olympic emblems. These are then sold to help finance operations, to companies such as his, which in turn sell them "for considerable amounts for the privilege" to the official national sponsors.

Grinaker did, however, "readily give permission" to the press to use the rings without charge alongside Olympic-related reports.

Industrial property

Foreign governments queue up for Pretoria

B/Day 29/6/92 (60)

SANLAM Properties has recently signed lease agreements for office space with Japan, Denmark and Brazil following the opening of representative offices by many foreign countries, particularly in Pretoria and Cape Town.

Dramatic political changes over the past few years has seen the Danish government move to Sanlamsentrum Middestad in Pretoria, where it now occupies about 330m².

"However, it is Pretoria's eastern suburbs of Arcadia and Hatfield that have become increasingly popular for the location of foreign governments. The Japanese government moved its offices to the Sanlam Building in Hatfield last year," says Sanlam Properties regional manager Frikkie Botha.

The Hatfield Sanlam Building was completed at a cost of R13m last April and is popular with foreign missions because it is close to the Union Buildings and the Pretoria city centre.

"Another foreign office, the Brazilian Embassy, will also be located there within the next month."

Attracted

Sancardia, Sanlam's recently completed shopping and office complex in Arcadia, has attracted the US Agency for International Development, which is renting 2 322m² despite its new embassy currently under construction and due for completion next year being a few kilometres away.

"Arcadia and Hatfield's close proximity to the Pretoria CBD and the Union Buildings, as well as its easy access to all major routes to and from Johannesburg, make it a sought after area for foreign governments," Botha says.

More than eight countries, including Israel, Rwanda and the Russian Federation have already secured office space in surrounding areas.

As was the case with Namibia shortly after independence, countries are exploring all available premises for accommodation that will meet their requirements.

The Sanlam Centre in Windhoek was swamped with applications from foreign missions and was virtually fully let on completion.

Today tenants include the embassies of Germany, Denmark, Sweden, Norway and Finland. "It seems only reasonable to expect that as the political situation in the country improves, more and more international trade opportunities will arise and more countries and foreign companies will want office space in Pretoria," Botha says.

Commercial and industrial property

Foreign investors waiting for an end to violence

B/Day 29/6/92

INQUIRIES from offshore companies for space in the local market are on the increase, but the number of deals concluded is relatively small, dealers say.

Leadenhall MD Philip Vermeulen says that while there is some offshore interest and small investments have been made, most potential foreign investors are adopting a "wait-and-see" attitude.

"Until the continued violence is sorted out and something definite regarding an interim government materialises, there will be little concrete offshore investment locally," he says.

The local market is cheap relative to foreign markets and offers a sound alternative investment. When investment activity takes place, much of this will be directed towards the industrial market, as this is where manufacturing growth begins.

Logaro CE Gary Perlman says good foreign demand for space in the early '80s was killed off by then President P W Botha's Rubicon speech and has not been repeated, despite the lifting of most sanctions.

"Foreign investors are reluctant to invest in what could become a Third World cesspool. We have run advertisements in foreign papers to see investor response to our market.

Proactive

"They are guarded and will not make a large investment until they see what economic policy a future government introduces. We need to be more proactive regarding our investment structures and tax benefits," he says.

Anglo American Property Services (Ampros) national leasing director Grahame Lindop says offshore activity seems to be concentrated around the opening of representative offices.

In '91, about 30 foreign missions opened offices in SA. The average mission took about 300m2 of space, which accounted for about 9 000m2 in total.

"This is not a huge amount of space and is equivalent to about five floors of the Carlton Centre or 8% of the total annual take-up of space as determined over a 10-year period," he says.

If this doubled this year, it would still only reflect about 18 000m2 of space taken up or 16% of total annual take-up.

Economists have said it is unlikely foreign investment will flow through to SA's market until certain conditions are met.

These include the effective and protracted control of the escalating violence and the improvement of political negotiations.

A future government's economic policy and the way it is implemented is of vital importance for any foreign investor, an economist says.

An interim government would be a step in the right direction. But violence also needs to be controlled and alleviated as the return on the investment and the investment itself has to be sound, he adds.

ANC economist spells out policy on foreign investment

STAR 29/6/92

South Africa needs to adopt policies to attract foreign economic investment and to reduce the control of bureaucrats over that investment, says ANC economist Tito Mboweni.

He told 300 business representatives in Toronto, Canada, at the Goodman Forum, that the ANC believed a future democratic society in SA would require substantial international investment.

The ANC had adopted two preliminary approaches to handling foreign investment.

Firstly, an open-policy approach with safeguards "so that all international investment will be treated the same as South African companies.

"This investment will be regulated by the laws of the land, including policies regarding training and so on.

"We will also implement safeguards to limit domestic borrowing and the purchase of strategic resources, such as land," Mr Mboweni said.

Secondly, a contractual policy which would depart from the open approach in specific instances to give some investment special treatment.

Pieter Haasbroek . . . trickle-down process will not be enough

The trickle-down effect of substantial economic growth in South Africa would not be sufficient to address the country's past economic imbalances, according to two other speakers from South Africa.

Barlow-Rand chief economist Dr Pieter Haasbroek said: "The trickle-down theories will not be enough to redistribute resources and it is necessary to steer the process of growth to this (development) end."

Former leader of the now defunct United Party, Sir De Villiers Graaff, said the Government was looking for economic growth of six percent, but its effects would be too slow in reaching the disadvantaged sectors.

"You cannot expect the impoverished to show patience, so South Africa must look at social spending as a means of countering enormous differences," he said.

Dr Haasbroek said economic development was needed to redress the balance of wealth but this was being hindered by the instability in South Africa's transition process and the rising violence.

Both speakers emphasised foreign investment was necessary for South Africa's economic health.

Sir De Villiers said it would not be a plea for "handouts" but for help in accessing markets, capital and technology.

Dr Haasbroek said foreign investment would help to develop critical human resources, to create opportunities for disadvantaged people and to achieve labour absorption.— Sapa.

Tax changes to woo investors

STAR 4/7/92 (60)

FINANCE STAFF

WHITE South Africans, particularly those with marketable skills, have already left the country in large numbers to escape the uncertainty created by recent political developments.

With political negotiations deadlocked and many whites highly critical of the ANC's proposed economic policies, emigration is an option which more people are likely to take.

Implications

The latest income tax amendments passed in Parliament relating to interest paid by non-residents have important implications for emigrants who do not carry on business in South Africa and for companies not managed and controlled in South Africa or the neighbouring states.

The amendments bring South Africa in line with tax policies in the European Community, exempting non-resident individuals and companies from paying tax on local investments.

Previously, any interest on Eskom stock in the capital market and similar investments was exempt from tax.

However, the amendment extends the exemption much further, says Kessel Feinstein tax partner Beric Croome.

One of the main purposes of the concession is to encourage foreigners to invest in South Africa.

The South African tax system was based on source, whereas many of South Africa's trading partners taxed on the basis of a person's residence only — the principle that will apply now in SA.

Croome says it is clear from the Bill that any company managed and controlled outside South Africa may derive interest from South Africa free of tax.

There is no withholding tax on interest, creating a major incentive to non-residents to invest or maintain funds in South Africa through a loan account as opposed to equity, where the dividends are subject to a 15 percent non-resident shareholders' tax in most cases, he says.

A non-resident individual who has never resided in South Africa is able to invest in interest-bearing investments (including bank deposits) in South Africa and receive the interest derived from them free of tax in terms of this new concession.

Where the individual is an emigrant, there is a further requirement that he is not ordinarily resident in South Africa.

If the individual has acquired a home in another country, lives with his family there and works there, it is more than likely that it will be accepted that he is not ordinarily resident in South Africa.

Before he can enjoy the concession it must also be shown that he does not carry on business in South Africa — this means carrying on his own business.

The restriction does not apply if his company carries on business.

If he holds interest-bearing investments and shares in companies, it is unlikely that it can be said that he carries on business in South Africa and he will therefore enjoy the concession.

Incentive

If, however, he owns properties, derives rentals from them and is much involved in all of the activities mentioned above, it is more than likely that the Receiver will regard his activities as carrying on business in South Africa.

The individual in such a case will not be able to enjoy the exemption on the interest received by him, says Croome.

The removal of tax on interest derived by the categories of people discussed above should act as an incentive to foreigners to invest in South Africa, he adds.

2 Cape Times, Thursday, July 23 1992

Poverty wages: Lonrho worst offender

60 CT 23/7/92

LONDON. — Multinational Lonrho was the worst offender among 16 British companies which paid black South Africans less than the European Community Code of Conduct's mimimum of £175 (about R87[illegible]) a month, says a report published yesterday by the Trades Union Congress.

The congress is an umbrella organisation for Britain's 7,5 million trade union members.

It said Lonrho paid 334 black employees below the minimum. Other companies at fault were Siebe (141), Hickson International (44), BPB Industries (34), Low and Bonar (27), Telfos Holdings (9), Hunting (2), T and N (1) and Wimpey (1).

Six other firms — Cadbury Schweppes, Courtaulds Textiles, GEC, Great Universal Stores, Marley and Suter — admit paying black staff below the code minimum but withheld the numbers, said the TUC.

The code level is calculated by the University of South Africa for a family of five. It is usually fixed at 50% above the poverty level.

Frank Fehr paid five black workers less than the poverty rate, TUC said.

The number of firms providing training and with apprenticeships open to all races has dropped as has the number with policies to employ and promote black workers in supervisory and management jobs.

It was reported earlier that Lonrho chief Mr Tiny Rowland paid about R3m for former ANC president Mr Oliver Tambo's mansion.

and uncertainties which followed the American discount rate cut to 3% (*FM* July 10) remain as strong as before. ■

WITHHOLDING TAXES (60)

Treaty troubles

FM 24/7/92

The latest Income Tax Amendment Act enables some foreign companies to claim a refund of nonresident shareholder's tax (NRST) deducted from dividends paid by SA companies. An important section of the Act deals effectively with a contradiction between the previous basis of charging NRST to foreign companies and various double tax treaties. These treaties bind SA for tax purposes to — among others — Germany, Switzerland and The Netherlands.

Previously, a company registered in SA had to charge NRST on dividends payable to a company holding its shares and incorporated outside SA. This requirement effectively based the obligation to pay NRST on the nationality of the company in question. However, the double tax treaties in operation prohibit discrimination on this ground.

Notwithstanding, the deduction of NRST in these circumstances remained unchal-

continue →

 FM 24/7/92

(60)

lenged until a recent unreported Income Tax Special Court decision in the Transvaal. It upheld the argument of a nonresident parent company that the withholding of tax constituted discrimination under a treaty which applied the criterion of nationality. As a consequence, a foreign company subjected to the deduction of NRST, on this ground, may apply to SA Revenue for a refund of NRST imposed over the past three years — the period within which assessments may be reopened.

The amendment now replaces nationality as the test for the deduction of NRST with residence — which is permitted by the double tax treaties. Residence is defined for NRST purposes as the "place of effective management of the company." Though the phrase is novel to SA tax law, it is widely used in double tax treaties. Therefore the new definition should be easily interpreted.

NRST has always been deducted from individuals on the basis of residence, so the question of discrimination under the treaties never arose. ■


THABO MBEKI: Mass action is a bitter pill that must be taken. ● Photograph: JOHN HOGG

World knows ANC had to act as it did, says Mbeki

Dismay at mass action, but also understanding

STAR 25/7/92 (114) (303) (60)

JOHN PERLMAN
Chief Reporter

FIRST appointment of another hectic Friday, and Thabo Mbeki was running late.

It might amuse opponents of the ANC that the organisation's head of international affairs had been stuck at home because of a problem with his vehicle's immobiliser.

Immobilise, they would say, is what the ANC is trying to do to the country.

Mbeki's specific portfolio is international relations — he held extensive talks with United Nations special envoy Cyrus Vance on Thursday — but he is also one of the ANC's key domestic diplomats.

It was in that capacity that he flew to Bloemfontein last night to meet Free State businessmen and professionals, who needed some convincing that mass action was a bitter but essential pill for our society and not a dose of poison.

Mbeki has probably been doing quite a bit of this recently. "There is certainly concern in business and diplomatic circles, a wish that mass action were not the only way to resolve this dispute," he says. "There is a sense of dismay."

But Mbeki disputes that this translates automatically into criticism of the ANC. "There are some people who are clearly opposed to our stance and don't understand it.

"But the standing of the National Party is not very high either. There is a lot of distrust, even if there is a more positive attitude to individuals like F W de Klerk.

"There is also understanding that the ANC needed to act as it has. Businessmen convey to us that they want the solutions to be as peaceful as possible; we convey to them that they can make a contribution."

Comfortable

Mbeki describes the failure of labour and industry to reach a pact to avert next month's general strike as "unfortunate". South African business, he says, does understand that there are grievances.

"Part of the problem, though, is that some of them now claim that they are not political, that they don't want to get involved.

"But there was a time when they had a comfortable relationship with Government and they were happy to attend all those summits with P W Botha, where they more or less got what they wanted. Now that has changed and there is resistance. An agreement between Saccola and Cosatu could have made an important contribution."

Foreign businessmen, says Mbeki, tend to take a longer-term view of the situation than their South African counterparts. "They have a basic concern about the speed with which we are moving, more than a concern with what is happening day to day.

"There were a lot of expectations that Codesa 2 would produce an interim government, and a number of corporations were standing by to make announcements about investment. Once Codesa failed, they held back.

"An interim government is important because it would signal that the process of changing the political-power relationship in South Africa has started, that the country is no longer simply ruled by a white minority government as of old. There is a very serious concern about the levels of instability that derive from the absence of a political settlement."

Instability, some would argue, will also derive from mass action. "It is unfortunate that the scenario has been portrayed in this way, that mass political action equals violence and unrest. It doesn't.

"What all of us should be saying is that we have the civil liberty to express an opinion by meetings or marching in the streets. In that context we call on everybody to behave themselves. But saying that mass action produces violence simply justifies that violence," Mbeki says.

"The overwhelming majority in the country would have wanted a solution to our problems without the levels of conflict we have now. But we have a practical problem. The deadlock at Codesa did not occur between equal parties.

"If the Government were not both player and referee, it would not be necessary for us to have demonstrations."

Looking at the international picture, Mbeki rejects the view expressed by Foreign Minister Pik Botha that mass action would be in conflict with the spirit of United Nations Resolution 765. "The matter did not even arise. There was no suggestion that peaceful activity of this sort must be stopped."

Mbeki believes the ANC's shift into tough-talking mode has not cost it support abroad. "One must understand that in the rest of the world it is normal to have peaceful demonstrations, it is not extraordinary to have strikes. You don't have this hands-up-in-horror attitude.

Understanding

"In all of the meetings we have attended, both conferences and bilateral talks, there is understanding for the position which the ANC has stated on majority rule," he says.

Today, Mbeki hopes to take a break from all this diplomacy by watching the Kaizer Chiefs Orlando Pirates cup tie at the FNB Stadium — well, sort of a break. Diplomatically, he will not be drawn on which team he supports.

"I like both of them," he says. Any soccer fan, of course will tell you that's impossible. But for now, at least, Mbeki probably has enough wrangling on his plate as it is.

Big cash injection

■ International finance company is very optimistic about the prospects of a future South Africa:

By Joshua Raboroko

Sowetan 30/7/92

THE International Finance Corporation would provide about R450 million in investment and loans to business in South Africa over the next three to four years.

An executive of the IFC, Mr Richard Parry, said the corporation would open offices in the country and assistance would be directed particularly at black and minority group owned business.

In the long term the IFC looked forward to expanding its assistance to larger South African companies in their expansion plans in the rest of Southern Africa.

The IFC had invested R18 billion worldwide with loans and investments to about R2 400 million in Africa.

Amcham forum on peace

RAY HARTLEY (60)

CONCERN about the lack of foreign investment in SA has prompted the American Chamber of Commerce in SA (Amcham) to convene a forum to discuss ways the business community could involve itself in the peace process. B/DAY 30/7/92

Amcham president Jan Pieterse said yesterday that while there was still much foreign investor interest, foreign investors were unwilling to commit capital to SA because of instability associated with violence.

"It's very much wait-and see and if the violence is not stopped this will continue," he said.

An Amcham statement said fluctuations in the value of the financial rand were evidence of investor nervousness.

Sacob economist Keith Lockwood had reported an 11,5% drop in investment spending for the first quarter of 1992 compared with the same period in 1991, the statement said.

The conference is scheduled for August 7.

Moratorium debt gives foreign firms financial channel into SA

(60) STAR 11/8/92

By Neil Behrmann

LONDON — Companies wanting to finance subsidiaries or make acquisitions in South Africa can make use of the country's moratorium debt at the most attractive discounts in 12 months.

Known as Public Investment Commissioners' debt (PIC), the market price has fallen to 85,5 US cents to the dollar against 94 US cents at the end of last year because of the strikes and general uncertainties about SA.

