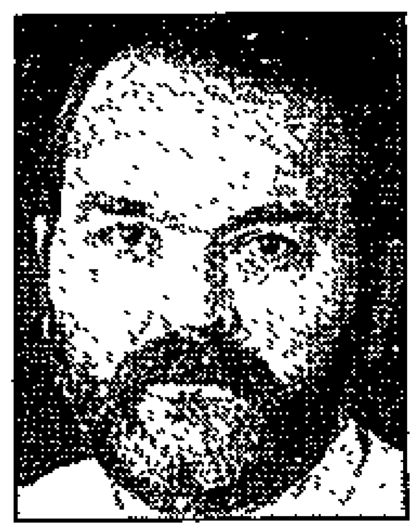
FOREIGN TRADE - ~~E~~

1997

DIPLOMATIC VIEW

Don't bet the farm on SA getting its way in EU talks

(74) CT(BR) 23/1/97



JEAN-JACQUES CORNISH

First prize for South Africa in the next round of negotiations for access to the European market, which begins in Pretoria tomorrow, would obviously be for the European Union (EU) team, led by Philippe Soubestre, to accept the proposals handed to the union last month.

This would end two years of preliminary parry and thrust between the EU and South Africa and allow the experts to get down to business.

However, it would not be smart to bet the farm on this round of talks, expected to last two days, yielding such a satisfactory outcome for South Africa.

Far more likely is the second prize: Soubestre and his six or seven experts seeking clarification from the South African team led by Elias Links, South Africa's ambassador to the EU, and then returning to Brussels for further consultation and instruction from the European Commission.

The booby prize, then, would be outright rejection of the South African position.

Whatever happens in this tricky process, South African negotiators are determined to explode some myths that have made their task even more difficult.

The first of these is that South Africa has delayed the process by not producing a detailed "mandate" to present to the European side.

The misconception is understandable. The European Commission did indeed get a mandate from the EU members for negotiating with South Africa. This is the only practical way the will of the individual countries can be expressed in these dealings.

On the other hand, the sovereign government of South Africa needs no mandate. It is required to have a position, as the EU has now had spelled out to it, which it is fully entitled to amend as negotiations proceed.

As much as it would suit the EU, the South African team cannot be expected to draw up a line-by-line comparison with the commission's mandate.

Incidentally, the South African position should explode another myth: that of the "big brother" in the region trying to call all the shots.

The paper presented to the EU last month proposes a trade and development deal with Europe rather than the free trade agreement proposed by European negotiators.

This was drawn up in consultation with other members in the Southern African Customs Union (SACU) and the Southern African Development Community (SADC).

Whatever the critics of Pretoria's regional policies say, the fact that President Nelson Mandela had the chairmanship of SADC literally thrust upon him last year can only be seen as a vote of confidence by South Africa's neighbours.

The South African case will be led by Links. Zav Rastomjee, the director-general of trade and industry, will then argue the South African proposal in detail.

Abdul Minty, the deputy director-general at the foreign affairs department, charged with multilateral relations will present the political background to the proposal. This was arrived at after exhaustive negotiations with the business and labour sectors at home and with South Africa's neighbours.

The thrust will be on persuading the Europeans that a trade and development approach recognises the developmental needs of South Africa and of the region.

This approach also gives substance to the reams of EU rhetoric on its developmental vision for the region.

The South African team will argue that a trade and development approach will help underpin the democratic order in South Africa.

Further talks between experts on both sides have been scheduled for Saturday.

By then, it should be clear whether this round of negotiations will have carried the process substantially further.

(74) CT(BR) 23/1/97

SA urged to accept EU free trade offer

John Fraser

Brussels — Philippe Soubestre, the European Union's (EU) chief negotiator with South Africa, urged the government yesterday not to throw out the EU's offer of a free trade area.

He was preparing to fly out to South Africa for the start of full negotiations, which are scheduled for tomorrow, in Pretoria. Soubestre refused to be drawn on reports that South Africa has rejected the EU's offer, saying that the real negotiations have still to begin.

"The sooner we can carry this process forward, the better," he said. "I think both sides are now really prepared to start serious negotiations. I don't believe reports of the rejection of our mandate reflect the position of the South African government."

'There is a feeling on both sides that we want a deal, but there are difficulties with the proposals'

He said that while South Africa's original aim had been membership of the EU's Lomé Convention, that would not have been possible under world trade rules, which he said were binding not only on the EU but also on South Africa.

He suggested that "trans-atlantic partners" (the US) would challenge any deal between South Africa and the EU which did not involve a two-way freeing-up of trade.

The Lomé Convention involves concessions from the EU side, but these do not have to be matched by African signatories, including all of South Africa's neighbours.

"We are part of the international community and we have to be seen as acting reasonably by our partners," said Soubestre, who took over as the director-general of development in the European Commission this month.

He suggested that this view was becoming understood and accepted in Pretoria.

Soubestre claimed that there was now "mutual trust and confidence" between Pretoria and Brussels, but he refused to speculate on how long the negotiations would take.

"There is a feeling on both sides that we all want a deal but there are difficulties with the proposals ... but I still await details of the South African stance. The problem is to translate political will into bilateral relations."

He said both the EU and South Africa had to take account of the effect of a deal on South Africa's partners in the South African Customs Union and the Southern African Development Community.

Soubestre rejected reports that the EU was doing too little to support economic development in South Africa and said that both Europe's development aid programme and loan programme from the European Investment Bank were larger for South Africa than for any other country.

Fight for fair trade

(74) Sowetan 23/1/97

South Africa goes into tomorrow's talks with the EU seeking an accommodation that is satisfactory to both sides and which, especially, reflects its own interests. Isaac Moledi considers the possibilities...

SOUTH AFRICA STARTS another round of tough negotiations with the European Union (EU) in Pretoria tomorrow. On the negotiating table are the terms of a trade agreement which the EU has proposed but which South Africa is unlikely to accept.

South Africa's negotiating team, which includes ambassador to Brussels Dr Elty Links, Foreign Affairs deputy director-general Abdul Minty and Department of Trade and Industry chief director for foreign trade Faizel Ismail, has made it clear South Africa is prepared to negotiate with the EU as long as there is common ground between the two parties.

For the first time South Africa put its official position this week: it will go into trade discussions with the EU on a Free Trade Agreement (FTA) but a solution satisfactory to both sides must be found.

At a Press conference in Pretoria this week, Ismael said: "Hope for a suitable solution is still in the offing as long as the EU adopts a new approach and a new vision on the matter."

South Africa said it took up the challenge to explore a possible FTA with the EU on condition a symmetry was included and South Africa was given immediate access to EU markets.

Impact of agreement

The team also emphasised that attention should be given to the impact of such an agreement on Southern African Customs Union (Sacu) members – South Africa, Botswana, Lesotho and Swaziland – and on the Southern African region as a whole.

The South African team hopes the most beneficial long-term trade relationship with the EU will be the same preferential trade terms offered to other African, Caribbean and Pacific countries under the Lomé Convention.

However, in June 1995 the EU's Council of Ministers – which formulated a Negotiating Mandate for the European Commission – rejected South Africa's request for market access through Lomé.

Instead, it suggested qualified access to Lomé, with both sides phasing out tariff barriers on industrial and some agricultural products over 10 years.

South Africa was angered by this, as well as by the EU's exclusion of almost 40 percent of the country's agricultural products from the European markets.

Ismail said the exclusion of such a large percentage of South Africa's agricultural products put the EU's whole free trade concept into question because "this is not consistent with the World Trade Organisation's rule".

In terms of the WTO rule, an FTA should cover "substantially all trade". This means that the EU's decision to exclude certain South African products may be illegal.

Flashback ... Trade and Industry Minister Alec Erwin addressing a meeting of the World Trade Organisation.

Ismail hopes South Africa will clinch a deal with the EU at tomorrow's talks, but this depends on the EU's preparedness to come up with "a completely new instrument to address the problems".

"We have not put a very detailed proposal on the table yet as there is a need to come up with a common understanding on some of the issues. We call on the EU to show the same commitment we have demonstrated," he said.

According to Ismail, South Africa has been doing research and consulting broadly – both locally and with its partners in Sacu and the Southern African Development Community – on the possible effects of an FTA on the country and the region before finalising its position.

"The contents (of the EU proposal) clearly demonstrated that the EU had not given any attention to the effects which an FTA would have on South Africa and the region as a whole," he argued.

"South Africa remains fully committed to ensuring widespread consultations while the negotiations are in progress," added Ismail.

The negotiating team also pointed out that it supports a trade and development agreement, and not an FTA.

"The trade and development approach recognises South Africa's developmental needs as well as the needs of the region. In fact it better articulates the developmental vision the EU initially expressed for South Africa and the region," the negotiating team stated in the briefing document released to the media this week.

The proposals for a trade and developmental agreement are intended to contribute positively to placing the South African economy on a new development-oriented growth path.

This will lead to the restructuring of the present unbalanced economic relationship, where South Africa and the region export mainly raw and semi-processed materials in exchange for highly processed capital goods.

"This imbalance is also reflected in the growing trade deficit that South Africa experiences with the EU," the team argued.

They believe that because of South Africa's inextricable link with the region, its different levels of development to that of the EU and the fact that the Sacu and SADC members will have to bear the burden of massive adjustment costs caused by reciprocal trade liberalisation, a longer phase-in period for tariff reductions should be granted to South Africa.

EU must open up

In addition, it proposed that the EU must open up a far greater percentage of its market to South Africa than the country is required to open up to the EU.

South Africa believes that the EU's present stance has undermined the basis on which discussions were initially launched. While it is ready to move towards free trade, the EU fails to recognise that it enjoys an unsustainable trade surplus.

The EU's failure to recognise that other Southern African states (which are members of Lomé Convention) are significantly integrated with the South African economy was also described as unacceptable.

Tomorrow's meeting is expected to come up with a solution agreeable to both parties.

NEWS POLITICS

74

SA and EU in trade talks

SOUTH Africa's development needs as well as those of its neighbours will have to be recognised in any trade agreement with the European Union, South African trade negotiators said this week

They told reporters in Pretoria this would be the central message to the European Commission when trade talks with the EU resume in Pretoria tomorrow.

South Africa was a young democracy and its own development could not take place in isolation from the rest of the region, Foreign Affairs deputy director-general Mr Abdul Minty said.

"Therefore, any relationships that are determined between South Africa and the EU have to take into account the regional context," he said.

This was also the thrust of a paper on South Africa's stance, to be formally presented to EU negotiators, tomorrow.

The document said the EU had so far failed to recognise the integrated nature of the SA economy with that of Botswana, Lesotho, Namibia and Swaziland.

It called for a trade and development agreement with the EU instead of a free trade agreement.

The stalled free trade talks were put back on track last month when South Africa resolved an impasse by outlining its negotiating stance. – *Sapa.*

EU negotiators arrive 'to listen to SA'

John Dludlu (74) BD 23/1/97

EUROPEAN Union (EU) negotiators who arrive today for the resumption of co-operation talks with SA tomorrow are hoping to work out a programme of action that will put the stalled discussions firmly on track, sources say.

EU ambassador to SA Erwan Fouéré said last night although not much was expected to come out of this round of discussions, the session was important in building confidence amid the pre-talks speculation.

The EU delegation, to be led by acting director-general for development Philippe Soubestre, would seek more clarity on the SA position which was informally delivered to Brussels last month, Fouéré said.

"We are going to listen to the presentation of their position; we would also like to know what SA's long-term objective and vision is."

EU sources hope the talks, which will continue over the weekend, will come up with a statement setting out the principles of the discussions. Such a framework will cover areas of common ground such as the regional aspects of the proposed co-operation accord, long-term objectives, time scales for further talks, as well as the compatibility of the final agreement with the World Trade Organisation (WTO) provisions on free trade arrangements.

The EU says its proposal was tested for WTO compatibility before presentation to SA. Faizel Ismail, trade department foreign trade relations chief director, has said that while the provisions were not sufficiently clear, they were "loosely" understood to include coverage of 90% of all trade between contracting partners.

Millers seeking more effective border controls

Louise Cook BD 23/1/97

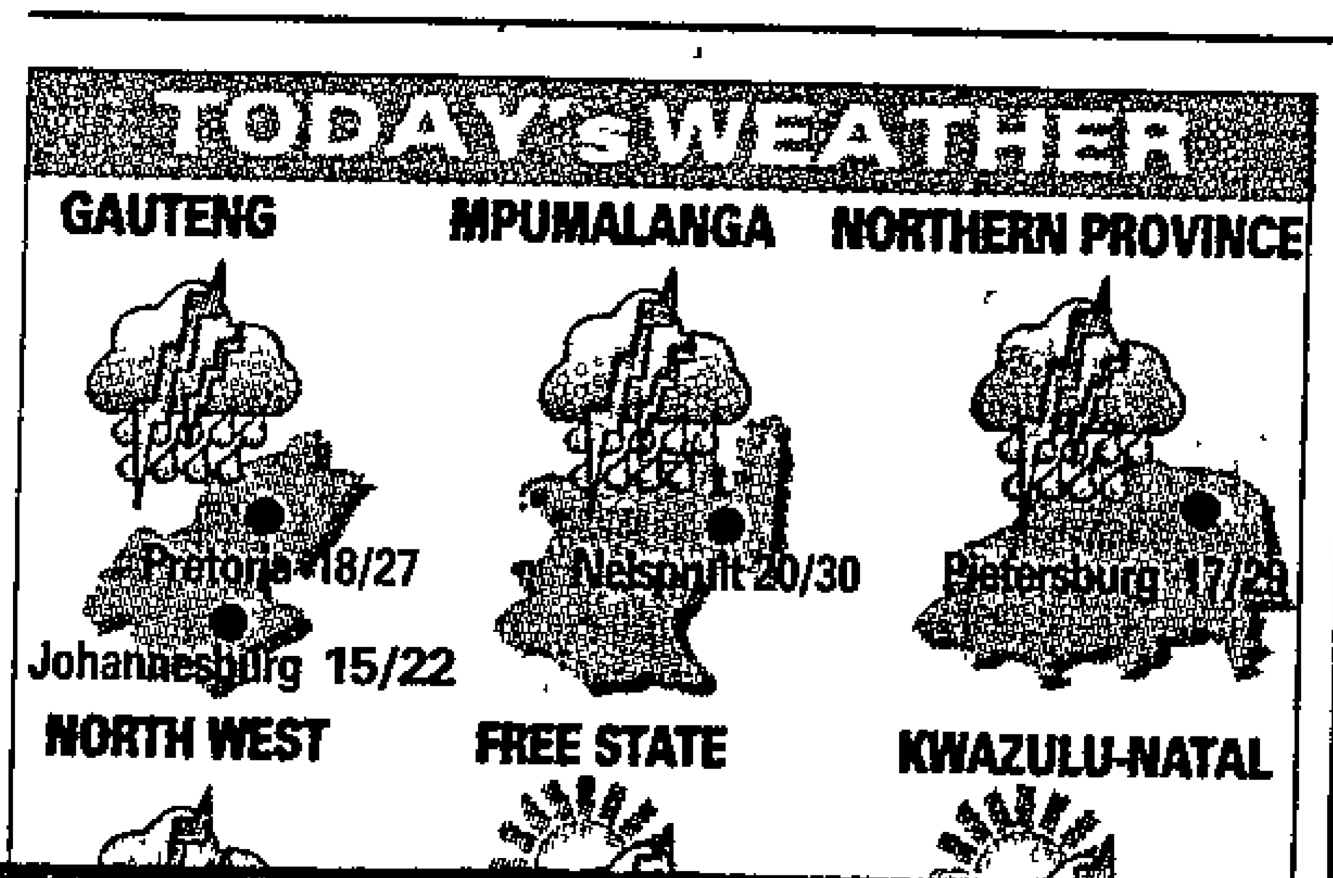
THE Southern African Millers' Federation, representing 31 milling companies from Southern African Development Community (SADC) countries, yesterday called on governments in the region to set up more effective border controls.