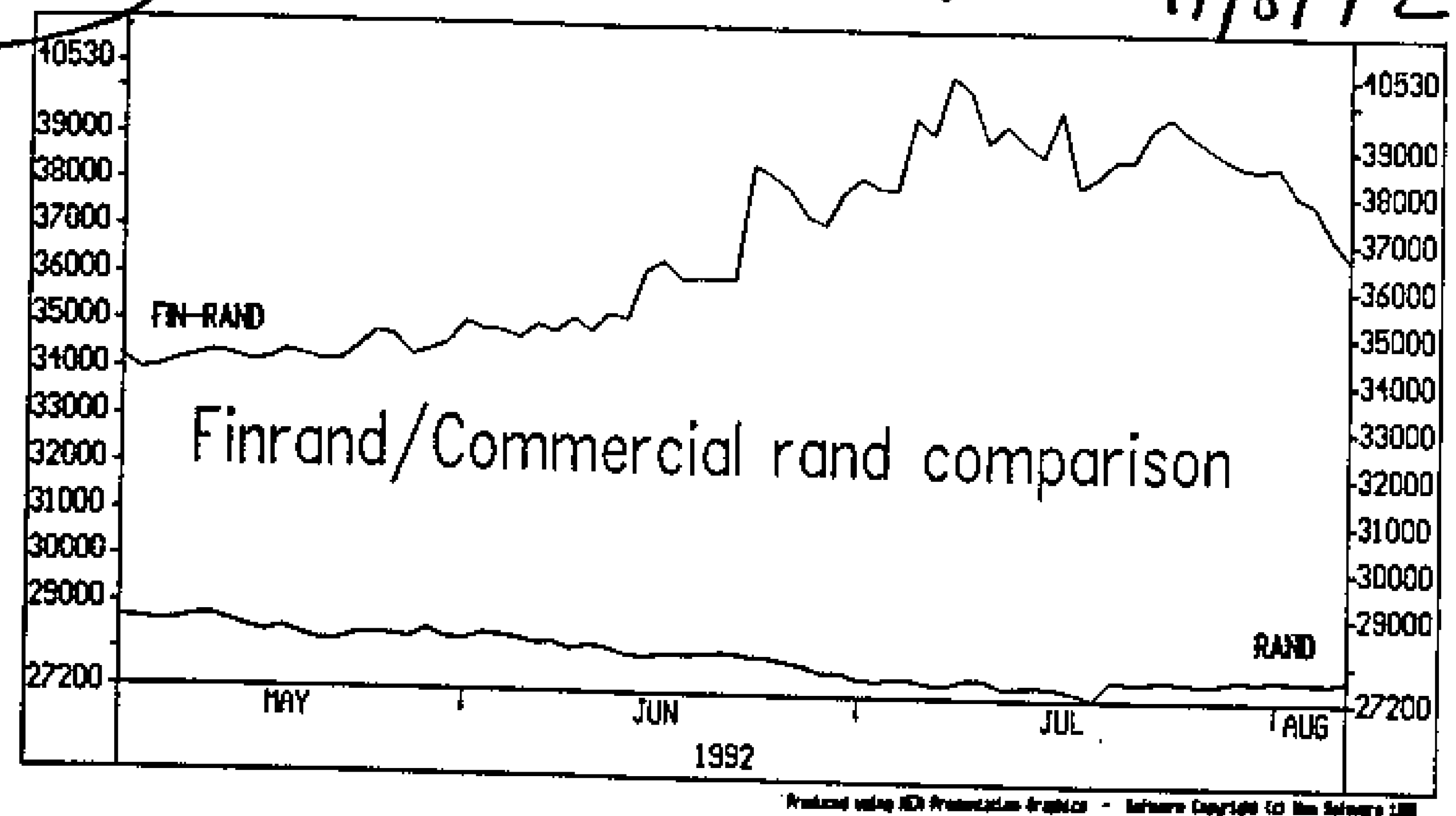
The discount to the dollar is thus 15,5 percent.

PIC trading levels are important because foreign corporations can purchase the debt to invest directly in South Africa.

By buying the debt at a dis count, they can purchase rands and either finance SA subsidiaries or make other direct investments at cheaper rates.

PIC is thus a far better indicator of direct investment intentions than the volatile financial rand which swings wildly on changes in market sentiment and foreign purchases and sales of securities.

PIC has fallen on the market, partly because foreign investors have placed investment decisions "on hold", say bankers. It is also influenced by the financial rand.



The volatility of the financial rand is compared with a relatively steady commercial rand (against the US dollar).

The financial rand has strenthened sharply in the past few days to 3,66 to the US dollar from 4,05 a few weeks ago.

But its discount to the commercial rand is still 26 percent, a gap which reflects poor confidence.

Since the discount is far greater than that of PIC debt, PIC prices are under pressure.

Nevertheless, corporate treasurers who take the view that the South Africans will be back to the negotiating tables are well placed to buy PIC debt in a buyers market. It generally pays to buy the debt during periods of uncertainty because the PIC debt market is illiquid.

Financial rands are at bargain levels and in normal circumstances would be the better entry point, but there are limitations.

In terms of SA exchange control legislation foreign companies and individuals can buy or sell financial rands to buychase or sell securities.

Foreigners can also obtain permission to buy financial rands to acquire equity in new and unquoted SA corporations.

If permission is granted, it can also be used to acquire fixed assets such as commercial property, buildings, construction works, machinery and equipment.

PIC debt, however, is not subject to the same currency risks as the finrand, can be used for loans and has tax advantages.

Bankers estimate that about $1,5 billion has been used for PIC debt transactions either for project finance or working capital loans to SA subsidiaries.

The advantage of those loans is that they can be converted into foreign currency with forward protection.

Standard London estimates that it has negotiated 380 PIC debt transactions since 1988. Around 50 to 60 UK, Continental European and US companies tend to make use of the instrument.

Hambros used PIC to finance a £12 million investment in Conservation Corporation, a company involved in tourist development in SA.

PIC debt trades at higher levels than the financial rand because it is mainly held by banks that were caught in the 1985 SA debt moratorium.

Bankers and international corporations take a longer-term view and are not prepared to sell the debt at fire-sale prices.

By acquiring PIC debt through the secondary market, corporations can fund their subsidiaries with discounted long-term loan finance.

US business group plans financial boost for peace

(60)

The American Chamber of Commerce has launched a campaign to raise R1 million for the National Peace Accord (NPA).

The chamber is calling on domestic and international businesses to donate, and hopes to raise the money by October.

Chamber executive director Michelle Cohen said the chamber felt a need for the peace process to continue.

"We're mailing invitations to about 350 companies and hope to net at least 60 (companies). The first 60 companies would be founder sponsors which we hope will continue to sponsor the peace initiative."

STAR 13/8/92.

The money will be used to assist the NPA in setting up and maintaining conflict resolution structures in communities plagued by violence.

NPA official Val Pauquet said it was very encouraging to see the chamber putting its weight behind the peace accord. — Staff Reporter.

Foreign investors are sitting on the sidelines

BDAY 14/8/92. (60)(768)

MANY overseas countries were looking to SA as a springboard for investment into Africa, particularly southern Africa, before the political setbacks of Codesa's deadlock, Boipatong and the continuing politically motivated violence.

Ernst & Young Corporate Advisory Services specialist Raoul Kaplan says there can be little doubt that once the negotiations for a political settlement are back on track, investor interest will be renewed.

Advantages

Among the numerous advantages of using SA as a base for investment into southern Africa are:

- The developed infrastructure, both within SA and across the country's borders into Africa;
- Sophisticated communications systems;
- Developed legal and financial systems;
- Availability of skilled staff;
- Favourable taxation system for routing profits through SA to the investor country; and
- Existence of tax treaties with many southern African countries.

However, the unwary investor must be careful to ensure that he has considered the many pitfalls associated with investment in Third World countries.

There are several areas which require careful consideration:

- Exchange controls — It is necessary to ensure that the existence of exchange controls are not a hindrance to investment and allow for the repatriation of profits and the original capital investment.

A critical consideration in this regard is the availability of foreign currency to enable the investor to repatriate earnings and the original investment.

In addition, the foreign investor should ensure that local borrowing restrictions do not lead to any short-term cashflow crises.

- Investment code — A number of developing countries have an investment code to encourage foreign investment. In most instances, the code would guarantee compensation in the event of expropriation of local assets and, in addition, would guarantee the repatriation of earnings and capital.

New investors should therefore ensure that they have obtained prior approval under the code in order to benefit from these guarantees.

In addition, investment codes in a number of countries provide highly attractive fiscal benefits for the foreign investor.

Favourable

- Negotiating with local authorities — In many developing countries, local authorities are very often prepared to negotiate favourable treatment in the areas of taxation, exchange controls and customs duties to encourage foreign investment.

The terms which may be negotiated are often flexible and depend on the negotiating skills of the investor. In this regard, it is usually advantageous to have well-placed local advisors to negotiate on an investor's behalf.

- Local participation — While it may not always be a requirement for a foreign investor to have local participation, it is certainly advisable, particularly if the work to be undertaken is done for government or quasi-government organisations.

In many countries it is also a requirement that only locally registered entities be allowed to tender for contracts. In other words, depending on the type of industry in which the investor is involved, it may be necessary to not only form a local company, but also to have a local investor as a shareholder in that company.

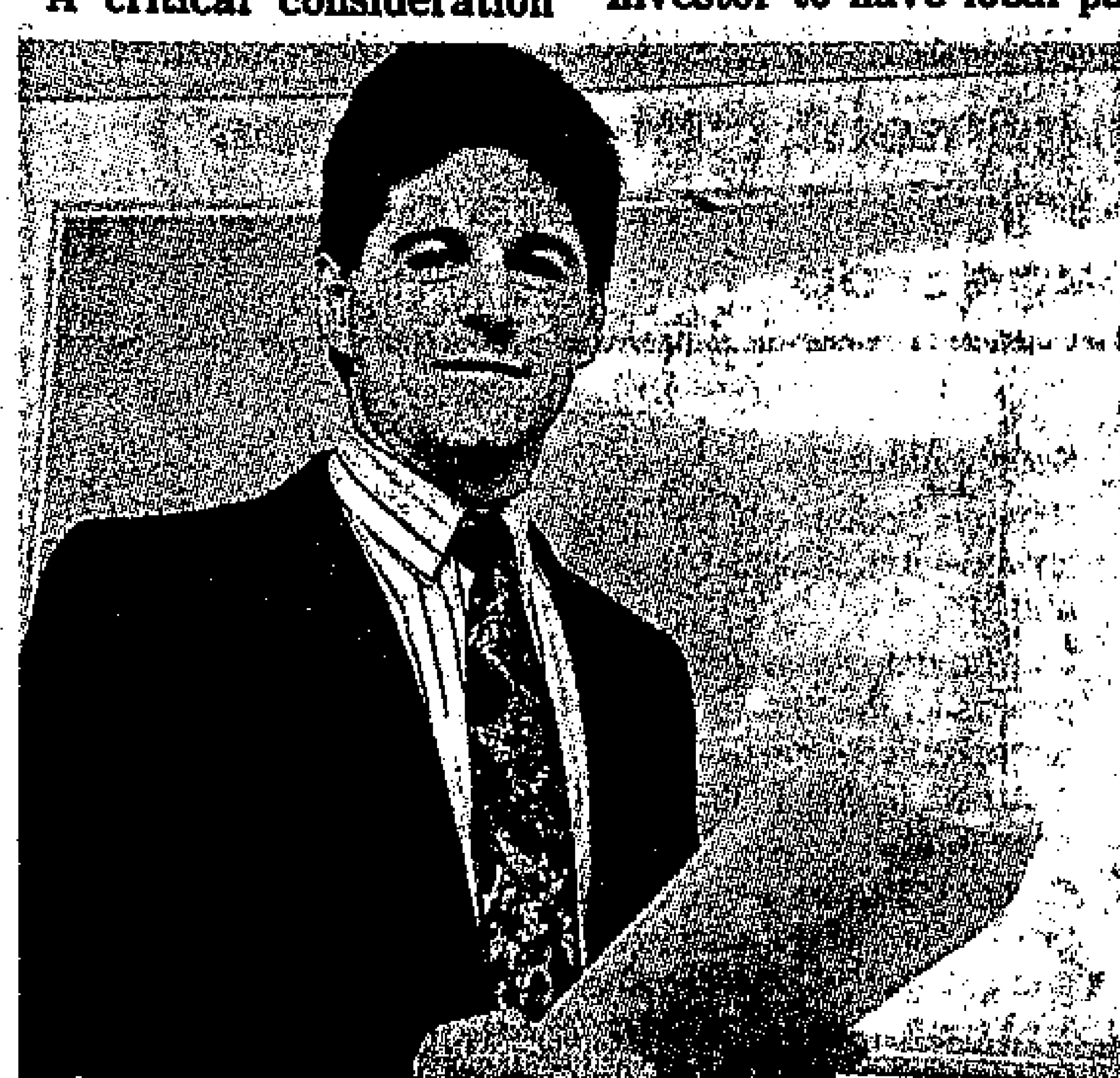
Expensive

- Customs duties — The customs duty payable on imports may prove to be prohibitively expensive in many countries, particularly on hi-tech products.

However, importers should bear in mind that duty refunds and reduced tariffs apply under certain circumstances.

- Work permits — It is often difficult to obtain work permits in certain areas and foreign investors wishing to use expatriate employees need to be aware of this potential problem.

Kaplan says investments can be planned in such a way that they do not fail: "In fact, with careful planning, what are potential problem areas can be turned into incentives and guarantees."



RAOUL KAPLAN

Incentives, not conditions, will lure foreign investors

HARRY SCHWARZ

BDAY 18/8/92

60

A TELEPHONE call from a public affairs vice-president of a Fortune 500 company to arrange a meeting for his CEO and vice-president, international affairs, is followed by a high-powered meeting often with attorneys and financial executives. The agenda is well prepared, the questions skilfully targeted.

The topic is investment or re-investment in SA. Is it worthwhile? What are the comparative merits with other countries seeking investments? Safety of investment, both from the actions of a future government and stability or lack of it in the country, are major topics. Profitability and markets — they will themselves determine.

Mostly the discussions end on an identical note, the purpose of the meeting was really to decide whether it is worthwhile sending a fact-finding team to SA. If they decide to go, one offers help in arranging meetings, but mostly major companies have their own connections and just need introductions to some political leaders.

There are also many inquiries from smaller businesses, interestingly, quite a number from African-Americans, some of whom feel opportunity exists for them particularly if they will be able to link up with black South Africans. But while many claim expertise, most have little capital.

There is no shortage of inquiries, but the visits from the US are mostly the so-called notebook and not chequebook visits. Americans who return from visits to SA are enthusiastic about the country, its natural beauty and its climate. Some cynics may regard this as irrelevant to investment decisions, but it helps to create a favourable atmosphere. There is also appreciation for the financial structure, the degree of sophistication of SA's businessmen and, generally, a view that SA is a country of great investment opportunity, but only "if". The "if" is a big factor.

If South Africans will solve the political question, if stability can be assured, if there is no danger of expropriation without proper compensation, if profits can be remitted, if the taxation system is not punitive.

In former times, some would accuse a white politician speaking in an election campaign to white voters in a country town of forgetting that his words were not only heard by his small, often right-wing, audience, but were read by black South Africans, who were hurt and humiliated by some of the utterings.

So it is today with some of the members of the trade union and extra-parliamentary groupings. Their words are perhaps designed to satisfy existing and potential supporters, but are also carried across the oceans to the foreign investors whom most South Africans wish to attract, and some believe will flock to SA once a new government representing all the people is established.

A preamble to a trade union document indicating the aim is to establish a socialist SA is shown to me by a US businessman contemplating investment, asking me to explain whether the events of the former Soviet Union and eastern Europe are being ignored in my country. I try to explain that it is rhetoric and must be understood in the light of wealth, income, skills and opportunity gaps.

It is difficult to gauge if he is convinced, as he has it in print in his possession.

The call for an investment code by trade union and extra-parliamentary groups has caused something of a stir, among not only potential investors, but even some who have remained in SA. So has the support for this concept by the American allies of those groups, who are campaigning to have such codes enacted in state legislatures, and made applicable only to SA when sanctions are lifted.

The investors have no problem with a country having laws which deal with investments, whether labour laws, matters affecting working conditions, taxation and the like. All countries have them and they are taken into account in deciding whether to invest.

They even do not object to SA having an investment code, even though they might prefer not to have some of the conditions in the drafts applied.

But they do not understand why SA organisations should attempt to persuade their friends in the US to have such matters enacted in US law, and only in respect of SA, and this to apply after apartheid is gone and democracy established in SA.

Why ask a US legislature to enact laws for a free democratic sovereign SA and not for Bangladesh, Lithuania, Armenia, Serbia, Korea or any other country?

It must be remembered that there are many factors affecting the spending of the US investment dollar.

Firstly, with the end of the Cold War, there has been a reaction in some quarters in the US against foreign aid and the creation of jobs in foreign countries as opposed to the US. This has been accentuated not only by the presidential and congressional elections campaigns and a flagging economy, but also by the aftermath of the Los Angeles unrest.

Secondly, there are many countries competing for investment. The former Soviet Union is anxious to attract US capital and expertise. Poland, Lithuania, Hungary, Romania and the rest of eastern Europe are all in line. In some cases the executives of major corporations have roots in these countries.

Thirdly, the Asian continent is a magnet for some investors, particularly in those countries with cheap labour.