The federation met at Centurion to discuss strategies towards fully deregulated grain trade between SADC countries by the year 2003 — a move in tandem with an agreement last year between SA, Mozambique, Botswana, Zambia, Lesotho, Malawi, Swaziland, Namibia and Zimbabwe. The countries committed themselves to free trade and zero tariffs on goods in eight years' time.

However, SA Chamber of Milling MD Jannie de Villiers said millers could not operate in a free trade environment without effective customs control.

"The problem lay mainly in a lack of expertise and training of customs officials. To introduce a free trade area without proper monitoring of goods was asking for serious trouble," he said.

Grain trade turnover in SADC countries amounted to R12bn a year, half of it generated in SA.



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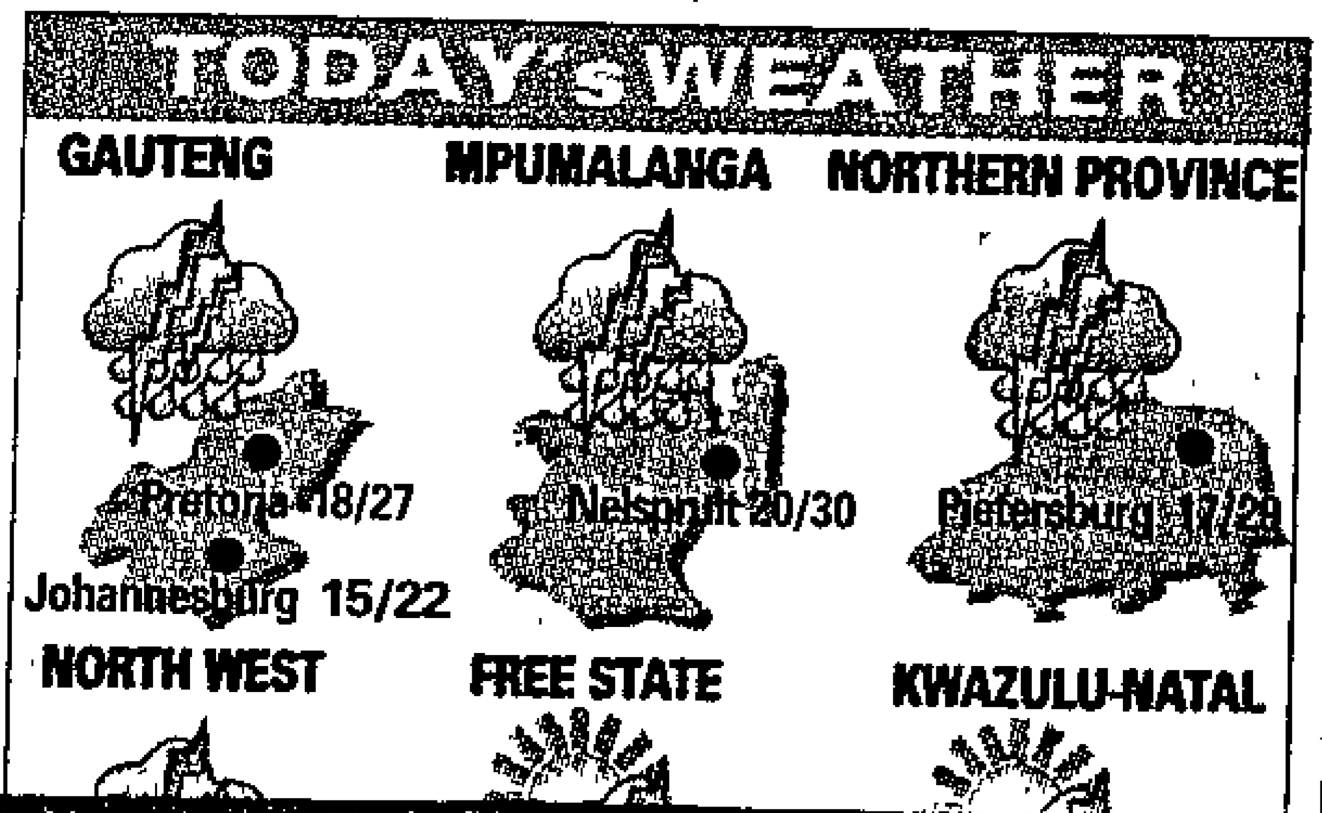

TRADE LIBERALISATION & SOUTHERN AFRICAN CUSTOMS UNION

CONSIDERING THE NEIGHBOURS

FM 24/1/97 (74)

Like it or not, in trade policy decisions SA's fate is inextricably linked to those of its partners in the Southern African Customs Union — Botswana, Lesotho, Namibia and Swaziland.

But this hasn't been reflected in SA's behaviour in negotiations for a bilateral agreement with the European Union (EU), which resume on Friday.

At the June talks last year, SA asked for time to study the EU's mandate and formulate counter proposals that would accommodate the needs of its regional partners. But the other Sacu members only received their copy of SA's mandate this week — a month after it was sent to the European Commission (EC).

Pretoria's lack of transparency is reportedly a cause for concern for the EC. And it's no recipe for easing the smaller players' lingering mistrust of SA — a traditionally overbearing partner.

Of course, the oversight could be simple inefficiency rather than high-handedness. SA failed to send the mandate to its own embassies in Europe. And SA's EU mission received its copy from the EC.

The document was described by EC sources as disappointing and unprofessional; lacking the detail and alternatives SA had promised. They say the first part rhetorically criticised the EU's mandate and the second was largely based on EU proposals sent to Pretoria in 1994.

Brussels correspondent Stijn De Preter reports: "Stakes will be high at Friday's talks. The EU will remain SA's most important trade and development partner for years to come. And the talks will be watched closely by other countries who are keen to sign a free trade agreement with the EU and who would be far more professional in managing the process."

But SA's smaller partners are also important — and not just because increased hardship in neighbour states would add to SA's immigration burden.

The market for SA exports to Sacu partners is increasingly significant. And some union countries rely heavily on revenue from the shared Customs & Excise pool (see box). The question is, how much does the union stand to lose as trade liberalisation reduces that pool?

The effect of the World Trade Organisation agreement arising from the Uruguay Round of Gatt, which entails tariff reduction, appears to be limited. Says parliamentary Trade & Industry committee chairman Rob Davies: "The impact of tariff reduction can vary. If you reduce tariffs, revenue may actually increase, depending on elasticities of demand. So far, the assumption is that the impact on the union would be revenue neutral."

But revenue may be harder hit by total tariff removal as envisaged in the EU free trade agreement. "When you actually remove tariffs on a large part of your trade," says Davies, "revenue can decline quite significantly. One estimate being quoted is a drop of about R2bn. That would have a serious impact on SA's neighbours.

"Namibia's economic policy research unit suggests an agreement along the lines of the EU proposal would result in up to 15% revenue loss for Namibia — not the most union-dependent country."

But a worse threat could come from a regionally specific agreement. Unlike SA, the smaller union states are members of the Lomé Convention, so they have preferential access to the EU market. And union membership doesn't affect that.