Fourthly, every Third World country wants investments, and in many cases offer incentives — not demands for obedience to codes.

Fifthly, there are the adjacent territories of Canada and Mexico, particularly the latter, and the concepts of free trade zones.

Sixthly, there are attractions in South America, where market-orientated economic systems are being introduced in some countries and where privatisation has taken place.

Lastly, there are the traditional attractions to the western European countries where the US investor feels at home and has experience.

SA can be attractive for US investors. I have made many speeches listing the reasons and why in relative terms we are attractive, but then come the questions on political uncertainty, instability, future fiscal and other economic policies.

What we South Africans need to realise is that we need foreign investments, and that, to attract them in a competitive world, we need incentives and not unusual conditions. The investors are interested in profits and the safety of their investments and do not, with some exceptions, invest for charitable or social objectives.

I would like investments to be socially beneficial and help address our problems. But we live in the real competitive world, and the mere creation of jobs is a socially desirable objective. Our house needs to be orderly and attractive for foreigners to wish to invest money in it.

The judgment may be tough. But we must not base our future plans on misconceptions and wishful thinking, nor must we believe that all we need is political change and all our economic woes will disappear.

We need political change, we need an interim or transitional government urgently and a new democratic constitution. But we also need to put our economy right, or our new democracy will be in peril shortly after it is established if at least some reasonable expectations are not met.

☐ **Schwarz is SA ambassador to the US.**

☐ **Simon Barber is on leave. His column will resume on September 8.**

TRADE MISSIONS (60)

Still ready to deal

Businesses know that few foreigners intend investing here now. With political unrest, and a big question mark over future economic policies, putting money into SA is far too risky. Trade is another thing. So, with sanctions largely lifted, trade missions continue to land at Jan Smuts, as well as Louis Botha and D F Malan airports. FM 21/8/92

"The number of missions that have arrived in Johannesburg since the beginning of the year is in the mid-30s, compared with 44 in all of last year," says Marius de Jager, CE of the Johannesburg Chamber of Commerce & Industry. "They've come from places ranging from the US to China. This month a group of trade officials and business people from Czechoslovakia exhibited at Nasrec."

But political uncertainty has affected at least one mission. The Western Sweden Chamber of Commerce, which planned to send a delegation next month, has told the Johannesburg chamber that it was postponing its visit "owing to recent events culminating in the strike."

De Jager says: "Clearly, political events are having a dampening impact. Nevertheless, I doubt that many missions will be cancelled." He adds that the number dropped slightly in July and this month but attributes this to seasonal fluctuations — the European summer holiday — rather than waning interest. (60)

Trade-group members do ask about the violence and the negotiations, but they're more concerned about mundane matters such as how promptly will goods be delivered and when they will be paid for products exported here. FM 21/8/92

The SA Chamber of Business's Ron Haywood says international traders are pragmatic about the situation. They know that, in spite of the media coverage, the country is not going up in flames and they recognise it as a key player in Africa, he says.

He adds that well-organised missions take a long time to put together and a decision to cancel one is not taken lightly. He also stresses that the visits are important because they allow businesses with mutual interests to meet face to face. "It is, of course, another matter with foreign investment. Would-be investors are more cautious than people looking for a product market or source."

Reserve Bank Governor Chris Stals agrees. "Uncertainties about the future, what kind of government we'll have, and what economic policies it will follow make it extremely difficult for businessmen here and abroad to commit themselves to long-term development projects," he said in a speech in Durban last month.

Though foreign investment might represent the gold medal, stronger trade would qualify for the silver. Indeed, some trade missions pave the way for a larger commitment. Last month, Russia opened a permanent mission in the Chamber of Business building in Johannesburg. South Korea will do the same. By expanding ties, trading partners eventually spot investment opportunities. And sometimes the trading volumes become so great that it makes sense to invest in a plant abroad instead of exporting. ■

Billions wait for settlement

S| Times (Buss) 23/8/92 (100)

By CIARAN RYAN

FOREIGN investment worth billions of rands will flow into South Africa once an interim government is in place and violence ends.

The proposed Capricorn techno-park in the Western Cape is estimated to be worth R1-billion. The British backers are waiting for the political climate to improve before construction can begin.

Several hotel groups are poised to enter SA once the international tourist market takes off. Sheraton, Hyatt, Best Westin, Intercontinental and Hilton have expressed interest in greenfields developments, partnerships or management contracts.

Building an extra 1 000 hotel rooms will cost more than R1-billion, some of which will come from abroad.

Wesgro, the Western Cape development organisation, says projects worth another R200-million to R300-million in the Cape area await a stable political climate. An Italian shipbuilding company plans to expand its existing facilities in the Cape.

Food

Wesgro investment advisory manager Roland Willis says: "We have many proposals waiting for a resolution of the political situation."

US food conglomerate Heinz shelved plans to invest in SA pending a political settlement. Hopes of a deal with Malbak subsidiary Fedfood strengthened after the Government's referendum victory in March.

Malbak executive director Grant Thomas says discussions with several foreign investors are being impeded by the political impasse.

Anglo American deputy chairman Leslie Boyd is confident an interim government will be formed soon, enabling Anglo to tie up several projects with foreign partners.

Most investors are waiting for the interim government to define its trade and investment policy.

Businessmen also blame violence, instability and the lack of incentives for SA's poor foreign investment record of late.

Dorbyl chief executive Dawid Mostert says: "Boipatong and the recent mass action are negative factors. We haven't lost any deals, but some have been jeopardised."

The financial rand is given by some foreign businessmen as a cause for concern.

Leopold-Theodor Heldman, economic counsellor at the German Embassy, says: "One never knows when the discount to the commercial rand will widen, or whether the financial rand will disappear in future."

The absence of investment incentives deters some foreign investors, but not all. Mobile capital in search of cheap labour and tax holidays will avoid SA until the Government allows export processing zones — allowing duty-free imports and tax breaks — or similar incentives.

Those investors attracted by the growing markets of Southern Africa are waiting for a positive political signal and a defined investment code, particularly because of ambiguous statements on economic policy by ANC spokesmen.

Matthias Boddenberg, of the SA-German Chamber of Commerce, says: "Visitors from Germany ask why they should invest in SA when the political situation is unstable and returns in Eastern Europe are better. SA's productivity is low and labour costs are high."

Relatively few investments have been made by German companies compared with last year when transfers from Germany to SA amounted to DM124-million (R234-million).

Mercedes says its capital expenditure programme has been deferred.

Dominique Brunin, general manager of the French Chamber of Commerce and Industries of SA, says French investors, inured to political turmoil after decades in West Africa, are less concerned about the need for an interim government.

Keen

"In France, small and medium companies are more concerned about the economic situation and market conditions than politics."

Several French companies have invested in SA in recent months. Bull Groupe, Europe's largest computer group, bought Mohawk Computers. Hotel giant, Accor, formed a joint venture with Southern Sun to build Formule 1 hotels and medical and industrial gas group Liquid Air is to spend R100-million on new ventures.

Japanese investors will remain sidelined until they see an improvement in the political situation, says Hideichi Okamoto, director of the Japan External Trade Organisation (Jetro).

American firms — including many of those that left after 1985 — are taking a fresh look at SA, says Michelle Cohen, executive director of the American Chamber of Commerce.

"Some large investors are keen to get involved in SA, but violence is a particular problem for them. You cannot proscribe to investors, you must provide incentives."

Study expects $15bn foreign funds inflow

(60)

B/DAY 27/8/92

CHARLIE PRETZLIK

THE SA economy could grow by between 3% and 4% a year between mid-1993 and 1996, economic consultant Thierry Apoteker concludes in a study produced for the French Bank of Southern Africa.

From its current negative annual growth rate, a post apartheid economy would be boosted by at least $15bn in foreign funding over a three-year period.

Apoteker predicts a Budget deficit which would be restricted to 3% of GDP.

A consumer led recovery will operate alongside an increase in exports, spurred on by the suspension of sanctions and the exploitation of SA's advantageous position for trading with Asia and Europe, Apoteker says.

Although inflation would be a prominent feature on the post-apartheid economic landscape, Apoteker is confident any future government, whatever its political hue, will be forced to adopt a relatively conservative and liberal economic policy and contain public spending within limits acceptable to international funding institutions.

This optimism is matched by French Chamber of Commerce and Industries of Southern Africa (FCCISA) GM Dominique Brunin.

Brunin said in an interview: "We have seen French interest in SA take off this year as businesses realise the reticence of British and German companies is an opportunity not to be passed over by them."

He said since January the FCCI had recorded more than 50 businesses arriving in SA from France to investigate business potential, and added most departed either with contracts or with a commitment to return.

He explained this French optimism — at a time when other overseas businesses were "keeping their powder dry" — was borne out by the fact France was already the largest investor in sub-Saharan Africa and considered the gap left by other countries as an opportunity to move in to SA.

In recent months, contracts have been signed between French computer company Bull and Mohawk, between Alusaf and French steel giant Pechiney, and between Sun International and France's Accor hotel group.

SA's technology 'lagging behind'

GERALD REILLY

B/DAY 27/8/92

PRETORIA — The rest of the world was way ahead of SA in the technological field, even more so than was realised in the "comfortable" days of sanctions and isolation, Foundation for Research and Development Council (FRD) chairman Johan van der Walt says in the organisation's annual report published yesterday.

Van der Walt said government and the private sector would have to make a far greater investment in training scientists and technologists than it was doing at present.

The report, handed to National Education Minister Piet Marias yesterday, said more than R59m was allocated to the FRD in 1991/92 for developing human resources in science and technology.

SA considered risky by investors — mayor

(60) (

SHARON WOOD BIDA9 27/8/92

SA's long-term investment opportunities looked promising, but in the short term and in the current environment it would not be easy to attract substantial new foreign investment, Lord Mayor of London Brian Jenkins said yesterday.

"The people making the decisions compute risk, and there is no doubt SA is seen as very risky because at the moment there is no clarity about the future political and economic regime," he added.

Jenkins has been visiting business, the government and other political parties in SA for the past three weeks.

He said impressions gained during his visit were that the long-term opportunities presented for investing in the country were the first-class infrastructure, the marvellous mineral resources, the tradition of effective investment and SA's strategic position. However, structural reform was necessary, economic relationships had to be opened up again and the tariff structure needed to be changed, he said.

The fact that SA could act as a springboard into the southern African region added to the potential attraction of the country because the region would be a huge net buyer of goods and services.

Asked about his perception of ANC economic policy, he said recent ANC policy statements showed a better understanding of the economic effectiveness of a modern state. "But some of the actions of the ANC are not helping the economy, such as strikes. We understand why they are doing it but some of the actions are not helpful to those wanting to invest," he said.

Speaking at a Johannesburg Consolidated Investment (JCI) lunch yesterday, he announced that the City of London was offering four bursaries to black employees of SA financial institutions. The decision to open the applications to blacks alone had been made as it seemed the most pragmatic thing to do at this stage.

Overseas finance firms move in on Cape market

S Times (CM) 30/8/92 (60)

MORE local and overseas finance organisations are increasing their penetration of the Cape market with the removal of sanctions.

Constancon Currencies, a Randburg-based supplier of foreign exchange risk management services, has opened an office in Cape Town, while Clarke and Tilley, one of the largest asset management companies in Britain, is taking on Cape clients including Protea Assurance.

Constancon Currencies was established by Sharon Constancon, its managing director, in 1988.

The company provides professional foreign exchange services.

"We have a proven record of providing companies with sophisticated and well-formulated management advice, resulting in an expanding base to the extent that it has been necessary for us to open an office in Cape Town," said Ms Constancon.

Jeremy Barnes, who is a resident Capetonian, heads the new branch.

He gained his knowledge of financial instruments during his time as a dealer in the South African capital market on the Johannesburg Stock Exchange gilt floor.

He aims to support Constancon's existing Cape clients and to offer the services and forex management tools to other importers and exporters.

"There are added business opportunities in the Cape as a number of corporations and multinationals have their head office here," he said.

Clarke and Tilley is based in Cheam, Surrey, and has opened offices in Johannesburg.

At a recent function in Cape Town it gave a brief company history to existing and potential local clients.

Formed in 1980, Clarke and Tilley now has a turnover of more than R30-million and has established a network of distributors and subsidiaries covering the Far East, Pacific Asia, Eastern and Western Europe.

The company claims that its asset management systems can handle any combination of securities, equities, property investments and derivatives in a rapidly-changing marketplace.

Three families of systems are available on PCs, Unix and IBM microcomputer platforms backed by extensive consultancy and implementation services.

The company has more than 150 systems installed in major financial houses throughout the financial world.

Clients include British Airways, Chase Manhatten Bank, Hill Samuel, Guardian Royal Exchange, Lloyds Merchant Bank, Merrill Lynch, Rothschild, Nomura International, Societe Generale Merchant Bank, Hambros Bank and Warburg Investment Management (Japan).

In another finance institution development, the Johannesburg-based Mercantile Bank opened offices earlier this year in Claremont, Cape Town.

Mercantile Bank is held 49 percent by the IGI group through its strategic investment arm Safegro, and 14,8 percent by Momentum Life.

The Cape Town branch is offering the bank's full range of services in corporate finance and banking, instalment finance, money markets and transfer secretarial services through the bank's associates, Mercantile Registrars.

Foreign selling boost for bonds

By CHERILYN IRETON

MOST foreign investors have offloaded their South African shares, leaving only die-hards in the market.

But the gradual erosion of foreign holdings has been a boon for the bond market.

Latest figures suggest that the financial rands created by the sale of equities have been used by foreigners to invest in bonds.

S Times

Eskom treasury manager Willem Kok estimates that non-residents now own more than half the R18,5-billion Eskom stock in issue. This compares with an 18% to 20% holding of Eskom bonds only four years ago.

(BUSS)

The switch from equities to bonds was highlighted this week when small foreign selling of shares followed the Bisho killings.

13/9/92

Instead the market moved lower on sales by SA small investors.

Particularly hard hit were shares considered "homeland stocks" — SunBop, Kersaf, Sun Ciskei and Impala. The stocks are considered risky if the ANC pursues its mass action campaign against the homelands.

About 12% of SA mining shares are now owned by foreigners, according to estimates by Manny Pohl of stockbroker Davis Borkum Hare. This compares with 13,8% at the end of 1991 and 14,1% at the end of 1990.

Nominees

In the 1980s almost a third of mining stock was held outside SA borders.

60

De Beers still attracts the greatest outside attention, but selling after warnings of a cut in dividend has reduced the number of foreigners holding SA shares even further, says David Shapiro of stockbroker Frankel, Max Pollak Vinderine.

JSE statistics show foreigners have been net sellers of SA stocks since 1989. They turned net buyers in July and September — before this week's Bisho killings.

The percentage of foreign holdings of government bonds is difficult to establish because most are owned by nominee companies.

However, the Reserve Bank's Mike Lamont estimates that between 5% and 10% of the R130-billion in issue is held abroad. These investors receive a return of between 16% and 19% on SA bonds.

JSE president Roy Andersen is involved in numerous projects to revive foreign interest in SA shares.

Parsons slams 'economic battlefield'

B/Day 17/9/92 (60)

SHARON WOOD and HILARY GUSH

VIOLENCE and mass action had undermined business confidence and caused more damage than years of economic sanctions, Sacob president Raymond Parsons said yesterday.

Speaking at a Johannesburg conference, he said SA could not afford to make the economy a political battleground. Business confidence could not prevail in an environment of political instability and the need to make economic progress also emphasised why the business community was often impatient with mass actions and strikes, he said.

Parsons emphasised the political and economic performance of the country were interdependent and would have to be reconciled if the "new SA" was to be a success.

"Local investors must eventually lead the way in winning confidence overseas and in demonstrating their hope in the future," he said.

SA would have to satisfy the IMF and other international organisations that it would use bridging finance wisely. The correct policies would have to be in place to ensure sustained growth and development.

Financial Services Board deputy chairman Gad Ariovich said provided there was an "acceptable" political settlement, and SA achieved a 3% to 4% economic growth rate over the long term, local financial markets would join the "global village" and rapidly adopt international trading technologies.

The international trend was towards the globalisation of financial and securities markets. He hinted the JSE, which had become increasingly outdated compared with world stock exchanges, should soon permit negotiated commissions, dual capacity and corporate memberships.

The international trend was towards multifunctional financial organisations with financial institutions acting as both broker and principal in many fields.

SA mounts biggest trade show

S Times (Bus) 20/9/92 (60)

By ZILLA EFRAT

THE South African International Trade Exhibition (Saitex) — the largest international trade show to be staged in SA — will attract nearly 450 foreign exhibitors from more than 40 countries

Confirmed bookings have been received from 25 countries for space at the fair, which will be held in Johannesburg in October next year.

Saitex marketing manager Pep Joubert says the exhibition is being promoted in 96 countries and 480 000 invitations will be distributed.

SA is seen as a stepping stone to the African market and Saitex will bring buying missions to the show from 16 African countries, including Angola, Uganda, Kenya, Tanzania, Mozambique and Madagascar.

Mr Joubert says the five-day show will be of particular interest to SA visitors wanting to pick up import agencies or form joint ventures.

India has booked the largest exhibition space, followed by China, Brazil and Taiwan. Russia will be there and other CIS states have taken a combined stand.