But Lomé is being revised, and one option is to create a series of regionally specific agreements. If one of these were reached between the union and the EU, would it be based on the trade strengths of SA — the strongest partner — or the weaknesses of the weaker partners?

If the former, then the smaller states would lose their preferential access and their exports would be subject to the same exclusions as SA's. That could be more detrimental to the smaller union states than any shape the EU accord might take. ■

THE FACTS ABOUT THE CUSTOMS UNION

THE POOL IS DUE FOR A CLEAN-UP

Customs & Excise revenue collected by the Southern African Customs Union countries is pooled and shared according to a formula. This is weighted in favour of the region's smaller countries to compensate them for the effects of being in a union with a bigger partner. SA generates around 96% of the revenue pool but receives about 66% of it.

In financial 1995 the pool held about R12,3bn (1994: R11,2bn). Around R4,2bn (R3,6bn) went to Botswana, Lesotho, Namibia and Swaziland.

The basics of a new, more scientifically calculated formula have been agreed. But the shares allocated aren't expected to change much, as the smaller countries would suffer considerably. Swaziland and Lesotho rely on the revenue pool for roughly 50% of total government income before grants; Namibia for around 20% [illegible] and Botswana 15%.

SA's trade relationship with its union partners is becoming quite significant. Their provisional figures for financial 1995 show that Botswana bought R5,1bn of SA goods, Lesotho R[illegible]bn, Namibia R5,8bn and Swaziland R3,9bn. ■

CITY OF LONDON SOAP OPERA

BATTLE OF NICOLA HORLICK

With its heady mixture of six-figure bonuses and a wrathful mother pitched against the might of Deutsche Morgan Grenfell, the battle of Nicola Horlick has made for a soap opera watched with undisguised delight in London.

Until last week the British public was unaware of Horlick, 36, though she was widely respected as a high-flying pension fund manager with Morgan Grenfell Asset Management (MGAM) who com-

SA, Europe resume trade talks

ARG 24/1/97 (74)

South Africa and Europe launch a new round of talks in Pretoria today, aimed at creating an agreement on trade.

South Africa's negotiating position was thrashed out by the Government after consulting local business, financial and social partners and its 11 partners in the Southern African Development Community (SADC).

Pretoria has stated that the agreement should address the "unbalanced economic relationship" with the EU and end "the discriminatory treatment" accorded by the EU to South African exports.

Pretoria's specific complaints deal with the EU's treatment of its exports of industrial goods and agricultural products.

Brussels, in turn, has decided to allow Pretoria easier access to industrial markets, but, under the pressure of its own farmers, has refused 38 percent of South Africa's proposed agriculture exports.

South Africa is also concerned that its partners in the Southern African Customs Union (Sacu) could suffer as a result of the agreement with Europe. – Sapa-AFP

SA-EU trade deal will affect the whole SADC region

(74) BD 24/1/97

THE negotiations between SA and the European Union over the proposed free trade area occur at a delicate time in Pretoria's relations with southern Africa, write Greg Mills and Itumeleng Maake

THE negotiations between SA and the European Union over the proposed free trade area, resuming today, are arguably the single most important foreign policy challenge facing Pretoria this year. For not only is the union SA's most important trade partner, but these discussions occur at a delicate time in Pretoria's relations with southern Africa.

The deal with the EU cannot be viewed as distinct from the political economy of the Southern African Development Community (SADC). Indeed, it has been argued that SADC hurried through the free trade protocol agreement at its Maseru meeting in August last year, precisely to include the region legally in SA's calculations when assessing the costs and benefits of the EU deal.

President Nelson Mandela's assumption of the SADC chairmanship also entails key regional responsibilities beyond just moral leadership of the sort the old development co-ordination conference provided during the anti-apartheid struggle.

Although SADC has shifted its focus to be more in line with market integrative trends globally, it is clear that many challenges remain which SA will have to tackle alongside its SADC partners if the organisation is to take on real relevance and utility.

First, the SADC needs to set out a clear reform agenda, both in terms of its structures and financing. The community inherited a system of "sectoral co-ordinating units" whereby each country maintains control over an area of functional activity: Angola, energy; Lesotho, tourism; SA, investment; and Zambia, mining.

The SADC should prioritise those sectors which stand to reap the greatest regional (and not necessarily national) reward. This will probably involve streamlining and prioritising of its 425 projects in its \$8,5bn "programme of action" to a manageable number in key functional sectors, notably infrastructure, trade and finance, human resource development, and agriculture.

Instead of a reliance on nationally run sectors which have regional responsibilities, these should be replaced by multilateral SADC commissions in only these key areas which can operate on a more professional basis free from vested national interests and can strengthen institutional capacity.

The implementation of regional infrastructure projects will demand a change in culture away from a "conference mentality" whereby the SADC aims at generating donor income for projects, to capacity-building and the mobilisation of regional resources.

Donors account for 90% of SADC's income, although only an estimated 50% of this financing can be absorbed due to a lack of institutional capacity.

Last year, it was reported that bilateral aid from the Nordic states to SADC amounted to \$500m-\$600m a year. Further funds are also channelled through the World Bank and the UN. SADC's institutions and programme are subject to an official review and rationalisation study which is to report its findings in March.

Effective sectoral development will necessitate the co-option of the private sector and a reduction of regional suspicions of privatisation programmes, which have received a bad press under World Bank and IMF structural adjustment programmes. As the Maputo Corridor project aptly demonstrates, privatisation provides opportunities for investment and, most importantly, funding.

Second, the SADC will have to flesh out the protocol committing the region to free trade (under the World trade Organisation) by 2004. Somewhat crudely intended to encourage regional trade through the elimination of tariff barriers, the protocol will also have to establish a time frame for the reduction of nontariff barriers, especially given the almost non-existent customs procedures in some areas.

It should also take into account the asymmetric and unequal nature of southern Africa's economies, possibly by providing differential liberalisation access for less developed states. And unless the protocol is to lead to polarised industrialisation located only in certain areas of the region (particularly in SA, given its inherent competitive advantages in many sectors), there is a need for a co-ordinated southern African development approach.

Tariff liberalisation is meaningless if the problem lies with the development of supply-side measures. For although SA will, through the free trade protocol, be opening its economy up to the region, it is doubtful whether the region can take advantage of this partly due to the de-industrialisation that has already occurred.

Third, while underresourced in terms of personnel and finances, the SADC has set itself a unrealistically ambitious agenda in some areas, notably the functions of the Organ on Politics, Defence and Security. This organ is expected to do everything from developing a common foreign policy to a joint peace-keeping capacity.

Moreover, it commits states to a mutual defence pact — a dangerous obligation which could lead to the SADC fighting wars inside or on behalf of its members.

An SADC "with teeth" is clearly a threat to some member states, especially those who harbour notions of grandiose self-importance, while an SADC which operates at the level of political rhetoric and not functional economic reality, can contribute little. Hence the need for the inclusion of Zaire into the community.

The SADC is critically placed to meet southern Africa's many needs. But without additional resources and restructuring, it cannot achieve the tasks already allocated to it. These challenges tug at Pretoria as it grapples to balance regional leadership with other external demands.

□ *Mills and Maake are, respectively, national director and research intern at the SA Institute of International Affairs. They write in their personal capacities.*

SA cautiously backs EU pact

BILATERAL NEGOTIATIONS

By SVEN LUNSCHE

SOUTH AFRICA in principle backed a free-trade agreement with the European Union in the first round of trade negotiations on Friday.

Sources close to the talks stressed, however, that the SA delegation spent the first day of the two-day talks emphasising the impact of the EU deal on SA industry and the southern African region. They cautioned about the impact of an open market on companies in the region.

"This was the first opportunity we had to listen to the views of the South Africans. They have previously indicated to us their support for a free-trade deal but are obviously concerned about the timing and asymmetrical approach that underlies it," a senior EU negotiator said.