Nowea International of Germany — the world's largest exhibition organiser — has booked space on behalf of 15 countries, which include all of SA's major trading partners.

Saitex is also expected to attract more than 400 SA companies which could boost the number of exhibitors to above 850. About 1 200 companies usually take space at Saitex's consumer-oriented counterpart, the Rand Easter Show.

Minister of Finance and of Trade and Industry Derek Keys says the objective of the exhibition is to promote trade between SA and the industrialised countries, as well as with the rest of Africa.

Mr Keys says SA has a wealth of products, services and technology to offer. The SA business community will have the opportunity to introduce products to international markets.

The exhibition will be divided into 12 industrial sectors, including mining manufacturing, construction and information technology.

Mr Joubert says numerous trade missions visit SA on an ad hoc basis, but Saitex aims to channel them into a single annual event.

Price Waterhouse Meyernel is organising a conference on trading opportunties in SA to run concurrently with the fair.

Mr Joubert says Saitex should play an important role in the future economy.

"Similar trade exhibitions in the Netherlands are responsible for 12,5% of that country's GNP," he says.

"Companies in Europe spend 25% to 35% of their advertising-promotion budget on trade exhibitions. SA companies spend less than 15%.

"Trade exhibitions are the most cost-effective marketing tool for companies wishing to enter new markets."

IDU goes in search of foreign equity partners

B/DAY 21/9/92

60

LINDA ENSOR

CAPE TOWN — The newly created Investment Development Unit (IDU) set up by the life assurance industry has established contact with foreign embassies and organisations in the hopes of facilitating equity partnerships with foreign companies willing to invest in SA.

Life Offices' Association executive director Dick Geary Cooke — speaking at the annual conference of the Cape Assurance Industry Liaison Committee at the weekend — said the IDU aimed to be regarded as the pre-eminent funding agency and the first "port of call" for development agencies.

The unit was established to channel some of the R30bn in annual life office cash flow into socio-economic upliftment projects by making secure investments with an adequate return.

"It is intended that close interaction be maintained with the various business organisations such as Nafcoc and Sacob. Furthermore, contact has also been made with the foreign embassies of some of SA's traditional trading partners as well as organisations such as the Overseas Private Investment Corporation and the Confederation of British Industries.

"It is hoped that once foreign companies are prepared to invest in SA, possible equity partnerships attractive to such companies may be instituted."

Geary Cooke said a survey among life office executives had found that they believed the state should play a facilitative role by providing investment incentives via, perhaps, securitisation or tax credits. It had been found in the US that fiscal incentives were a major inducement for social investments by life and health companies.

He said the IDU would give a lot of emphasis to health and education projects and areas of investment which provided maximum leverage. He said health and education were seen as crucial in breaking the cycle of "low incomes and no incomes".

A major thrust would be investment in job creation activities through expanding commercial and industrial capacity. "In this regard, the unit, in addition to applying job creation criteria will also be more interested in projects which will stimulate exports or contribute to import replacement. When addressing housing the view is that such investments should provide sustainable employment and a kickstart (for) the economy as the chief benefit rather than the houses themselves."

Keys points to SA as land of opportunity

STAR 24/9/92

(60)

By David Canning

WASHINGTON — South African markets would present attractive opportunities to foreign investors for decades to come, Finance Minister Derek Keys said here.

He told a Southern Africa in Transition seminar that investment opportunities existed in two broad avenues — growing and unsaturated markets for all kinds of products and opportunities for beneficiation of exports and downstream manufacture.

Mr Keys said his economic policies were aimed away from those which had failed in the past — a closed economy, state assumption of investment decisions and commitment to a large public sector.

Areas of natural advantage for SA would become evident when markets were freed up. He described the three major priorities to be tackled by Government as violence, establishments of a representative government and an ending of "economic civil war" in the country.

Also speaking, Trevor Manuel, director of the ANC's department of economics, said there was a crisis of expectation within South Africa which no "wishing away" would remove.

While there was a lot of agreement about the type of economic policies which were needed, the country had been left with a legacy of misdirected resources.

Social engineering had impinged on the lives of millions and the state was going to have to intervene in economic processes because the free market would be unable to address all South Africa's inequalities.

However the ANC was committed to achieving stability and growth and supported markets.

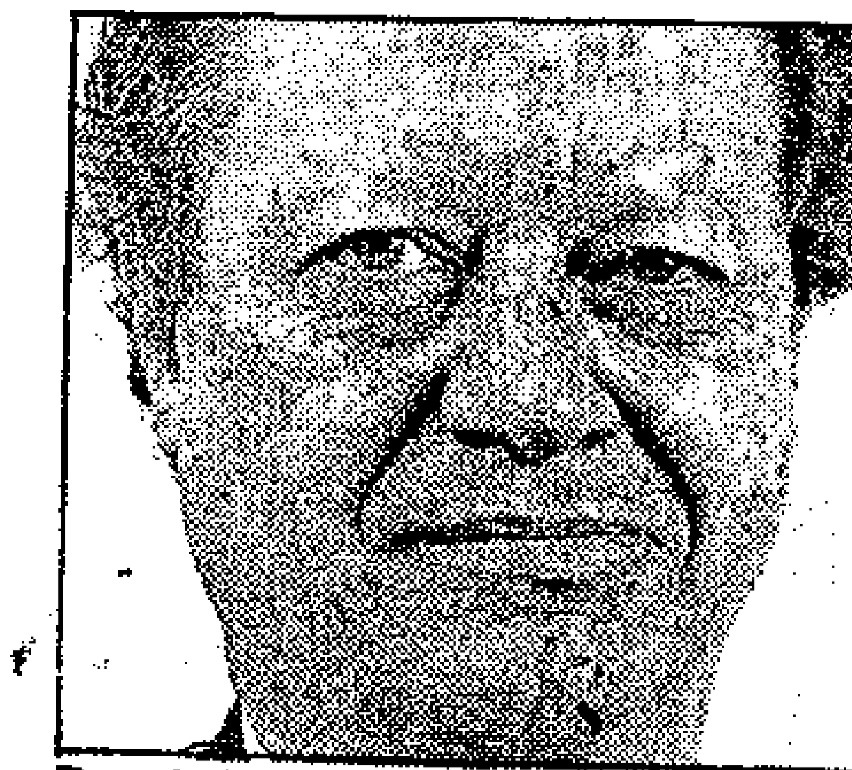
The private sector would face major opportunities in providing the backlog of services — 1,8 million houses, electrical services, water supplies, etc.

Mr Manuel repeated the ANC's position that it would renegotiate debts being incurred by the present authorities. He said most of this capital was not going to help the disadvantaged and had been raised on sometimes onerous terms.

He stressed the ANC would not repudiate, but renegotiate, debt. Much of the violence in the country was related to lack of employment opportunities and other economic problems.

Labour absorption was so low because of the lack of economic growth.

The ANC did not have a short-term panacea for economic growth but in the medium-term there were opportunities from inward industrialisation - from tackling the economic backlogs.



Derek Keys . . . moving away from the failed policies of the past.

SA offers 'excellent investment potential'

STAR 29/9/92.

By David Canning (60)

NEW YORK — A post-sanctions South Africa should offer global fund managers and investors with above-average potential for economic development and investment performance.

This is the view of Michael Brown, economic consultant to Frankel Max Pollak Vinderine, who spoke at a seminar of potential investors here last week.

He challenged a misconception that SA is resource-based or, even worse, a one-commodity economy.

He told a National Foreign Trade Council Foundation conference on South Africa the economy was, in fact, well diversified. Manufacturing and construction made the biggest contributions to total economic output.

However, the level of value added was fairly low and there had been little improvement in the past decade.

He attributed this to lack of access to new markets, resulting from sanctions. Sanctions made investment in costly new processing plants too risky.

However, the post-sanctions era would appear to offer a substantial opportunity for raising the treatment rate of raw material products, with beneficial forward and backward linkage effects.

The key issue for potential investors was that higher levels of upstream processing should significantly improve the total output potential of the economy, as well as the rate of return to the providers of capital.

The growth threshold of the economy could be raised by access to international and regional markets. Despite sanctions, SA remained one of the world's 25 top trading nations. In the past few years, manufacturing export volumes had improved by an average 12 percent a year.

Bond exodus sparks capital flight fears

BDAY 8/10/92

(60)

TIM MARSLAND

THE prospect of massive capital flight from SA loomed closer yesterday as a major London broker advised investors not to invest in the SA capital market.

Andy McDougall, head of London stockbrokers James Capell's SA trading desk, said from London he had advised clients not to invest in SA bonds and to lighten SA bond holdings where possible.

Latest statistics from the JSE and Reserve Bank show foreign inflows into the SA capital market from April to last week Friday, which reflect only financial rand transactions through the JSE, have been R120m — compared with R1,030bn for the same period in 1991.

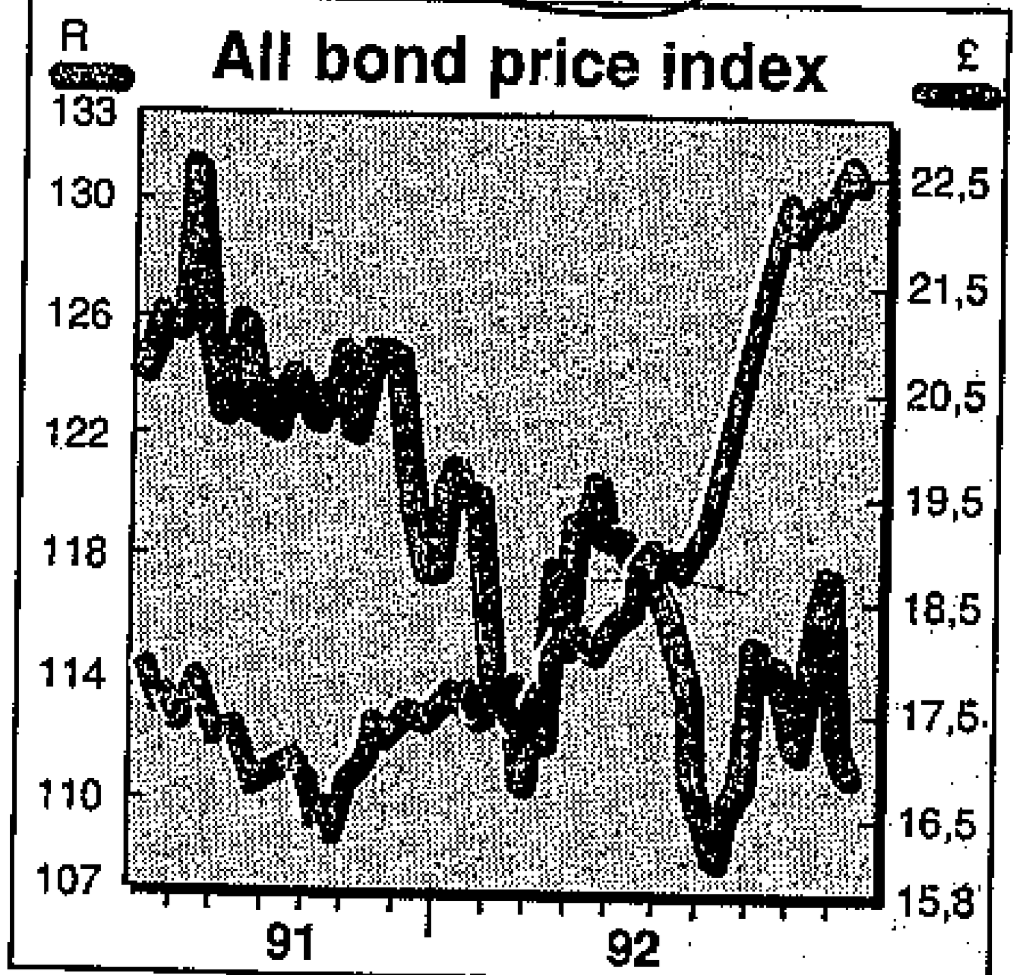
JSE floor trade accounts for about half of foreign trade due to the informal nature of the capital market. Latest JSE figures show R129,574m fled the capital market last week alone.

McDougall said the sharp fall in the financial rand over the past two weeks was mostly to blame for the deteriorating confidence and political uncertainty.

McDougall said selling orders in the past two weeks had been the largest he had seen for the past three years. "Large investors are leaving SA and will not return. The confidence has been knocked out of the SA bond market by the fall in the finrand.

"There is a lack of new interest and the big players want to get out of the market," he said. However, smaller investors would stay as "they tend to ride out the storms".

Any appreciation in the financial rand would see major bond selling, he warned. The unit has depreciated about 33%



Graphic: RUBY-GAY MARTIN Source: I-NET

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Capital flight

BDAY 8/10/92. (60)

☐ From Page 1

against sterling over the past few months. The investment unit's fall was led by SA banks' paying for acquisitions abroad.

McDougall said confidence in SA started to wane after the failure of the Codesa talks. The stop-start scenario in political talks since had unnerved investors, he said. Also, uncertainty as to how tight a future government's monetary control was going to be scared foreigners.

He said selling had occurred across the board, but government stock in particular was targeted. European players had been major sellers in the past two weeks, he said. They bought stock some time ago so had already made their profits.

By contrast, US investors entered the market only in the last year or so after the scrapping of US embargoes against SA. They had seen their capital depreciate sharply and were unable to get out of their positions. Far Eastern investors faced the same prospect, he said.

A local dealer said investing in SA bonds has traditionally been favourable for foreigners. "They are able to pay for bonds through the financial rand while interest payments are made in commercial rands."

However, he said foreigners were disenchanted with the finrand and not SA bonds as such.

"While the running yield (interest payments) is favourable, the financial rand is an unstable currency which makes it difficult to deal in."

Foreigners were able to attract yields of around 22% in dollar terms in SA bonds compared with about 8% in German bonds.

The local dealer said falling global interest rates coupled with an appreciation in the financial rand would see investors return to the market.

"The return would then outweigh the risk," he said. Foreigners' perception of the local market was "not particularly worrying", he said.

afford these costs on their vehicles. | the solutions. | cake as a means of redistribution.

Ramaphosa's restructuring plan

B/DAY 9/10/92

HILARY BUSH

A RESTRUCTURING programme based on stability, growth and socio-economic development is needed to ensure the success of a democratic SA, says the ANC.

ANC economist Tito Mboweni, speaking on behalf of secretary-general Cyril Ramaphosa, said: "We are well aware we need to restructure the economy . . . within the context of the maintainance of macroeconomic stability."

Public sector corporations should be rationalised, restructured and subject to competition. This did not spell out privatisation, but rather managerial accountability and transparent budgetary systems.

Reducing the size of the public sector would enhance efficiency and advance affirmative action while ensuring consumer protection and workers' rights.

Restructuring of the national budget by redirecting expenditure away from unproductive current expenditure and towards socio-political development, so as to bridge the racial welfare gap, was also called for.

The ANC stood firm on its policy of income redistribution, which would provide the means for mass consumption and alter the industrial sector's response to shifting demand patterns.

Redistribution of income at the low end of the scale might be an essential requirement for the growth of the labour intensive component of the manufacturing sector.

Department of Trade and Industry director-general Stef Naudé stressed the need for an export-led recovery, based on final manufactured goods.

"SA's future economic development depends largely on industrial growth, which will also have to be much more export-oriented to increase the import capacity of the economy," Naudé said.

DP launches campaign for election funds

BILLY PADDOCK

THE DP has swung into election mode despite its leader Zach de Beer's criticism that it was the electioneering of the ANC and the NP that was preventing a speedy negotiated settlement for SA. B/DAY 9/10/92

At a media breakfast yesterday, De Beer launched a national fundraising campaign to collect R15m by the end of the year to help pay for a general election campaign.

Southern Transvaal regional fundraising co-ordinator Ronnie Napier said the party hoped to raise R4m in this region alone.

Whereas the DP had previously fought elections in chosen constituencies, the upcoming general election would involve proportional representation from a national electorate, which meant it had to canvass and fight for support at grassroots community levels, said De Beer.

The DP was expecting to win 10% of the national vote in an election.

Political deal needed for investment

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BILLY PADDOCK

THERE was an urgent need for a political settlement because, while it would not stop the ANC and Inkatha fighting, it would bring the stability to stimulate investment, DP leader Zach de Beer said yesterday.

Speaking at the Blueprint conference, he argued that this settlement would have to contribute to the demise of a third force. B/DAY

Persistent violence was the single most discouraging factor for investment. It would be a negative factor even if there was political stability and the causes of the violence were fully understood.

De Beer said that if some of the violence was designed to prevent a political settlement, then the need for the settlement was more urgent.

However, there was no certainty that it would stop the fighting between the ANC and Inkatha, he said. "After all, both organisations are parties to the peace accord and to the Codesa Declaration of Intent, and that has not helped."

De Beer said it appeared that the leaders of these two organisations had limited control over their followers. 9/10/92

Governments and political organisations would in the future be judged by their ability to deliver economic prosperity.

How to bait the hook to get investors to bite

South 17/10 – 21/10/92 · (60).

POTENTIAL investors need to be lured by slick promotion programmes and hard information about investment opportunities.

This is the gist of the recently released annual report of the Association for the Promotion of the Western Cape's Economic Growth (Wesgro).

Wesgro has also found that information has to be carefully targeted at potential investors.

With these findings in mind, Wesgro is gathering information about the region and plans to launch a major investment marketing programme in the middle of next year.

It hopes that by that time the political situation will be more settled. Such stability is vital if investment is to take place anywhere in South Africa.

One investment-attracting concept that Wesgro has been pushing is the establishment of export processing zones (EPZs.)

These are areas that have been set aside, usually near a port or airport, where high-tech industries can be established to produce goods exclusively for the export market. The incentives for investment in these areas include full rebates of import duties.

EPZs have been successful in fast-growing economies such as Taiwan and Mauritius. But they have come in for some flak from the labour movement here because of the fear that they could become a low-wage, union-bashing trap.

This is disputed by Wesgro, which says EPZs should "not be confused with changes in labour legislation".

"Typically, businesses located in EPZs pay higher wages than in other areas of the host economy. It may well be that with time, different labour relations within EPZs will evolve to suit requirements. But this must be seen as a process to be achieved through consultation with the various groups involved as and when appropriate."

The only changes in legislation that will be needed are those affecting imports, exports and tariffs, says Wesgro.

The Department of Customs and Excise has been wary about the revenue losses that could result. However, the Industrial Development Corporation recently recommended to government that EPZs should be considered in South Africa.

1990-91

INCOME GROUP	(a) NUMBER	(b) AMOUNT OF TAX
0 — 12 000	576	624 339
12 001 — 20 000	2 033	2 532 314
20 001 — 30 000	3 523	9 518 696
30 001 — 40 000	3 651	20 598 730
40 001 — 50 000	6 501	60 385 670
50 001 — 60 000	5 601	72 416 806
60 001 — 80 000	5 983	110 667 218
80 001 — 100 000	1 913	51 238 995
100 000 +	1 947	119 983 841
TOTAL	31 728	447 966 609

The statistics furnished above accordingly relate only to taxpayers actually assessed to date, who represent 75 per cent of registered taxpayers in 1989/90 and 64 per cent in 1990/91.

Reserve Bank: communication with two persons

356. Mr K M ANDREW asked the Minister of Finance: (60)

(1) Whether his predecessor and/or his Department communicated with the Reserve Bank in respect of (a) its (i) financial rand and (ii) other dealings with two persons, whose names have been furnished to the Minister's Department for the purpose of his reply, and (b) any business (i) owned, (ii) controlled or (iii) managed by one or both of the above-mentioned persons; if so,

(2) (a) when, (b) why, (c) what was the nature of the communication, (d) what was the response of the Reserve Bank and (e) what are the names of (i) the two persons and (ii) each of the businesses involved?

B854E

The MINISTER OF FINANCE:

(1) (a) (i) Yes; (ii) No.

(b) Yes.

(2) (a) 20 October 1989 and 27 February 1990.

(b) On both occasions the director of the companies involved approached my predecessor to expedite an application submitted to the Reserve Bank for an investment in South Africa through the medium of Financial Rand.

(c) These representations were duly submitted to the Reserve Bank with the request that they be considered. At no time was there any question of favourable treatment to be given to the applications. (60)

(d) The response of the Reserve Bank on both occasions was positive.

(e) (i) Mr S Shpilman and Mr E Rechter.

(ii) W Ungar & Sons (1989) (Pty) Ltd and its holding company, Sesom Investment Holdings (Pty) Ltd.

Reserve Bank: agreements entered into with two persons

357. Mr K M ANDREW asked the Minister of Finance:

(1) Whether the Reserve Bank has entered into any agreements with (a) two persons, whose names have been furnished to the Minister's Department for the purpose of his reply, and (b) any business owned, controlled or managed by one or both of these persons; if so, (i) what agreements, (ii) when were they entered into and (iii) what are the names of the (aa) persons and (bb) businesses concerned;

(2) whether these agreements have been adhere to by both parties; if not, (a) to which agreements and (b) in what respects has there not been adherence.

B855E

The MINISTER OF FINANCE:

(1) (a) No; (b) No;

(2) Falls away.

NOTE:
In response to applications submitted to the Exchange Control Department of the Reserve Bank through these persons' South African bankers, authority was granted during 1989 and 1990 for an investment totalling R48 423 184 through the medium of financial rand firstly to form a holding company (Sesom Investment Holdings (Pty) Limited) to acquire a jewellery manufacturing company (W Ungar and Sons 1989 (Pty) Limited), and subsequently for the purchase by it of additional operating assets. Conditions stipulated at the time of approval encompassed a minimum 15% value to be added to the raw material and the receipt of export proceeds of the final product within 90 days. This period was later extended to 180 days. The company has more recently had difficulty in meeting these criteria and these aspects have been addressed by the Exchange Control authorities through the bankers of the local company.

Land owned by Department: Natal region

359. Mr P C CRONJÉ asked the Minister of Regional and Land Affairs:

(1) Whether he will furnish particulars of the land, other than land for domestic purposes such as government buildings, owned by his Department in the Natal region; if not, why not; if so, (a) (i) what is the name of each farm or piece of land so owned, (ii) in which district is it situated and (iii) what, in hectares, is the extent of each and (b) what are his Department's plans for the land in question;

(2) whether any discussions and negotiations have taken place and/or decisions have been made in regard to transferring the ownership of any of this land to the self-governing territory of KwaZulu; if so, (a) which pieces of land are involved and (b) what steps have been taken in regard to each such piece;

(3) in respect of what date is this information furnished?

B857E

The MINISTER OF REGIONAL AND LAND AFFAIRS:

(1)-(3) The Central Government is negotiating with the Government of KwaZulu regarding various properties which were owned by the former South African Development Trust, but decisions in that respect have not yet been made. A summarized memorandum of information with regard to question 1(a)(i), 1(a)(ii) and 1(a)(iii) is included for your disposal.

SCHEDULE

1.1 ALFRED DISTRICT (7 436 ha)
- — Alfred Native Location No 8 No 15848
  Alfred Native Location No 9 No 15849
  Alfred Native Location No 10 No 15850
  Tom Fynn's Location No 4865
- — Junction/Nortonsloop Area
- — Izingolweni 3613 (sub 3 and 4)
  Lot AB Umbelline 6995
  The Gorge 10302
  Ebenezer 3784
- — Gundrift Area

1.2 BABANANGO DISTRICT (4 761 ha)
- — Babanango West Area

1.3 BERGVILLE DISTRICT (4 761 ha)
- — Bergville Properties

1.4 CAMPERDOWN DISTRICT (1 009 ha)
- — Kafirdrift 906
  Riet Vallei 851

1.5 DUNDEE DISTRICT (15 784 ha)

1.6 ESHOWE DISTRICT (3 101 ha)
- — Gingindglovu/Amatikulu Area
- — Emtumeni Mission Glebe 15837 (Sub 2)
  Lot 62 Amatikulu 13212 (Sub 1)
  Lot 67 Amatikulu 13213 (Sub 1)

1.7 ESTCOURT DISTRICT (13 209 ha)
- — Estcourt Farms (12 747 ha)
- — Kwazondi 14314
  Pumalanga 14313
  Hatting 1222

1.8 HLABISA DISTRICT (2 545 ha)
- — Mtolo 14390 (Remainder)
  Somkele Townlands
  Hlabisa Townlands

1.9 IMPENDLE DISTRICT (22 385 ha)
- — Impendle Farms — Lot GR 24 (Remainder)
- — Impendle Townlands

1.10 INANDA DISTRICT (1 969 ha)
- — Groeneberg 844
  Oakford 828
  Piezang Rivier 805
  Riet Rivier 842
- — Roode Krans 828 (Sub 306/1)

1.11 INGWAVUMA AND UBOMBO DISTRICTS (184 963 ha)

Spreading their wings - or fleeing SA?

W/Mail 23/10 - 29/10/97 (60)

Investment should begin at home, says the ANC. But South African business is pouring its money into offshore deals.

REG RUMNEY *reports*

THE African National Congress and many South African companies are both telling foreign firms to hold off on investing in South Africa. The warning signal sent out by businesses is unintentional. They are — for good financial reasons — falling over themselves to invest overseas while domestic investment languishes.

Finance Minister Derek Keys has hauled around the world a chart illustrating the plight of the South African economy through the headlong fall in gross domestic fixed investment.

At the same time, South African firms have taken advantage of the dwindling pariah status of the country to become involved overseas.

Latest example is the Royal Group purchase, with Anglo American aid, of European food giant Del Monte Foods International in a R2,4-billion deal. And in June this year Sappi acquired Germany's Hannover Papier. Numerous other companies have made investments overseas since the landmark February 2 1990 speech.

Using the financial rand is one of only two routes available for South African companies investing overseas. The other is to raise loans or sell shares.

All are in pure economic terms neutral. No capital flows out of the country through these deals.

Using the finrand, rather than "commercial" rands to invest outwards, is an expensive route, costing now around 33 percent more than if there were no exchange control. This shows the determination of South African firms to get hold of foreign assets.

The ANC Department of Economic Policy's Tito Mboweni says that firstly, the ANC has not called for the lifting of sanctions and so the countries where South African companies are investing should take heed.

"Secondly, our preference is now for South African companies to invest domestically, particularly in fixed assets, which would lead to a better labour absorptive capacity. It would improve the general performance of the economy."

He adds that a future democratic government cannot prevent companies expanding abroad, as long as this isn't capital flight. South African businessmen see nothing wrong with the current craze of investing overseas.

Anglo American spokesman Michael Spicer says South Africa, from the financial point of view of high inflation, high interest rates, a high cost of capital and high taxes, is not particularly attractive to invest. "The risk is high and is compounded by political uncertainty, violence and labour unrest."

Companies are investing abroad rather than here because they can't get a comparable return on their investment, he says. Besides this, South Africa is in deep recession and in many industries there is spare capacity, so why invest more money?

"In South Africa investment is talked about in moral terms rather than economic terms. The rules applicable in other countries are suspended."

Though no capital flight is involved in setting up a company overseas, an overseas presence could make it easier to export capital illegally, through hard-to-detect over-invoicing and under-invoicing.

In pure economic terms, Spicer and other businessmen are correct that business must seek the best return wherever they can.

But companies must know they operate in a world where economic considerations constantly vie with economic and ethical ones. Anglo is at least investing a sizeable sum domestically in job-creating ventures, albeit mainly in the commodity-exporting industries South Africa should be trying to wean itself away from. For instance, Anglo launched the R1,7-billion gold mining venture at Moab this week. It will create 5 000 jobs.

The Royal acquisition of Del Monte, too, says Spicer, will secure access of South African agricultural products to the essential core triad market. The resulting labour-intensive agricultural production in will create tens of thousands of jobs over the next five years, he adds.

That is commendable, but an estimated unemployment rate of 40 percent of the economically active population means more needs to be done.

Unless there is new investment, violence, unrest and hence uncertainty will continue — the familiar chicken-and-egg problem. Business owes it to the country to seek out new domestic investments.

Return of the global players

BDay 2/11/92

60

MIKE PERRY

SINCE 1986 we have witnessed the departure of many global players from the SA business arena. Now multi-national corporations are re-evaluating their approach to the local market.

Perry and Associates last month completed a research study to measure the plans of both regional and global players for this forthcoming era of increased competition in SA.

Global players considering re-entering SA have to bear in mind two different aspects of the economy's size.

First, the economy is Africa's largest (1,6 times the size of Algeria's, 2,7 times the size of Egypt's and more than three times the size of Nigeria's), so if Africa is a consideration for a multinational, SA cannot be overlooked.

The second is the existence of the SA "Keiretsu". Just as the Japanese economy has been dominated by financial conglomerates, so has SA's. Some of the SA Keiretsu, such as Anglo American and De Beers, have grown out of our wealth of natural resources. Sanctions and exchange control have trapped this wealth within the country. Savings have been channelled to the institutions. Old Mutual is 30th on the Fortune list of 50 global top insurance companies, and would rank 13th among US service companies — and Sanlam is of similar size.

Sanctions created a quest for self-sufficiency and, for example, created Sasol, a world-class chemicals producer. The First World/Third World dichotomy is also evident. The Rembrandt interests range from sugarcane to luxury cigarette brands such as Dunhill, Cartier and Mont Blanc.

The literature of business "science" says global competition is driven by the fact that no player can count on maintaining an unassailable technological edge and that there is a tendency to bloc economies (the EC, North America and the Pacific Rim).

The multinationals' approach to markets such as SA must, therefore, be aimed at achieving both instant distribution for their fast changing products and "insider" status. There is also the question of political risk and therefore the investment vehicle choice that global players will use to penetrate the economy.

Our research was among two groups: multinationals in the Far East, Europe and North America; and significant regional companies in a number of industries. The SA sample had assets of $54bn and sales turnover in excess of $26bn.

The results showed a great deal of overlap in the views of both regional and global players — and some surprising differences.

Both groups agreed that global players could not overlook SA because of its market size (relative to the rest of Africa) and the opportunities that would be generated by a new social and economic order. SA had the working infrastructure. It was agreed that SA was the gateway to the region regardless of neighbouring economies' concerns.

From an investment point of view, the hurdle was political and economic uncertainty. Not until an investment code was in place would multinationals invest. They had to be sure that they could move their funds in and out of the country. It was emphasised that countries were competing for the attention and investment of the multinationals.

There was also agreement on the relative strengths and weaknesses of global versus regional players. Global players could employ an up-to-date product arsenal and world experience. The regional players' local knowledge, proximity to the market and management skills were a countervailing force.

Given the political and economic uncertainty, SA players saw the opportunities for joint ventures with multinationals. In the event of this being the "investment route" for multinationals, the criteria for selecting a regional partner would be compatible chemistry and culture, strong access to distribution channels and the local company's standing and reputation in the region.

The global and regional players are somewhat like ships passing in the night. Regional players are betting on achieving a stranglehold on distribution channels in the region. The global players would be more comfortable not with the dominant player but a significantly positioned second or third competitor — apparently they will bet on the "we try harder" principle. It was clear that the regional players had done their homework while the global players' criteria appeared more sketchy.

Only time will tell whether regional players, usually linked to the "SA Keiretsu", who can dominate local distribution and perhaps count on more sustained financial backing, will be able to beat off global challengers with superior product arsenals and global marketing skills.

☐ **The author is MD of Perry and Associates. This is an edited version of an address to a Strategic Management Society conference in London last month.**

REVIEWS

'Confidence in SA required'

BDAY 24/11/92

JOHN CAVILL

LONDON — Foreign investors wanted to see SA's businesses and institutions showing confidence in their own country rather than expanding internationally, a senior investment banker said in London yesterday.

Martin Kingston, director of Morgan Grenfell, one of Europe's leading investment banks, was speaking at the Westminster conference on southern African development organised by the Association of Western European Parliamentarians Against Apartheid at the House of Lords.

Kingston said the breakdown of Codesa 2, violence and a worsening domestic economy had "removed what interest there was in the early provision of capital to SA".

Those lenders who had defied "considerable opposition" to provide the first medium-term bonds to SA for six years after financial sanctions were lifted "have now withdrawn their support".

Some SA parastatals and private companies did try to tap the debts markets earlier this year, but "the cost of such access is now prohibitively expensive," he said.

Kingston said there were "critical, minimum ingredients" for an environment which might attract European investment:

- Transitional political arrangements with a government representative of all SA society;
- Proof that "reliable, non-partisan" forces of law and order were under legitimate control; and
- Development of economic policy which was "socially responsible and market orientated".

But the increase in the number of SA firms seeking to invest outside the country was also a factor.

"Currently we are seeing the SA corporate community spreading its wings by internationalising its activities, regionally, in Europe and further afield," he said.

"The establishment of a balanced geographic portfolio of assets, over time, should correct the disproportionate emphasis of activities in SA," he said, although whether the Reserve Bank could continue to support and encourage such capital outflows was questionable.

He said: "Furthermore, in order to attract foreign capital into SA, the domestic financial community ... shall need to demonstrate confidence in their local environment rather than exporting resources, skills and capital."

It was an SA anomaly, he said, that the country had large investment funds but also required long-term foreign debt, and combined an internationally aspiring "vibrant local private sector" with the need for foreign capital, skills and technology.

BDay 25/11/92

Disinvestment 'is being reversed'

SIMON BARBER

WASHINGTON — The number of non-US companies with direct investment or employees in SA has increased markedly over the past year, while US firms continue to be held back by ANC-backed local sanctions and SA's uncertain prospects.

However, US firms are expanding their non-equity ties through licensing and distribution agreements.

A new directory by Washington's Investor Responsibility Research Centre says that 508 non-US concerns now have a direct stake in SA, up from 454 a year ago. Of these 153 are British and 142 German.

The figure for US firms remains static at 111, up from 106 last March, but still far short of the 267 present in May 1986. But the number with non-equity ties has increased by 23 to 256 over the past nine months. There are 303 non-US concerns with such links, up 132 from a year ago.

The problems US companies face in entering the SA market are illustrated by the experience of Apple Computer. Apple manager Jackie Robinson recently pleaded for the ANC to stop sending "mixed signals" on US investment. Apple was anxious to re-establish a sales and service network, but was being blocked by state and local boycott laws. "Our competitors continue to gain market share. Let us get on with the business of doing business."