The EU has proposed lifting tariffs and duties on most SA exports to Europe in return for a phased opening up of the SA market to European exports over a period of time to be negotiated.

SA officials called on the EU to rethink its approach, to ensure any accord was a wider package to promote development in the region, rather than just a reciprocal deal to cut industrial and agricultural tariffs.

The two-day meeting, which ended yesterday, was largely devoted to establishing ground rules and setting the agenda for future negotiations. Analysts expect the talks to conclude by year-end.

Prior to this week's Pretoria meeting both sides said they were committed to reaching agreement on a package which could reap rich rewards for their export industries.

"We hope that the negotiations will be very constructive and see the establishment of cordial relations," said SA ambassador to the EU and head of the delegation, Eltie Links.

EU officials have been waiting for over ten months for a response from South Africa to the bloc's initial call last March for negotiations on a free-trade deal with Pretoria, writes Sapa-DPA.

The free-trade pact aims to ensure a reciprocal reduction of European and SA tariffs in both the industrial and farm sectors.

But in a bid to protect European farmers from SA competition, the EU mandate calls for the exclusion of nearly 40% of SA agricultural products from the future free-trade deal.

The EU, however, has pointed out that 96% of South Africa's exports would still enter the EU duty free. The restrictions placed on SA farm exports, and the fact that the country is being offered only partial membership in the Lomé Convention, the trade and aid deal which links the EU to 70 African, Caribbean and Pacific states, has irked Pretoria, which says that the EU is reneging on its promise to aid SA development.

Pretoria officials have also expressed concern that the free trade deal will lead to a loss of income from customs tariffs for members of the Southern African Customs Union, which comprises South Africa, Swaziland, Botswana, Lesotho and Namibia.

Earlier this week, EU chief negotiator Philippe Soubestre said that given its level of economic development, South Africa could not be given the restriction-free access to European markets accorded to other, poorer African states.

Picture: BRETT ELOFF

CORDIAL RELATIONS ... Philippe Soubestre and Eltie Links at the Union Buildings before tough trade talks on Friday

(74) ST(BT) 26/1/97

Delay sparks concern that negotiators have hit a serious snag

EU-SA trade talks drag along

(74) CT (BR) 27/1/97

PETER FABRICIUS

Johannesburg — The opening round of negotiations between the European Union (EU) and the South African government over creating an EU-SA free trade area dragged on for an extra day yesterday amid concerns that they had hit a serious snag.

Philippe Soubestre, the EU's chief negotiator, postponed his return to Europe from Saturday night until last night, Ismail Lagardien, South Africa's trade and industry ministry spokesman, said yesterday.

Soubestre had been expected to complete a substantial part of the first round of negotiations by Saturday. The negotiations were not expected to produce a final result as yet and will continue for many months. But officials were hoping for some closing of the large gap between the opening positions of each side.

The negotiations will determine the economic relationship between Europe and South Africa into the 21st century.

The EU proposed a "trade and co-operation agreement" with a free trade area at its heart, plus accession by South Africa to partial membership of the Lomé convention, the association of the EU with African, the Caribbean and the Pacific nations.

The EU does not intend to give South Africa the duty-free access to the European markets which those countries enjoy, because of South Africa's strong export economy. The EU has also proposed to exclude 39 percent of South Africa's agricultural exports from the free trade area.

South Africa proposed a "trade and development" agreement instead, which would emphasise that the EU increases its contribution to the development of South Africa and southern Africa, and would require Europe to open its markets much faster than South Africa. It rejected the exclusion of 39 percent of South African farm exports.

Some European sources are concerned that the new South African proposal might imply a rejection of the free trade area altogether. But Bahle Sibisi, South Africa's director of bilateral trade, said last week that South Africa was still committed to considering a free trade area.

"What we are suggesting with our proposal for a trade and development agreement is a long-term relationship much more viable than a free trade area; a relationship which takes on board the need to restructure the economy of the region."

Sibisi said South Africa believed the agreement should start redressing the historic imbalances between the economies and that markets should be opened in a way that did not have an adverse effect on the southern African region.

The government's trade and development proposal this week emphasised the danger of a free trade area harming the economies of the region, especially the other members of the Southern African Customs Union, Botswana, Lesotho, Namibia and Swaziland, which derived a large part of their revenue from the customs pool with South Africa.

Government sources suggested yesterday that the prolonging of the talks until yesterday meant they had hit a rough patch.
— Independent Foreign Service

More EU talks to bridge the gaps

(74) Star 27/1/97

South African and European Union trade negotiators have agreed to meet again to iron out differences over a planned trade and development deal after weekend talks in Pretoria, a spokesman said today.

"They will meet again, as they have been meeting regularly over the last two years," Ismail Lagardien, spokesman for South Africa's Department of Trade and Industry, said.

Both sides have expressed a commitment to reaching agreement on a package which could reap rich rewards for their export industries, but they have also been separated by deep divisions.

Pretoria says the EU's proposal for a free trade agreement, first set out in March 1996, does not go far enough in recognising South Africa's development needs and those of the wider southern African region.

Plans to exclude 39%of farm exports, in order to protect European farmers, have angered the South Africans.

The European Union has offered South Africa only partial membership of the Lomé Convention, which grants favourable access to EU markets to developing countries elsewhere in Africa, the Caribbean and the Pacific. – Reuters.

EU, SA trade talks are prolonged by one day

(74) BD 27/1/97

THE latest round of talks between the European Union (EU) and SA over a trade and development agreement was prolonged by a day, trade and industry department spokesman Ismail Lagardien said.

Negotiators would add another day to their negotiations, which started Friday and were to have ended on Saturday. Despite the extension, the parties were not expected to reach an agreement in this round, officials cautioned.

European Commission development policy director general Philippe Soubestre, who heads the eight member EU negotiating team, said on Friday he was optimistic the talks would produce positive results.

EU officials have been waiting for more than 10 months for a response from SA to the bloc's initial call last March for negotiations on a free trade deal. The pact aims to ensure a reciprocal reduction of European and SA tariffs in both the industrial and farm sectors. But in a bid to protect European farmers from SA competition, the EU mandate calls for the exclusion of nearly 40% of SA's farm products.

Pretoria is concerned about the restrictions on farm exports and the fact that the country is being offered only partial membership in the Lomé Convention — the trade and aid deal which links the EU to 70 African, Caribbean and Pacific states.

Last week, Soubestre said that given its level of economic development, SA could not be given the unrestricted access to European markets accorded other, poorer African states.

"We have to abide by our international obligations," Soubestre commented, referring to rules drawn up by the World Trade Organisation which ban across-the-board unilateral tariff concessions for countries which are not regarded as least developed states. — Sapa-DPA.

SA, EU trade deal a step closer after weekend talks

(74) NICOLE MORDANT AR LT 28/1/97

Pretoria – South Africa and the European Union said yesterday they were edging nearer a trade deal after weekend talks, with details of Pretoria's membership of the Lome Convention likely to be hammered out next month.

Officials said South Africa would be given partial access to Lome, which grants favourable access to EU markets to developing countries elsewhere in Africa, the Caribbean and Pacific (ACP).

"We would think that the next round of talks which we foresee will be held next month in Brussels, will be able to hammer out final agreement on a host of issues (on Lome)," Jean-Claude Boidin, head of the South Africa task force at the European Commission, told a press briefing.

In a joint statement, South Africa said it hoped the ACP/EU Council of Ministers would be able to approve terms and conditions of the access, to be contained in a separate protocol to Lome, at its meeting on April 24 or 25 in Luxembourg.

The EU – under pressure from its own agricultural lobby – has refused South Africa full accession to the Lome Convention. Nearly 40 percent of South African agricultural exports would be excluded under initial EU proposals.

Other outstanding issues on South Africa's entry into Lome include South African companies' participation in contracts funded by the EU in Africa.