SOWETAN Thursday November 26 1992

BUSINESS SA on the threshold of major opportunities

Call for blacks to plan for chances

Sowetan 26/11/92

(60)

By Mzimkulu Malunga

■ **TRADE FLOW** Africa to provide lifeline after relaxation of trade controls:

BLACK BUSINESS PEOPLE must link international companies with corporate South Africa, says the chairman of Inter Africa Group Mr Gaby Magomola.

"We are on the threshold of major business opportunities for black business people which go beyond the informal sector," he said.

Welcoming his United States and Far East business partners this week, Magomola said the new lifeline for South Africa would be through increased trade with the rest of the continent - sub-Saharan Africa in particular.

With the relaxation of controls on international credits to this country, black business should position itself for unfolding opportunities.

Among those present at the function were Donald Simmons, president of the US-based Simpet International Corporation; Chiang Wee Tiong, director of the Hong Kongbased Murchison Holdings Ltd; the deputy director of the United States Agency for International Development (Usaid) in South Africa, William Ford; and the local head of the Black Integrated Commercial Support Network (BICSN), Leyland Hazelwood.

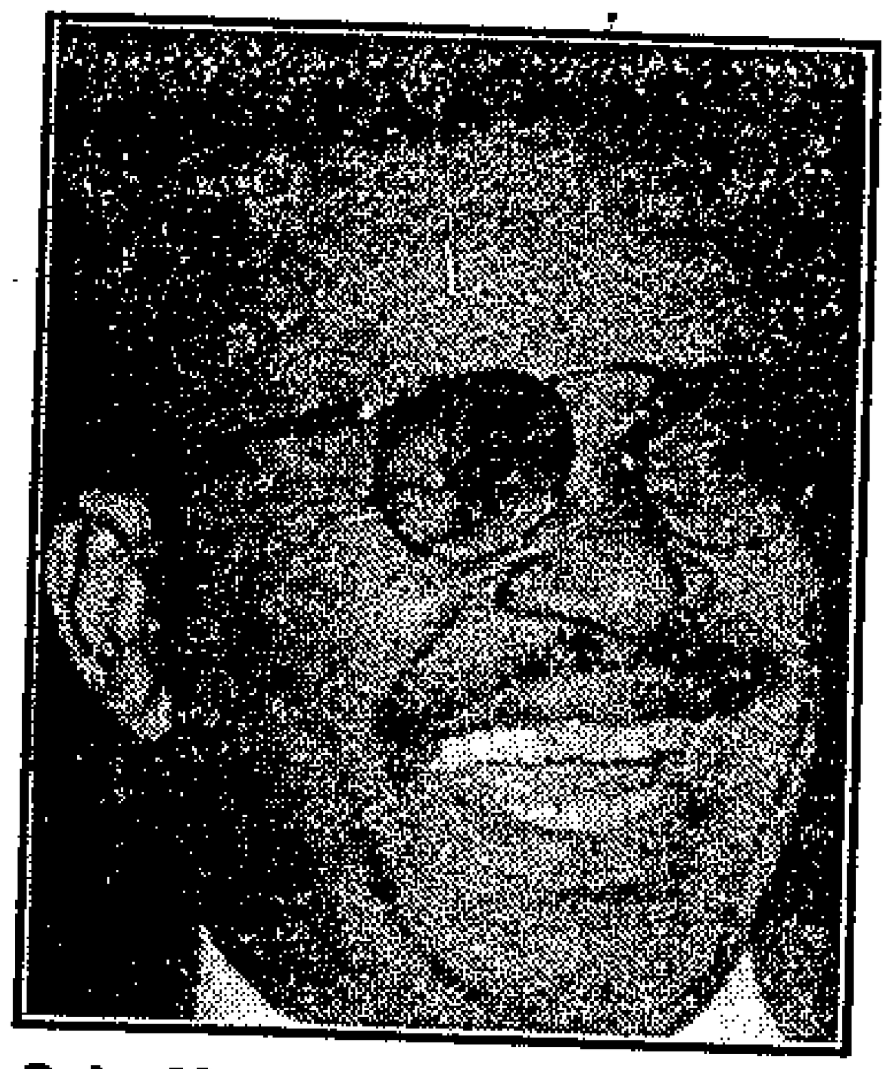
Magomola and Hazelwood have been invited to the Ivory Coast capital Abidjan by the African Development Bank to attend a workshop on venture capital next week.

The workshop is jointly sponsored by the ADB and USAID. Leading business people from all over Africa are expected to attend.

Simmons' company is mainly involved in the oil and construction industry. He has been involved in oil exploration and rigging in West Africa for the past 25 years.

"God did not discriminate in the provision of brains; as long as people are given the opportunity nothing is impossible," said the African-American.

Tiong, a Far East multi-millionaire, owns investment and securities companies in four Southeast Asian countries. He also owns a listed company in Australia.



Gaby Magomola

"The journey of a thousand miles begins with a single step. People in South Africa must pull resources together to build a nation," he said. His company was commissioned by the United Nations Industrial Development Corporation to tailor an industrial policy for Malaysia - one of the Asian success stories.

... as a few foreigners return

FEDERAL sanctions have gone, but state and city sanctions have put the brakes on United States reinvestment in South Africa. Figures released by the Investor Responsibility Research Centre show five US firms have established offices in this country since March last year. By comparison, the number of non-US firms with direct investment or employees has soared to 508, fifty-four more than a year ago. The level of the financial rand, however, shows those firms have not yet brought in sums big enough to counter the outflow of money.

WMail 27/11-3/12/92.

Multi-billion platform for growth in SA

S Times (BUSS) 29/11/92

AN ambitious R10-billion-a-year private-sector plan to rescue the SA economy by restoring investor confidence was unveiled yesterday.

Platform for Investment (PFI), a project co-sponsored by Sanlam, Frankel Kruger, Ernst & Young and the Human Sciences Research Council (HSRC), aims to stabilise and improve perceptions of the likely investment climate in SA.

It calls for an annual R10-billion programme, financed in the main by the private sector, to provide 460 000 new jobs through promoting small and medium business and providing services such as water, sanitation, housing and electricity.

"Downstreaming 3% of GDP could develop 500 000 jobs a year among lower-income sectors in three years and push real growth rates to 5% a year," says the PFI team. These measures will be essential to combat unemployment, which PFI estimates at 30% of the active labour force.

By KEVIN DAVIE

The programme could raise SA investment spending to 21,7% of GDP from the unacceptably low level of about 16%.

The net investment rate, taking inflation into account, is 1,5% of GDP at present, "placing SA firmly in the Fourth World".

Finance Minister Derek Keys has identified the goal of dramatically increasing investment in the economy as the cornerstone of his economic model, which is due for release.

"Our prognosis is not doom and gloom," says PFI committee chairman Sydney Frankel.

Research by the team has found that a strong preference exists for political accommodation and that there is a marked convergence on economic issues.

Roadshow

The team interviewed 30 key South African decision-makers, conducted 100 technical interviews, including some with IMF and World Bank experts, and used survey data from interviews with 12 000 representative South Africans.

PFI was launched yesterday at the Lost City before an audience of several hundred businessmen. The Cabinet is expected to see the roadshow this week with briefings for the ANC, Inkatha and other interested groups to follow.

The team says the most likely scenario is a forced political marriage with either separate bedrooms (stressed power sharing) or separate beds (co-operative alliance).

Unification of parties, regression to minority rule, majority domination after capitulation and fragmentation are ruled out as likely scenarios.

So are the possibilities of SA becoming a wasteland and mass action being used to ruin any political settlement.

PFI says domestic funding sources will have to be largely used for the reconstruction process, although it estimates that up to R3-billion a year will be available from the World Bank, African Development Bank, International Finance Corporation and other official agencies.

Investment spending set for 21,7% of GDP

The Government would commit financial suicide by taking on additional burdens, says PFI.

"Future governments should explore the more attractive option of leaving such developments to the broader and more efficient canvas of the private sector."

SA should not rely on foreign capital for its salvation.

"A realistic target in due course would be to look for a combined total (official plus private) of R6-billion. This would amount to 2% of GDP."

Frankel Kruger economist Mike Brown says that this year the domestic capital market has shown itself capable of financing a central Government deficit of between R25-billion and R28-billion.

Funds flowing to the life offices, pension funds and deposit-taking institutions amounted to R68-billion in 1991.

"Allocating a small proportion to development projects would contribute substantially," says Mr Brown.

PFI suggests that between 5% and 10% of savings under control of the life offices be made available voluntarily for development spending.

It calls for the creation of two statutory bodies, a national housing fund and a business development fund.

They would issue marketable stock, attract grants from governments, raise international loans, run lotteries and enjoy an income stream from their loans and investments.

PFI supports megaprojects such as Alusaf and Columbus which are set to benefit from the 37E tax breaks. It says the envisaged job creation programme will increase imports, putting a strain on the balance of payments.

PFI says current expenditure of about R800-million on small-business development is inadequate and should increase to R4-billion to provide 200 000 jobs a year.

This will need to be backed by spending of R6-billion on housing, electrification and water provision, providing another 260 000 jobs, or 460 000 in total, each year.

Team members include Mr Brown, the HSRC's Lawrence Schlemmer, Sanlam's Ronnie Masson and Andries du Toit and Ernst & Young's Ian MacKenzie.

Hope and hopelessness

ST Times (Buss) 29/11/97 (60)

Foreign investors are becoming disillusioned by the reluctance of South Africans to invest in their own country.

JOHN CAVILL IN LONDON

EVEN the most economically illiterate is able by now to recite by heart the prerequisites for a revival of investment in the "new SA."

Acceptable political settlement equals confidence, equals investment, equals growth which in turn breeds jobs and enhances political peace. The virtuous circle is self-fulfilling.

The present situation is the opposite. John Taylor, analyst with James Capel, one of the few London broking houses to spend money on maintaining a fully fledged SA department through thick and thin, has returned from SA with a mixture of reasons for "hope and hopelessness".

Mr Taylor believes "a vicious circle is now in place. The longer a political settlement is delayed, the worse the economy will get and hence the more difficult it will be to reach a settlement."

He writes in Capel's Southern African monthly of the "mood of despondency among foreign investors" which has become manifest in the past few weeks; of potential interest drying up and of selling, "often at a considerable loss", by those who held SA securities.

Much the same point was made elsewhere: a room in the House of Lords where investment banker Martin Kingston of Morgan Grenfell spoke at a conference organised by West European parliamentarians.

Mr Kingston spoke plainly of the withdrawal of support by European banks and financial institutions which had put up funds for those first SA Government bond issues in the wake of the political changes.

The political confusion and deteriorating economy had "removed what interest there was in the early provision of capital to SA".

Both men, in slightly different ways, also said that it might be helpful if investment, like charity, was seen to begin at home.

MR Kingston said that the big foreign push by SA business unleashed by the country's international comeback — such as the Royal Food-Del Monte deal and First National Bank's acquisition of Ansbacher — was logical.

How far and how much longer the Reserve Bank would allow it to continue was uncertain.

In addition, said Mr Kingston, "to attract foreign capital into SA, the domestic financial community of both lenders and investors shall need to demonstrate confidence in their local environment rather than exporting resources, skills and capital".

Mr Taylor, too, has doubts about the Reserve Bank's attitude to external investment through the financial rand.

But, more specifically, the Capel review takes the SA investing institutions, holding 23% of their assets in cash, to task for their attitude to the two big capital-raising projects:

- The R6,5-billion Alusaf smelter which could add 1,5% to annual gross domestic product, $750-million to export earnings and generate a total of more than 30 000 jobs.
- The R2,6-billion Royal-Del Monte deal which will provide 50 000 to 60 000 jobs in five years.

Mr Taylor acknowledges there are reasoned arguments behind the caution of institutions which have been less than enthusiastic — putting up only half the expected R1-billion for Alusaf and 80% of that coming from Old Mutual and Sanlam alone.

"There are really two things that SA institutions had to consider when they were asked to subscribe to the Alusaf project," says Mr Taylor who headlines it "A symbol of hope".

"Firstly the quality of the project itself and second whether they wished to invest in the long-term future of SA. On both counts there are mixed feelings."

"Unfortunately these are not normal times in SA and we feel that they should have been a little more supportive," writes Mr Taylor.

HE warms to the theme more strongly in speculating about the amount the institutions will put up for Royal's big expansion.

"Will they think it their patriotic duty to subscribe as it will create jobs? Given their lack of ringing endorsement for Alusaf it seems that love of the motherland will not play all that large a part.

"As an aside, despite the terrible recession it is remarkable how much money the institutions are pumping into commercial property such as fancy shopping malls."

It is little short of an indictment of narrow actuarial focus on quick bottom-line returns at a time when long-term vision is the imperative and begs the question of why foreign investors should take a different view of SA's future.

Expert weighs up funding options

BDAY 30/11/92

JONO WATERS

SA COULD raise foreign funding worth R1bn a year to finance an economic recovery programme, Frankel Max Pollak Vinderine chief economist Mike Brown said at the weekend.

Brown told the Platform for Investment conference at Sun City at the weekend: "This is a realistic target that can be raised from abroad, but there are some problems."

He said these included the fact that money from abroad was conditional and often had strings attached.

Money could be raised domestically as SA had a "massive capital market" with more than R70bn held in long-term savings.

The conference called for R10bn to be invested in the country annually to provide about 460 000 jobs a year by promoting small and medium-size enterprises, services such as water, housing sanitation and electricity, and large capital projects to keep SA out of balance of payments difficulties.

Job creation in small businesses was low-cost, with the capital cost amounting to about R18 000 a job, compared with R50 000 a job in the formal sector.

The Industrial Development Corporation had indicated it intended to invest in export projects to the value of R29bn over the next five years and should generate export earnings amounting to R10bn, he said.

"Upstreaming" into higher value-added export products would provide the best short-term solution to a possible balance of payments constraint in the absence of the rise in gold, precious metals and other commodities prices.

An investment target of 25% of GDP should be set. The figure was currently about 16% which, said Brown, was just above the inflation rate. If the R10bn was spent, it would bring investment to 21,7% of GDP.

"The greatest threats to monetary stability are no longer excessive money supply growth, a falling rand or extreme inflationary expectations, but rather a lack of fiscal control."

It appeared that exchange control and the financial rand were here to stay, which were detrimental to investment and gave private and public foreign investors cause for concern when studying SA as a recipient for their capital.

"Making the best of the situation will require that exchange control regulations are applied uniformly, are transparent and allow free entry and exit."

Regional scheme attracts R350m

BDAY 30/9/92

60

PETER DELMAR

SA's new regional development programme attracted foreign investment worth almost R350m in the past 12 months, with most of it going to relatively underdeveloped areas.

A Board for Regional Industrial Development spokesman said 65 projects of a total 289 approved in the period were foreign funded.

The foreign investment — most of which was by Taiwanese businesses — was worth R348,3m and accounted for 10% of the R3,25bn the board calculated was involved in schemes benefiting from incentives in the past 12 months.

The spokesman said it was still too early to evaluate the success of the new incentive scheme, which was introduced in May last year and which rewarded productivity, unlike the previous system which was largely concerned with compensating investors for input costs.

For the current financial year, government had set aside R900m for decentralisation incentives. Two-thirds of this, however, was for commitments in terms of the previous system.

Natal/KwaZulu was the region with the greatest number of new projects (83), followed by the eastern Cape (63) and the Free State (38).

The largest single number of jobs created was in the Natal/KwaZulu region — 9 100. In the eastern Cape almost 5 000 jobs were created. The 38 projects in the Free State accounted for 3 604 jobs, the board said.

New investments were in a range of industries.

Statistics supplied by the board indicate the new scheme — for which all regions qualify — has enhanced the decentralisation programme's job creation capacity.

In the past 12 months almost 24 000 jobs were created. In the previous 10 years, government claimed its decentralisation policies created 154 000 jobs at a cost of R3,2bn — about the same average annual outlay on incentives as that allocated in the current financial year to the scheme.

In terms of the new scheme, qualifying investors receive an establishment grant and a production incentive equal to 20% of operating profit. Incentive packages are to a maximum of R15m per investment.

A formal review of the incentive package was scheduled to be carried out only in about four years time.

Capital outflows still outweighing inflows

STAR 30/11/92 (60)

Business leaders seldom waste an opportunity to tell politicians that without political stability there will be no foreign investment.

Recent evidence suggests they are at least half right.

A study by the London School of Economics (LSE) shows that while SA has enjoyed a renewal of foreign direct investment since President FW de Klerk embarked on reforms in late 1989, it has been less than half as much as disinvestments and investments abroad by SA companies in the same period.

A recent study by the Washington-based Investor Responsibility Research Centre (IRRC), concludes, however, that the trend of disinvestment has been reversed in the past year.

A longer-term perspective on capital outflows from South Africa is offered by Michael Marks, chief executive of brokers Smith New Court.

He notes that since 1959 capital inflows have totalled R100 billion in 1990 values. During this period, disinvestment has taken R84 billion back out.

He speculates that without spells of heightened political tension, South Africa could have expected capital inflows to have continued, as they did between 1946 and 1959 and between 1965 and 1976.

This might have added another R104 billion in 1990 terms.

It is hardly surprising that foreigners are holding back.

Business confidence, reported recently by the Bureau of Economic Research (BER) to be at its lowest level since ex-President PW Botha's disastrous Rubicon speech in August 1985, is clearly the key factor, with political uncertainty one of the main contributors.

But there are also important economic realities which are a disincentive to investment.

Edward Osborne, group economist at Nedcor, listed them earlier this year as including such factors as high tax rates, high wage rates in relation to skill and productivity levels, shortages of skill, highly politicised trade unions, and high inflation. — Financial Times.

Recovery prospects dimmed by lack of fixed investment

Star 4/12/92

60

By Sven Lünsche

Chances of a sustained recovery are being undermined by a renewed decline in fixed investment.

The Reserve Bank says in its quarterly bulletin that fixed investment, generally viewed as a key to job creation, has slumped by 21 percent since the third quarter of 1989.

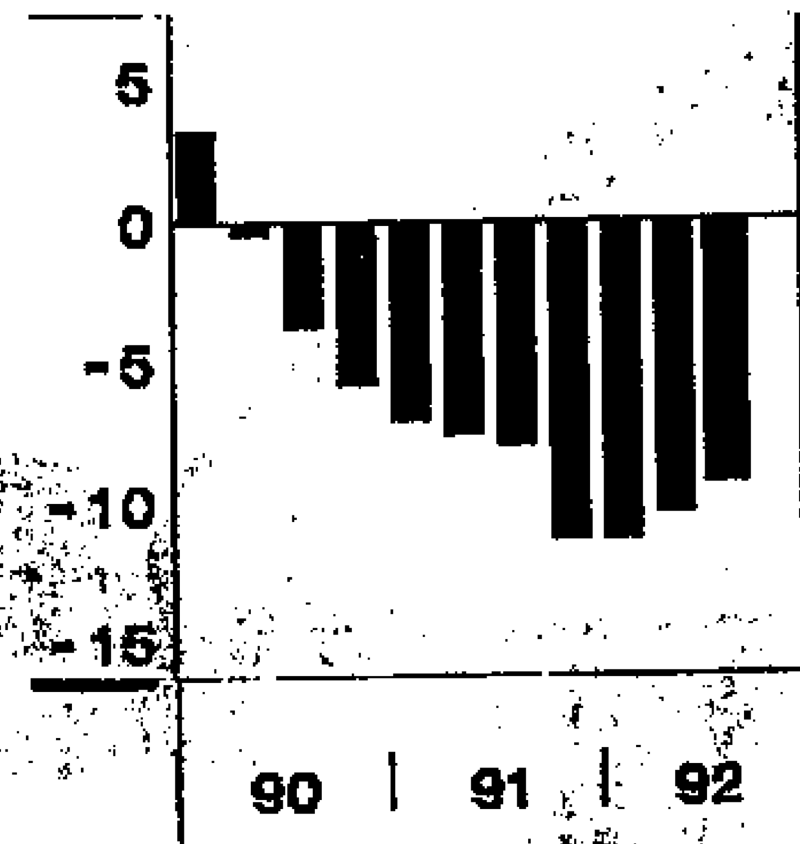
Relative to gross domestic product (GDP), fixed investment declined to its lowest level ever of 16 percent in the third quarter this year.

This compares with an average of 23,5 percent in the 1980s and with 21 for industrial countries and 31 percent for newly industrialised countries.

The Bank says investment in new plant and equipment was constrained by the poor outlook for domestic and global growth and a "generally conservative attitude towards capacity creation in an environment of political uncertainty".

The poor performance of the SA economy in the third quarter — it contracted by 5,5 percent — was further fuelled by a depletion in stock levels and a decline in spending by all sectors, including the Government.

The three percent fall in real consumption spending by the Government in the third quarter and followed two quarters of sharp increases and, according to the Bank, was mainly due to cutbacks in spending on goods and services.



Real gross fixed investment (percentage change over a year)

The Bank, however, remains critical of the public sector's burgeoning deficit before borrowing, which amounted to nine percent of GDP in the first half of the 1992-93 fiscal year.

Labelling fiscal policy as expansionary, it says the deterioration in government finances was largely due to the soaring deficit but also to the fact that the surplus of TBVC countries and self-governing states had declined to R500 million so far this fiscal year from R2,3 billion in 1991-92.

Overall domestic expenditure fell by 7,5 percent in the third quarter, after dropping seven percent in the preceding quarter, fuelled mainly by a three percent decrease in private consumption expenditure.

The cutback by households was particularly evident in the spending on durable and non-durable goods, both of which recorded declines of six percent.

Latest output figures show the overall economy contracting by 3,5 percent since the beginning of the downswing in the first quarter of 1989 and leads the Bank to suggest that GDP will fall by two percent this year.

Turning to foreign trade accounts, the Bank says the surplus on the current account dropped sharply to R400 million in the third quarter from R1,3 billion in the second quarter.

This was mainly due to the drought which forced SA to become a net importer of agricultural products.

However, on the capital account the net outflow slowed to R1 billion in the third quarter from R1,9 billion in the preceding quarter.

So far this year R2,9 billion has left the country, compared with R1,4 billion in the first nine months of last year.

The outflow of funds took place largely in short-term capital, largely due to a R500 million debt repayment in terms of the standstill agreement.

The net outflow of long-term capital increased to R300 million in the third quarter.

As a result of the smaller surplus on the current account total net reserves fell by almost R600 million in the third quarter, although the gross gold and forex reserves continued to rise.

The Reserve Bank says that in April the local foreign exchange market handled on average transactions worth $4,2 billion per working day, of which spot transactions accounted for 56 percent.

Violence is scaring off foreign investors, says UN's Angela King

BIDPM 18/12/92 (60)

RAY HARTLEY

SA POLITICAL leaders and businessmen were unaware of the extent of the effects of violence and instability on foreign investment, UN observer mission leader Angela King said.

She said in an interview that recent efforts by Finance Minister Derek Keys to explain the poor state of the economy to political parties were going some way to addressing the problem, but SA remained unattractive to foreign investors.

"I don't think that with the degrees and levels of violence and instability that SA would be a good investment option. It would be difficult for us as a community to invest in the country or fully lift sanctions. It was feared (earlier this year) that the country was out of control and violence was escalating."

King said political rivalry, electioneering and leaders' tendency to abandon forums where there was disagreement instead of talking through differences were obstacles to negotiations.

"No party or group of parties should try to stall the process or hold the process hostage by incidents of violence or petty personality issues. In KwaZulu and the Witwatersrand there is a tendency for certain parties, if they can't come to agreement, to leave forums rather than sit down.

"Our job is to be of nuisance value. We just have to make sure that everybody keeps talking."

There appeared to be an organised force behind much of SA's violence, but there was insufficient evidence to label this a third force, she said.

"It does seem that there is an element of engineering in what happens. In the Witwatersrand area, for example, the train violence is not the ANC and Inkatha, it is random killings.

"I am convinced that everybody wants peace and that if they talk about armed conflict or the use of force, this is the very last resort. But they don't always have mechanisms, or want to accept mechanisms that lead to a meeting of the minds or a greater understanding," she said.

"We have been pressuring government to put out a proclamation (prohibiting the carrying of weapons). They have to do something very quickly about it, because the guns keep on coming in across the border and they are very cheap."

King described the record of understanding between government and the ANC as "a major coup", but said Inkatha's rejection of it had led to greater caution on all sides. "There was a pulling back on several sides," she said. Government had perhaps not expected Inkatha's reaction and the ANC had perhaps begun to realise it was not helpful to be seen to side with government.

She said she was confident the UN mis-

☐ To Page 2

Angela King

BIPM 18/12/92 (60)

☐ From Page 1

sion had established its neutrality with most parties, and added that the only way to deal with apartheid was not by armed struggle but by negotiation.

SA remained in a good position to cope with violence.

"In this country you have a government, you have structures, you have forces of law and order, whether you support them or not is irrelevant.

"We are still at the preventive diplomacy stage where we're trying to contain the dispute. The next stage is peacemaking which we are also doing to bring hostile parties together around a table," she said.

● Comment: Page 6

Colin Legum looks at Africa, politics and oil

Opportunities for new investment

STAR 28/12/92.

60

THE possibility of new investment by multinational oil companies in African countries was envisaged by M A van den Bergh, a group managing director of the Royal Dutch/Shell Companies in an address he delivered to the Oil and Monetary Conference in London. He said that although progress on the economic front remained patchy, an increasing number of African countries had embarked on reforms which offered some hope for an economic reawakening.

The presence of oil in the Blue Nile province of Southern Sudan continues to prove to be one of the major stumbling blocks to ending the country's bitter civil war. The Khartoum regime has insisted in confidential talks with would-be mediators that it would resist any idea of losing control over the rich oilfields in the Blue Nile province, which falls within the Southern Sudan, in negotiations for either a federal or confederal constitution.

Strapped for oil — and indeed for most other urgently required imports — the Khartoum regime has entered into extensive agreements with Iran. In exchange for regular shipments of oil, as well as for military supplies, exclusive rights have been granted to an Iranian syndicate to take over the management of Port Sudan. Radio Cairo has carried reports suggesting that this concession is only a small part of a wider agreement giving the Iranian navy permanent access to Sudan's Red Sea ports.

Iran's expanding involvement in Sudan is causing serious concern to Egypt and Saudi Arabia, as well as to the country's other neighbours, Ethiopia and Eritrea. The former two suspect that Iran is exploiting Sudan's economic and military weakness to secure a foothold in the African continent from which to promote their Islamic revolutionary ideas.

Despite Tehran's denials, there is strong evidence to support allegations that Iran is supplying not only arms but also military instructors and possibly also some fighting cadres to assist the Sudan army in its war against the rebel forces in the South.

Zaire, which has its own limited oil resources, and more that could be exploited once the country achieves a measure of political stability, has entered into an agreement with Kuwait for a 12 months' supply of oil.

The Belli oilfield in Tunisia's Nabeul Province has come on stream. The oil was first discovered by the US Marathon company in June 1991. Its recoverable deposits over seven years are estimated at 3 million tons, and its present output capacity is reckoned to be 10 000 barrels a day.

Tunisia is keen to interest other multinational companies to carry out further explorations. It recently granted a drilling licence for hydrocarbons over 3 932 square kilometres in the Medinine Province.

Eritrea, which is due to become independent after a referendum next April, is giving a high priority to oil exploration along its Red Sea coast where earlier findings have proved promising. □

Investors turning pessimistic — FNB

STAR 29/12/92.

(60)

By Stephen Cranston

Both local and overseas investors are generally pessimistic about South Africa in the wake of a barrage of negative indicators, says First National Bank MD Barry Swart.

He says in the annual report for the year to September that given the worldwide recession, the tight monetary policies in South Africa, coupled with political uncertainty, it will be difficult for FNB to achieve significant growth next year.

Fortunately some pre-conditions for recovery have become apparent. Inflation has slowed, manpower costs are easing, there has been a marked improvement in the balance of payments, monetary policy has softened and interest rates are declining.

Independence

FNB expects a further decline in short-term rates by the end of 1993 and a current account surplus of R4 billion to R5 billion.

The greater independence of the Reserve Bank in recent times has resulted in the start of what FNB expects to be a continuing decrease in the rate of inflation and a weakening of money supply growth to within the seven to 10 percent guideline.

FNB lends support to the Reserve Bank's policy to maintain positive real interest rates and its commitment to the stability of the rand exchange rate.

The Reserve Bank has been willing to reduce nominal interest rates, but only to the extent of the small declines in the inflation rate.

Barry Swart . . . difficult to achieve significant growth next year

Swart says he supports the Reserve Bank's independence and it is vital that the maintenance of the rand both internally and externally be divorced from direct political pressure.

The country should not rely on a depreciation of the exchange rate of the rand to provide protection against inherent weaknesses in the production structure, just as the country should not look to a large-scale injection of new money to stimulate growth.

It is up to the private sector to stimulate business, economic activity and employment, while the public sector should focus on incentives or encourage individuals to save and invest, helping to generate capital.

The two sectors between them should create opportunities for people to acquire and improve their skills and so become more productive.

A more relaxed political attitude towards South Africa has been experienced internationally. There is a positive willingness of the international community to do business with SA once again.

FNB has achieved its objectives of Africanisation so far with the establishment of a subsidiary in Botswana and a joint venture finance company in Malawi.

Devaluation

The Malawi operation is performing better than projected in both income statement and balance sheet terms, although the value of the investment has been adversely affected by the devaluation of the Malawian kwacha.

The points mechanism on short-term forward cover has put both volumes and margins in offshore funding under pressure.

The pressure will continue and, in conjunction with the entry of foreign banks on the local market, will force more innovative international banking products to be developed.

The newly acquired Henry Ansbacher Holdings, based in London, is well placed to offer convenient, cost-effective and flexible offshore facilities for single or multi-centre trust and corporate structures.

It has a significant presence in the Caribbean and Channel Islands and offices in Zurich and Monaco.

Foreigners pounce in equities market

BIDOM 31/12/92 (60)

GRETA STEYN

FOREIGN investors in SA became net buyers of equities in the second half of this year for the first time since the second quarter of 1988, JSE figures show.

The figures showed a net inflow of more than R422m into the equities market in the fourth quarter of this year, up to December 18. This followed net purchases of R213m in the second quarter of this year after four years of net selling.

A stockbroker said the weak finrand had encouraged foreign investors to take a chance on SA shares as they had become cheap in foreign currency terms.

The Economist's table of movements in the prices of 16 stock exchanges shows that the JSE fell the most in dollar terms over the past year — 32,7% (at the finrand rate).

The broker said Bill Clinton's election as US president had revived interest in gold shares, which had high dividend yields. Foreigners who had invested in equities had read the SA market well as the finrand was now cushioned from extreme weakness by Finance Minister Derek Keys's clamps, and the JSE was firming.

However, the fourth quarter was less positive for foreign investment in gilts. There was a net outflow of almost R200m in the quarter, a sharp reversal of the popularity of the SA capital market with overseas investors. The first three quarters saw net overseas investment in government and parastatal stock, with inflows in the first quarter a substantial R823m.

Investors in gilts — mainly private individuals rather than big financial institutions — sold off stock in October when the finrand was under extreme pressure, in order to avoid capital losses. It was timed to coincide with a bullish capital market and came before clamps on finrand transactions brought more certainty.

In the first three weeks of October, when the currency was at its record lows, more than R300m of gilts were offloaded by foreigners. These sales were the main reason for the net outflow in the fourth quarter as subsequent weeks saw small net buying. In the three weeks to December 18, net gilts purchases of R169m took place.

Code of practice gives more punch to board independents

BDay 9/12/92. (61)

JOHN CAVILL in London

EXPORTED to SA, the recommendations of the Cadbury report on how British quoted companies should be governed could produce fascinating results.

Anglo American, for example, has a board of 30 directors. Of those, 11 are non-executive. Of that number only four would qualify as "independent" in terms of Cadbury — the other seven hold positions in companies in the Anglo-De Beers corporate family.

The independents are two academics, Dr Mamphela Ramphele and Dr Absalom Vilakazi; a retired judge, Jan Steyn; and an English merchant banker, Rupert Hambro.

And under the recommendations, these four would dominate a remuneration committee which fixed the salaries of Anglo chairman Julian Ogilvie Thompson, his deputy, Nicholas Oppenheimer, and all the other 17 executive directors.

The Code of Best Practice was unveiled last week by Sir Adrian Cadbury, a director of the Bank of England, former MD of Cadbury Schweppes and one of Britain's most senior businessmen. It was the result of 18 months' work by a committee — which received 225 submissions — set up by the Financial Reporting Council which consists of the London Stock Exchange and the three accountancy profession bodies in the UK.

The code is an attempt at self-regulation in response to a turbulent period of scandal, collapses and controversy in corporate Britain, many of which have involved companies where a single man has been all powerful — from the late Robert Maxwell at Maxwell Communications and Mirror Group Newspapers to Lonrho CE Tiny Rowland.

Its aim is to increase the accountability of executives to their shareholders and the transparency with which they report on the state of the companies. There should be a balance of power and authority "such that no one individual has unfettered powers of decision".

And, says the Cadbury report, the people who should be mainly responsible for ensuring this are the non-executive independent directors who should wield real power in an agreed system of checks and balances.

It defines independent directors as those who have no business connections with the company, who are selected by other non-executive board members, appointed for a limited period and who do not participate in share option schemes, receive pensions or other payment other than their fees. These fees should reflect the amount of time they commit to company affairs.

As Cadbury said: "Boards must be free to drive their companies forward but to exercise that freedom within a framework of effective accountability."

Adherence to the code will be voluntary. But from June 30 next year, the stock exchange's rules will require that the annual reports of all listed companies must carry a statement to say whether they are complying with the code and, if not, why not.

☐ OGILVIE THOMPSON

Cadbury hopes that the big institutional shareholders will use their weight to lever companies into compliance, adding that he expects the share price of groups which do will command a premium in the stock market.

"We are relying on market forces to turn our recommendations into action," he said.