An agreement on Lome will settle the issue of market access between the two sides, including the thorny issue of South African agricultural exports, but will not signal the end of talks.

Ishmael Lagardien, spokesman for the Department of Trade and Industry, said further talks on the impact of a trade deal on the southern African region would continue for most of the year.

There have been growing concerns within the southern Africa region about the impact of a free trade deal between Pretoria and Brussels on the economies of some of South Africa's smaller neighbours.

Current talks come in the wake of South Africa outlining its negotiating position on a trade deal with the EU last month in response to the EU's mandate which was presented in March 1996.

The EU's proposal to exclude much of South Africa's agricultural produce from a future deal has been fiercely criticised by South African parliamentarians.

Both sides said yesterday that talks on future agricultural access had not reached the point of "trade-offs" being discussed. However, Mr Boidin said he saw progress on this issue being made when talks resumed in February.

The sides agreed that the EU would generally be prepared to open its markets faster and more extensively for South African products than it will ask South Africa to do for EU products. – Reuter

SA, EU satisfied so far

(74) Sowetan 28/1/97

European Union willing to conclude free trade agreement with S Africa

By Isaac Moledi

THE SOUTH AFRICAN and European Union negotiators say they are satisfied with progress made during the first round of talks on a mutually beneficial trade agreement.

The parties say they have mapped out a framework for speeding up the talks reaching finality.

The next round of talks is scheduled for next month in Brussels where the two parties will also discuss various technical issues that will ultimately lead to South Africa's partial accession to the Lomé Convention.

The Lomé Convention is a trading group to which most of South Africa's less developed neighbours belong. Their products have free access to the EU.

In a joint statement yesterday both parties said they had agreed that the regional dimension is a key consideration to their negotiations.

The South African negotiating team, led by the country's ambassador to Brussels, Dr Elias Links, said they were satisfied that their position was for the first time put to the EU and was understood by their team.

The delegation said they had ensured during the meeting, that any agreement gave the country increased access to trade terms offered to other African, Caribbean and Pacific countries under the Lomé Convention.

The team also stressed the importance of ensuring that their agreement should contribute to the economic development of the Southern African region as a whole.

Links said the weekend meeting was about building consensus on the main pillars on which to form a basis for agreement.

"At the end of the day South Africa will have to assess whether free trade agreement with the EU will result in increased jobs and growth both in South Africa and the region," he said.

According to Links, a technical meeting in February will determine whether South Africa joins the Lomé Convention at a ACP-EU joint ministerial council meeting in Brussels in April.

According to Jean-Claude Boidin, head of the task force negotiating with South Africa, the EU team is satisfied with the meeting because the delegation heard about South Africa's position for the first time.

He said the EU was willing to finalise a free trade agreement with South Africa but the organisation wanted to hear the official position.

"We have discovered that some of the important issues of concern to South Africa were also of concern to the EU," he said, pinpointing a partial access to the Lomé Convention and the economic development of the Southern Africa region as examples.

Both parties said their discussions addressed the question of improved market access, adding that these be based on the development of a trade liberalisation arrangement consistent with World Trade Organisation rules.

The EU would be prepared to open its markets faster and more extensively for South African products than it will ask South Africa to do for EU products, their statement said.

International Labour Organisation director-general Michael Hansenne, centre, with Labour Minister Tito Mboweni, right, at a news conference yesterday. Picture: ROBERT BOTHA

Relations between ILO and WTO 'could improve'

(74) BD 28/1/97

Reneé Grawitzky

THE International Labour Organisation's (ILO's) relations with the World Trade Organisation (WTO) could improve now that the inclusion of a social clause in international trade agreements was no longer on the agenda, ILO director-general Michael Hansenne said on his arrival in SA yesterday.

Hansenne said the ILO's relations with the WTO were at a low point. However, it was hoped that with the adoption of a resolution at the Singapore ministerial conference of the WTO in December, calling for continued collaboration between the organisations, more governments would ratify international labour conventions.

The ILO has been promoting the concept of social clauses, which prescribe standards for worker rights, in international trade agreements. The WTO has rejected linkage between labour standards and trade.

Hansenne said "countries did not want to open the door to a social clause. The door is closed and we have to find another way."

During his first official visit to SA, Hansenne said he would open the ILO's Pretoria area office and address a meeting of the Pan African Employers Organisation.

Labour Minister Tito Mboweni said government had ratified a number of ILO conventions and had overtaken a number of other countries in this area.

Lomé to bring SA closer to final EU deal

(74) BD 28/1/97

Stephané Bothma

PRETORIA — The conclusion of a comprehensive trade deal with the European Union was brought one step closer after SA emerged from weekend talks confident that details of its membership to the Lomé convention could be finalised next month.

At a news conference, SA confirmed its intention to accede to the convention — but under terms and conditions to be agreed in a separate protocol.

"The government of SA expressed the hope that the African, Caribbean and Pacific-EU council of ministers will be able to approve this protocol at its meeting of April 24 in Luxembourg," said SA's EU ambassador, Elias Links.

The Lomé convention, to which SA has secured only qualified membership, excluding trade provisions, grants favourable access to EU markets to developing countries elsewhere in Africa, the Caribbean and the Pacific.

SA and the EU hoped details of SA's membership would be hammered out during the next round of talks in Brussels next month.

It was decided at the three-day meeting which started on Friday that the EU would be prepared to open its market faster and more extensively for SA products than it would ask SA to open up for EU products.

Two important issues still to be negotiated were how and when SA companies would be allowed to participate in regional contracts financed by the European Development Fund, and the exclusion of 39% of SA's agricultural produce from free trade.

The parties said none of the issues represented insurmountable stumbling blocks.

EU negotiator Jean-Claude Boidin said the 39% represented less than 4% of SA's exports to the EU.

It should be kept in mind that the exclusions related to "sensitivities" in the EU market.

SA would also have sensitive areas it wanted excluded from free trade, Boidin said.

Both parties agreed that any trade treaty reached would recognise the needs of SA as well as those of its neighbours.

EU warns SA on delay in clinching trade deal

BD 29/1/97 (74)

John Dludlu

THE European Union has accepted SA's intention to grant better market access to its African neighbours, but has warned that such initiatives should not take long as Pretoria could lose out on the benefits of greater access to the EU.

In an interview at the weekend, EU negotiating team leader Philippe Soubestre suggested that SA should consider a parallel approach to addressing its regional commitments and initiatives to gain enhanced access to the EU's 15-nation market.

"The fact that SA wants to settle the SADC (Southern African Development Community) question first seems to me to be perfectly reasonable," he said, adding that it was politically imperative for Pretoria to do so.

Apart from delaying much-needed EU investors' pouring their funds into this country, delays in the mooted EU-SA co-operation deal could see benefits — from tariff preferences — blunted by global liberalisation trends, according to trade watchers.

Soubestre, acting director-general in the development department, said the weekend talks, which were extended by a day, had confirmed "that we're working towards a free trade area" which would be compatible with the rules of regional integration of the World Trade Organisation.

Brussels felt a free trade accord was the only route available to widen Pretoria's access to the EU.

The call for a free trade accord — which the EU felt should exclude 39% of SA's farm exports — was based on international obligations, not "because I'm a fundamentalist of free trade", Soubestre said.

Although both sides played down differences, it was understood the EU made it known to Pretoria again that it could not grant any concessions outside the talks.

"The fact that there might be differences in views is not alarming to me," he said. Soubestre, the Eurocrat who negotiated all four Lomé convention agreements, also signalled a greater degree of flexibility in the EU's position, suggesting that member states' insistence on linking all accords might be softened.

He said the first agreement should be seen as a departure point to strengthen relations. Certain EU states wanted all the protocols to be signed simultaneously. Pretoria had questioned the need for this.