The Cadbury measures are wide-ranging, but some of the chief points of the report are:

☐ Boards must be in firm control and should have enough non-executive directors (at least three, of whom two should be independent) of "sufficient calibre" to carry weight in decision-making;

☐ Independents should be able to take outside professional advice — at the company's expense — if they need it to carry out their duties to shareholders;

☐ Non-executives should have a say in all key issues from strategy to performance, top management appointments and standards of conduct; and

☐ They should also predominate on remuneration committees which recommend executive salaries. These should be fully disclosed, including share option and pension benefits and where there are performance bonuses, the basis on which these are awarded should be explained in annual reports.

The report also says the Companies Act should be changed to limit executives' service contracts to three years unless they have the approval of shareholders.

Companies which follow the code will also set up an audit committee — with at least three non-executive directors — with a clearly defined, written mandate to monitor the company's progress.

The board will have a duty to report to shareholders whether the business is a going concern, to say why they think so or to state any concerns and qualifications they might have about its health.

Cadbury has been widely welcomed. "You can't be against it. You have to be for it," said Robert Fleming Asset Management MD Charles Nunelly.

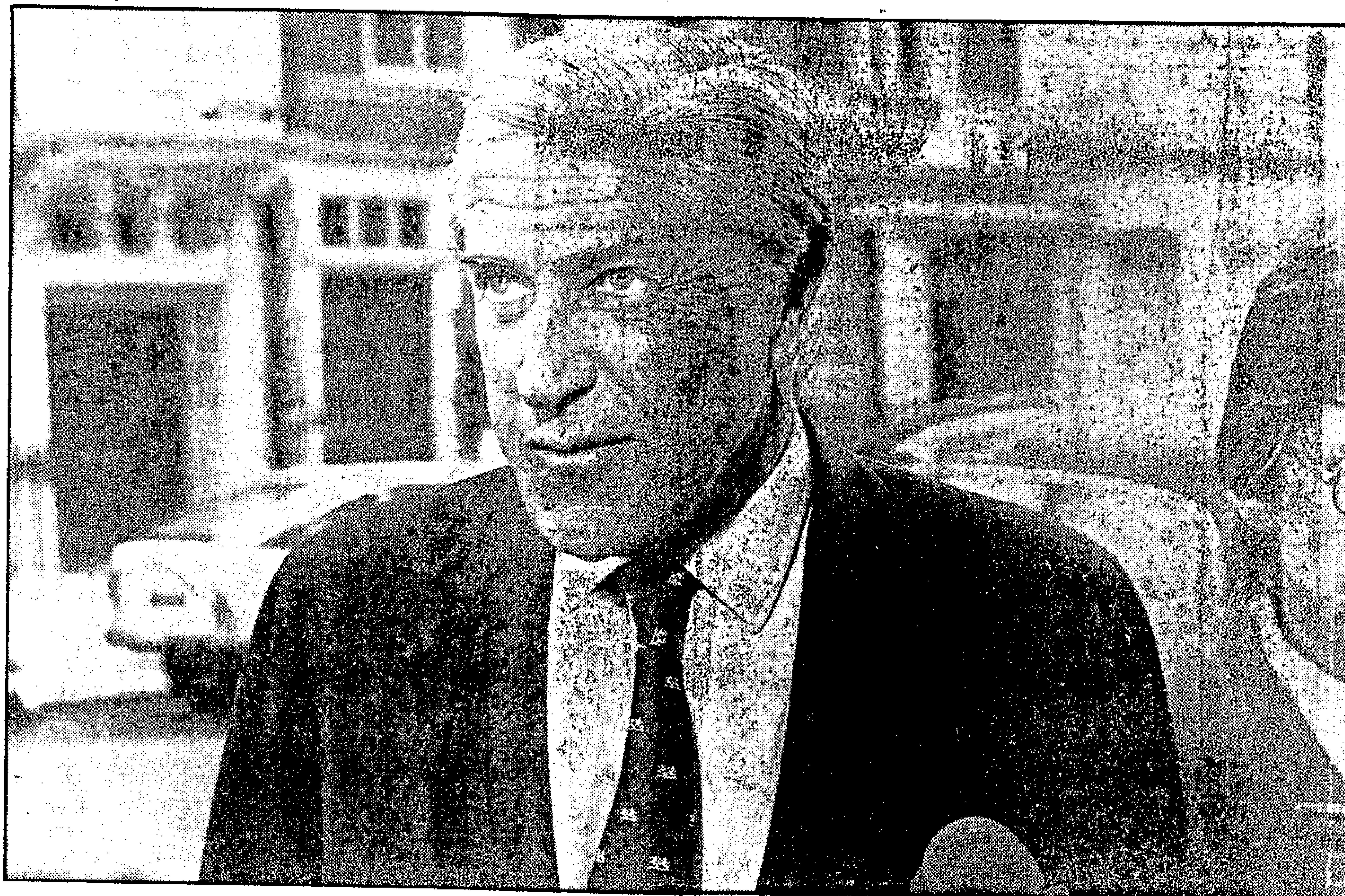
And while the Confederation of British Industry — which was hostile to the initial draft presented in May — says the code is better than legislation, there are doubts whether it will make any difference to most companies.

There is polite scepticism, too, about Cadbury's belief that the "market", in the shape of the big investment institutions which own more than 70% of shares listed on the London exchange, will provide the push for companies to observe the code.

As one fund manager said: "Institutions are loath to get involved in the running of companies. If they don't like the way things are going or the management they usually prefer to sell than use their votes at annual meetings."

Finally, nobody is forecasting that Lonrho, which has only one non-executive director on the board — Sir Peter Youens, a 76-year-old former executive of the group — will change its policy. Rowland has cocked snooks at the establishment before and when the last group of non-executive directors on the Lonrho board tried to curb him they were unceremoniously removed by shareholders.

SPOT DESK



TINY ROWLAND: The Lonrho chief executive deserves honorary membership of the pantheon of Africa's post-independence leaders. However, he does not have the same links with the new generation as with the old, who are mostly dead or exiled.

Change takes its toll on Lonrho

AS TINY Rowland prepares to make his exit from Lonrho, MICHAEL HOLMAN of the Financial Times looks at the multinational giant's changing links with Africa, the continent that made Lonrho what it is.

STAR 12/12/92. 61

LONDON — "Tiny's in town." For three decades the cry has gone up in towns and cities across Africa, from Cape to Cairo, from the lips of politicians, businessmen and journalists.

If the pantheon of Africa's post-independence leaders allowed honorary membership, Tiny Rowland (75), Lonrho's chief executive, could take his place for granted.

Ready to nominate him would be Dr Hastings Banda of Malawi; Kenneth Kaunda, Zambia's president until his election defeat last year; the late Samora Machel of Mozambique and his successor, Joaquim Chissano; Uganda's Milton Obote and Sudan's Jaafar Nimeiri; Joshua Nkomo, Zimbabwe's deputy president; and Kenyan President Daniel arap Moi.

New generation

Yet all those leaders are dead, or dying, exiled or exiting. Age has taken its toll, but so has democracy, with autocratic leaders buckling under domestic and international pressure and succumbing to demands for multiparty elections.

It was with these men that Rowland worked closely. It is said that he does not have the same links with the new generation of African leaders.

And Africa is changing in another respect. Structural adjustment under the scrutiny of the International Monetary Fund and World Bank is creating fewer opportunities to exercise presidential power.

The high hopes that marked the emergence of independent African states in the 1960s were dashed in the 1970s. Today those hopes are at their nadir.

All these changes have taken a toll on Lonhro's assets, however efficiently managed. Post-Rowland, Lonrho as a company, with Dieter Bock as its new driving force, will find business in Africa harder and potentially less profitable.

Lonrho has become increasingly dependent on profit from Africa. They accounted for £150 million (about R704 million) out of group pre-tax profit of £207 million for the year ended September 1991. Activities include, in South Africa, platinum, gold, coal and asbestos mining, motor dealerships and sugar investments.

Further north Lonrho has a wide spread of mining, agricultural and commercial assets spread across at least 16 countries. Prominent is the Ashanti gold mine in Ghana, but the list extends to tea, beer, pharmaceuticals, sugar, farming, textiles, soft drinks, timber, paint and hotels.

Yet questions shadow many of Lonrho's businesses.

Kenya's economic difficulties and political uncertainties put question marks against Lonrho's hotel and motor vehicle interests. Plantations in Mozambique depend on successful implementation of a UN-supervised peace plan. In Zambia Lonrho companies are dependent on the success of a fragile economic adjustment programme, as in Zimbabwe, where Lonrho has substantial interests.

Political risk

The future of investments in Malawi is heavily dependent on what happens after Banda, now in his mid-90s, passes on. Lonrho's companies in Nigeria are hit by economic crisis and uncertainty about the handover to civilian rule.

Weak currencies, political risk and hold-ups in remittance of profits and dividends make many holdings worth less than their book value. If sold, it would be difficult to repatriate the proceeds.

BP says 8 000 jobs might go

B.Dom 17/12/92

LONDON — Oil giant British Petroleum said on Tuesday it expected to cut 5 000 jobs worldwide over the next three years and it forecast a further 3 000 staff would leave its payroll by 1995 because of asset sales.

The 8 000 staff reduction target is in addition to the 11 500 job cuts announced by London-headquartered British Petroleum in August, when it reported half-year results.

"There is no specific reason for the added job losses, except our determination to be more profitable," said a BP spokesman, stressing the numbers were still just targets. "If we knew where the job losses were going to occur, we would make a formal announcement," the spokesman said.

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BP's job cuts target surfaced in presentations to oil industry share analysts in New York and London recently. — Sapa-Reuter.

BP plan to cut another 9 000 jobs will affect SA operation

(61) (383)

BIDAY 30/12/92

(385)

ROBERT WICKS

BRITISH Petroleum CE David Simon recently announced a cutback in staff of about 9 000 by 1995 in a move that could have serious repurcussions for BP SA.

This increases an earlier figure for expected job losses to a total of 20 500 or 20% of the global BP workforce, according to the London Financial Times.

BP SA would be affected mainly by marketing and refining cutbacks, industry sources said yesterday.

The cuts come at a time when BP faces a likely loss of £500m this year on a replacement cost basis, caused by increasing debts and a huge net cash outflow used to fund its ambitious oil exploration project.

The company said it had set a target of 5 000 direct job cuts over the next three years with a further 4 000 cuts through divestment of peripheral businesses.

"Roughly 4 000 will be in business interests that we plan to divest to third parties. The remaining 5 000 represent the balancing number of future job reductions that will occur over a three-year period," Simon said.

Commenting in a notice to staff in London, Simon said the staff cuts would not be concentrated in any one country but would take place gradually worldwide.

The reductions form part of a cost-cutting drive initiated by Simon to reduce operating costs by $1bn in order to add $600m to annual profits by 1995.

He said the 4 000 jobs would be cut mainly through normal and accelerated retirement, the voluntary redundancy programme and non-replacement of employees who quit.

Simon said he hoped to cut $400m from marketing and refining costs, $300m from the corporate centre, $200m from exploration and production and $100m from chemicals.

He said the company was not planning any further large, one-off cuts.

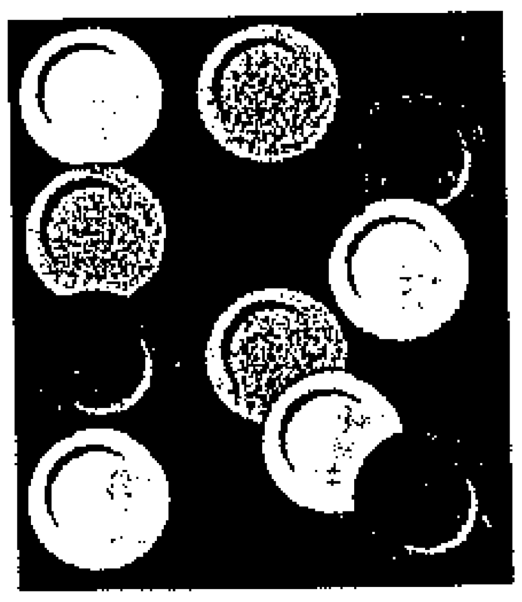
The cuts are in addition to plans announced in August to cut 11 500 jobs by early 1993. Those cuts will come mainly from the downstream part of the business such as refining operations and petrol stations.

In these areas competition and low oil products prices have squeezed margins while demand remains affected by the recession.

FINRAND INVESTMENT FM 4/12/92 (60)

Back to the Rubicon

Companies pursuing worthwhile opportunities abroad should not be blocked



Whatever else an observer might be tempted to conclude, SA is clearly not a country in which international businessmen are keen to invest. The trouble is that, as a philosophy, this appears to have gained at least as much credibility among SA businessmen as it has among sceptical foreigners.

Many SA companies are willingly applying huge sums in the pursuit of acquiring overseas assets, often at inflated prices (because of the effect of the financial rand) in order to diversify out of the country. They have been able to take advantage of this route, with Reserve Bank approval, for some years now; in recent months, however, the practice has gathered pace. The boxed list on the next page is by no means exhaustive but it adds up to the export, through the financial rand (FR), of about R6,5bn over the last two years — a substantial sum in anyone's language.

One result is that the unfortunate FR, the currency through which all this activity occurs, has had to absorb unprecedented strain. It does so by reflecting anticipated demand through huge variations in its discount to the commercial rand. And this volatility has attracted widespread and vocal condemnation by foreign investors in the JSE.

Now, Minister of Finance Derek Keys has decided to restrict the use of the FR by local institutions seeking to invest abroad. Only some of the moneys needed for purchase can be exported through the FR. The balance, perhaps the larger portion, must be secured by raising overseas loans. What's more, Keys says SA companies must satisfy his ministry that the intended investment would produce an "immediate benefit" for the country.

Predictably, Reserve Bank Governor Chris Stals was reported as welcoming the new measures and he told *Business Day* that quite a few companies with applications in the queue would have them turned down.

So, we are back to more controls and more limitations. Keys's actions — rather surprising, given his unimpeachable record as an accomplished businessman — merely add yet more bureaucracy to an already unwieldy system. But more important, they make SA business even more uncompetitive in a tough and hostile world.

Almost all the deals which have excited so much unfavourable overseas comment have taken place through the FR which has moved from a discount of about 10% to the commercial rand in November last year to 40% currently. And yet the exodus continued. Some appear to think the queue at the Bank of anxious businessmen waving details of their deals has spilled over to the pavement.

And, unfortunately, disinvestment by foreign companies has continued. After a lull for most of 1991, while the implications of President F W de Klerk's reform initiatives were absorbed, several large companies decided to remove themselves from the country. The UK's Blue Circle sold its remaining 42% in Blue Circle SA to Murray & Roberts for about US$150m; Pilkington sold its 48% stake in Glass SA to PGSI for about $200m; Reckitt & Colman sold its food interests for $40m; B Elliott sold its controlling stake in Gold Fields Industrial which it had held for 25 years; and Nueva Holdings AG also took the opportunity to depart.

Keys

So we have experienced a double dose of departing money: by SA companies anxious to acquire offshore assets and by international companies shaking the dust of SA from their feet.

This is not to say that no-one wants to invest in the country. The London School of Economics Centre for the Study of the SA Economy (*Quarterly report* November 1992) estimates that about $1,5bn has been invested in SA since 1989. 20 projects, out of a total of 51 identified by the LSE, accounted for inward investment of about $700m. Most of the projects were small, many of them below $15m, but some represented significant new investments. For example: BMW's decision to invest R100m in a new local content programme; Johnson Matthey's to build a R35m plant to produce catalytic converters for export; and Hoechst's decision to embark on a R100m expansion programme.

Nevertheless, since the reform process began there have been some large investments overseas by SA companies. Those that stand out notably are in the paper sector, where Sappi and Mondi together contrived to invest about R2,2bn, and in food where the Royal deal to take control of Del Monte Foods International (see *Fox*) is expected to be concluded this week at a price, probably, of around R2,1bn.

The sum of disinvestment from SA by overseas companies, coupled with the investments made internationally by SA companies, outweighs the impact of new investment in this country over the last three years — probably by a factor of more than two to one. The direct impact of disinvestment by overseas companies and by SA companies abroad is, of course, alleviated by the FR mechanism: observers have only to look casually at the performance of the FR to see the strain it has taken, certainly in the last year.

SWIMMING IN THE FINRAND POOL

The financial rand (FR) is essentially a "bookkeeping" mechanism designed to prevent the withdrawal of monetary assets from SA. It is the name given to rand assets owned by nonresidents.

There is a liquid "pool" of FRs held in and out of SA by brokers and bankers who trade in FRs as a commodity and who provide a market for investors wanting to acquire FRs. Dealers affect the size of the pool by arbitrage between the JSE and the London and New York stock exchanges.

For each overseas investor who wants to invest in SA, there has to be one willing to disinvest. For this reason, the value of the FR as measured against foreign currencies is an indicator of investor sentiment about SA.

If foreign holders of FRs want to convert these into, say, dollars, they must buy SA securities which they then sell on overseas markets. If such a transaction occurs in sufficient volume, the effect is that the share price falls in comparison with that ruling on the local stock exchange; it also has the effect of bringing down the value of the FR.

It follows, therefore, that the price of the FR is determined by the supply of and demand for FRs in the pool and by the differences in prices of shares on the JSE compared with overseas exchanges.

The FR has always been regarded as the barometer of foreign investor sentiment. Now, however, it could more accurately be regarded as a test for local disinvestment sentiment.