If the commission, the EU's executive arm, were to succumb to this position on linked pacts, less controversial accords such as a science and technology agreement would be delayed.

Soubestre left the country convinced that the talks had been placed back on track. "We have confirmed our common will to proceed now in as efficient a manner as possible," he said.

This week negotiators agreed to meet again in Brussels next month to discuss terms of SA's partial accession to Lomé, the trade and aid co-operation accord between the EU and 70 African, Caribbean and Pacific countries.

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Regional trade on increase

Sowetan 30/1/97

GABORONE – Intra-regional trade in the Southern African Development Community has increased 12,4 percent since South Africa and Mauritius joined the organisation, according to a SADC report released this week.

The report, due to be submitted to a SADC consultative conference in the Namibian capital Windhoek from February 8-10, says that peace and stability in the region and the introduction of trade liberalisation measures led to a notable increase in intra-regional trade.

The regional countries, the report says, are trading favourably in agricultural products, mining, food products, textiles, clothing, beverages, wood products and industrial chemicals.

Obstacles

The report identifies obstacles for free trade in the region as an inadequate production base and trade policies and market access, insufficient market skill, underdeveloped financial infrastructure and the absence of trade statistics and information.

Another report, on trade and industry, also to be submitted to the conference, says that low savings have hampered the level of investment in the region.

'The cross-border labour in the SADC region is still legally restricted and some countries delay issuing work permits'

The average regional saving capacity is below 20 percent. This is because most SADC countries are underdeveloped and suffer from negative real interest rates, high investment risks and low returns, scarce finance and an absence of secondary markets.

Foreign capital

"As a result of the low level savings, most of the SADC member states are dependent on foreign capital inflows for domestic investment," the report says.

"It is also important to underline that in the market-oriented economic systems being embraced by all SADC countries, private investment assumes prominence as governments disengage from business undertakings," notes the report.

Intra-regional investment is being further restricted by complicated exchange control regulations often unfamiliar in the commercial banking sector.

The report adds that the cross-border flow of labour in the SADC region is still legally restricted and in some countries considerable delays are experienced in issuing work permits to foreign investors.

The report said there is a need for the 12 SADC states to significantly improve their tax regimes as they are mostly cumbersome and generally lack transparency.

SADC is made up of South Africa, Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zimbabwe, Zambia and Mauritius. – *Sapa-AFP*

Trade worries for developing countries

(74) Sowetan 31/1/97

HARARE – Ask average Zimbabweans about the Lomé Convention and chances are they won't know what you are talking about.

But for flower and vegetable growers here, the convention has meant improved access to European Union markets, which they fear could be restricted as a result of the trade liberalisation trend that has followed the conclusion of the General Agreement on Tariffs and Trade.

Under the Lomé, some exports from Zimbabwe and other African,. Caribbean and Pacific countries were exempted from import duties.

The pact has also provided ACP countries with EU-funded technical, information and training assistance, market development and generic promotional activities.

Stanley Heri, chief executive of the Horticultural Promotion Council here, feels Lomé has been a "unique and effective framework for North-South cooperation".

In particular, he says, it has contributed to the growth of the horticulture industry in Zimbabwe.

Zimbabwe's horticulture exports have soared from less than a million rand in 1985 to more than R455 million in 1996 because of sales to the EU.

EU countries buy 99 percent of Zimbabwe's exported cut flowers, 89 percent of the vegetables, herbs and spices that it sells abroad and 75 percent of its citrus exports.

But Heri has one worry: that the trade liberalisation resulting from GATT talks concluded in 1993, will reduce the preferential margin ACP exports enjoyed in the EU.

'This is likely to lead to fierce competition in the EU market and possible trade diversion'

The complete deregulation of world trade by the year 2000 is one of the main targets of GATT's successor, the World Trade Organisation.

Hygienic standards

However, there are fears here that developing nations, including those in Southern Africa, could be at a disadvantage when the terms of the Lomé agreement expire in just under four years' time.

One issue that has caused concern among SADC exporters is the potential use of social, environmental and sanitary regulations as barriers to trade. According to Annamaria Bruno, Food and Agricultural Organisation nutrition officer, GATT provisions on the application of hygienic standards recognise that while countries have the right to take measures to protect human, animal and plant life, such measures should be applied only where necessary and should be consistent with recognised scientific evidence.

However, SADC sector coordinator Reginald Mugwara says "there is a danger that developed nations will use phyto-sanitary standards in their countries which are much higher than in developing countries

"The developed countries may want to use this to exclude developing nations."

Heri is not convinced that countries like Zimbabwe will be able to compete in a totally deregulated world since the international playing field is still not level. For example, he said, "both EU and US horticultural industries are guided by market-price support in the form of fixed target prices and government stock accumulation, direct payment in the form of export subsides and reduction in input costs in the form of loan rates"

"How then is the world to level the playing field when confronted with the mix of programmes?" – *Sapa-IPS.*

Trade talks dilemma

(74) Sowetan 3/2/97

A minefield of political and economic complications make the conclusion of a free trade agreement between South Africa and the European Union easier said than done. **Talitha Bertelsmann** explains why...

SOUTH AFRICAN AND European Union (EU) negotiators spent last weekend locked in negotiations on a possible Free Trade Agreement (FTA), but although progress seems hopeful, even optimistic, predictions see the conclusion of an agreement only by the end of the year.

These talks occurred against the backdrop of two specific events that took place last year, and which will have an impact on the dimensions of any future trade arrangement:

- First, in August, South Africa signed a free trade protocol with the Southern African Development Community (SADC). What seemed like an overhasty act at the time is now proving to be South Africa's cornerstone of the negotiations.
- Second, in November, Europe released its Green Paper on the future of the Lomé Convention.

These incidents reveal both parties' views on future trade agreements. South Africa signalled its firm intention to link its development to that of its neighbours.

Europe gave a clear indication that the vast amounts of the aid previously pumped into the 70-strong Afro-Caribbean-Pacific (ACP) Lomé grouping will be partially replaced by trade development – meaning that Europe would rather help these countries to become globally competitive than to continue dispersing aid.

Pretoria has now proposed a trade and development agreement with the EU, with the focus on regional development rather than dismantling of extra-regional tariff barriers.

When discussions around the formal future EU-South Africa relationship originally began in November 1994, South Africa sought an agreement as close as possible to the Lomé Convention, which currently governs the aid relationship with ACP countries. This would have granted South African goods preferential access, though quota-bound, to the EU market.

However, due to Europe's fears that South Africa could compete unfairly with ACP manufacturers given the comparatively developed nature of its economy, and given the potentially limited tenure of Lomé, only partial political access to this arrangement was granted to South Africa last March.

Perhaps seeking a back door into Lomé, last August South Africa signed a free trade protocol with SADC. As less-developed economies, SA's neighbours are more likely candidates for preferential access to Europe's markets.

It is to be expected that South Africa will now use this commitment to SADC countries to negotiate a deal better suited to a developing country than an economy-in-transition.

The SADC free trade protocol binds South Africa to extend all benefits granted to a third country also to all signatories of the protocol. In other words, Europe is *de facto* now negotiating with all of SADC, instead of only with South Africa.

Flashback ... Heads of state at a previous SADC meeting. South Africa's free trade protocol with the SADC is the cornerstone of the country's negotiations with the EU.

The SADC protocol could also be seen as a signal to Brussels about how Pretoria would like to handle the EU-South Africa FTA:

South Africa's economy is four times stronger than the other 11 SADC member states put together, yet South Africa has not excluded any sensitive South African industries from the free trade protocol.

By contrast, previous complications between the EU and South Africa centred on the exclusion of 39 percent of South African agricultural products from the proposed FTA.

The importance of a trade agreement with Europe cannot be over-stressed. Recent trade figures show that 30,6 percent of South Africa's total of R126,1 billion exports are to the EU, while 37,4 percent of its R145,5 billion imports are of European origin.

Moreover, South Africa should realise that European goodwill towards President Nelson Mandela's "newish" South Africa dwindles once one gets down to hard trade negotiations.

Trade concessions are politically difficult for Europe at a time of current high unemployment (over 20 percent in Spain, 10 percent in Germany and 12 percent in France) and consequent domestic demands.

Unexpectedly, Europe might even welcome South Africa's new approach to the trade negotiations. Without immediately suspending their long-standing aid programmes, the Green Paper examines the restructuring of Lomé around the turn of the century.

The EU's FTA proposal to South Africa might provide some clues about future EU trade deals with other regions, such as Latin America's Mercosur (Southern Cone Market).

A compromise between full access to Lomé and a fully-fledged FTA could well be the outcome of trade talks when they resume in Brussels this month. This is also likely to include more generous terms of accession to European markets than was offered in its original mandate.

However, South Africa is locked into believing that it is entitled to a preferential trade arrangement on account of its relationship with the SADC region and, correspondingly, its own apartheid past, and has to consider very carefully the impact of the current EU offer.

It will also have to disregard the fears of those in the Southern Africa region who see short-term dangers in the FTA.

It would be easy for our neighbours to selfishly delay a South African agreement, while they are individually catered for under Lomé. After all, what is good for South Africa in the long term will inevitably be good for the region.

(The writer is the Standard Bank European Union Research Fellow at the South African Institute of International Affairs in Johannesburg. She writes in her personal capacity.)

Light at the end of trade talks tunnel

(74) Star 10/2/97

Talitha Bertelsmann argues the European Union, despite its own jobless problems, may reach an accommodation with South Africa

South African and European Union (EU) negotiators meet again in Brussels this month to resume discussions around a possible Free Trade Agreement (FTA). Although initial progress made in January's talks seemed hopeful, optimistic predictions envisage the conclusion of an agreement only by the end of the year. Those talks occurred against the backdrop of two specific events which took place last year.

■ First, in August, South Africa signed a free trade protocol with the Southern African Development Community (SADC). What seemed like an overhasty act at the time is now proving to be our cornerstone to the negotiations.

■ Second, in November, Europe released its Green Paper on the future of the Lomé Convention.

These incidents reveal both parties' views on future trade agreements. South Africa signalled its firm intention to link its development to that of its neighbours, while Europe gave a clear indication that the vast amounts of aid previously pumped into the 70 Afro-Caribbean Pacific (ACP) Lomé grouping will be partially replaced by trade development – meaning that Europe would rather help these countries to become globally competitive than to continue dispensing aid.

Pretoria has now proposed a trade and development agreement with the EU, with the focus on regional development rather than extra-regional tariff barrier dismantling.

When discussions around the formal future EU-SA relationship began in November 1994, South Africa sought an agreement as close as possible to the Lomé Convention which currently governs the aid relationship with ACP countries. This would have granted South African goods preferential access, though quota- bound, to the EU market.

However, due to Europe's fears that South Africa could compete unfairly with ACP manufacturers given the comparatively developed nature of the economy, only partial access to this arrangement was offered to South Africa in March 1996.

Perhaps seeking a back door into Lomé, in August 1996 South Africa signed a free trade protocol with the SADC. As less-developed economies, our neighbours are more likely candidates for preferential access to Europe's markets. It is expected that South Africa will now use this commitment to the SADC countries to negotiate a deal better suited to a developing country than an economy-in-transition.

The SADC free trade protocol binds South Africa to extend all benefits granted to a third country also to all signatories of the protocol. In other words, Europe is, de facto, now negotiating with all of the SADC, instead of only with South Africa. The SADC protocol could also be seen as a signal to Brussels about how Pretoria would like to handle the EU-SA FTA: Our economy is four times stronger than the other 11 SADC member-states put together, yet South Africa has not excluded any sensitive South African industries from the free trade protocol.

The importance of a trade agreement with Europe cannot be over-stressed. Recent trade figures show that 30,6 % of SA's total of R126,1-billion exports are directed towards the EU while 37,4% of our R145,5-billion imports are of European origin. Trade concessions are politically difficult for Europe at a time of current high unemployment (over 20% in Spain, 10% in Germany and 12% in France) and consequent domestic demands.

Unexpectedly, Europe might even welcome South Africa's new approach to the trade negotiations. Without immediately suspending their longstanding aid programmes, the Green Paper examines restructuring of Lomé around the turn of the century. A compromise between full access to Lomé and a fully fledged free trade agreement could well be the outcome of the trade talks when they resume in Brussels this month. This is also likely to include more generous terms of accession to European markets than was offered in the original mandate. However, before South Africa is locked into believing that it is entitled to a preferential trade arrangement on account of its relationship with the SADC region and, correspondingly, its own apartheid past, it has to consider very carefully the impact of the current EU offer. It will also have to disregard the fears of those in the southern African region who see short-term dangers in the FTA.

It would be easy for our neighbours to selfishly delay a South African agreement while they are already catered for under Lomé. After all, what is good for South Africa in the long-term will inevitably be good for the region.

■ *Talitha Bertelsmann is the Standard Bank European Union Research Fellow at the South African Institute of International Affairs. She writes in her personal capacity.*

8-year goal for SADC to create free-trade area

(74)

ARG 10/2/97

Windhoek – European donor-country representatives have said they support the drive by Southern African states to increase productivity in the region and to create a free-trade area.

The 12-member Southern African Development Community (SADC) began meeting here today for a 10-day annual conference, under the theme "Productivity", to consider ways of pooling resources to boost the region's economic growth.

"The choice of conference themes over the years has become more and more related to the real issues of the economy," said Francisco da Camara, head of the Southern Africa division at the European Commission.

"The SADC aims to create a community. They're looking for economic integration," he said.

The SADC has given itself eight years to create a free-trade area, comprising 150 million people living in Mauritius, Angola, Lesotho, Swaziland, Zambia, Zimbabwe, Namibia, Mozambique, Tanzania, Malawi, South Africa and Botswana. – Reuter

SA still stands to gain from qualified membership of Lomé

(74) BD 10/2/97

John Dludlu

SA's qualified membership of the Lomé Convention, the centrepiece of the European Union's (EU's) relationship with the developing world, is likely to bring some significant, albeit limited, benefits to SA.

The thinking in Pretoria was originally that SA should apply for full membership of the convention, the trade, aid and political co-operation accord between the EU and 70 African, Caribbean and Pacific (ACP) countries. However, Brussels subsequently offered qualified status to SA, thus curtailing the benefits of convention membership for the country.

Under full membership, SA would — like its partners in the customs union and the Southern African Development Community (SADC) — have been entitled to preferential access to EU markets without having to grant concessions to the EU's 15 members.

However, the problem with full membership was the difficulty of selling the idea to the EU states, which continue to fear the competition of SA farm exports, and to the multilateral trading system given the size of the SA economy. Pretoria was quick to recognise this problem.

Both EU and SA trade diplomats felt that the idea of SA's full accession would have run into difficulties at the World Trade Organisation (WTO) which gives a waiver to the convention.

Although in terms of the qualified membership proposal, SA will not receive generous trade concessions, such as nonreciprocal duty-free tariff and quota preferences, there will still be important benefits for the country. While the exact terms of SA's accession have yet to be worked out by negotiators, who are expected to meet again this month in Brussels, there is common ground on most issues.

Both the EU and the ACP countries on the one hand and SA on the other, agree that a closer relationship between SA and the ACP countries is crucial. Accession to the convention will make SA part of one of the developing world's most important clubs.

Lomé membership will also deepen SA's relationship with its neighbours in southern Africa — the wellbeing of which SA has identified as a priority.

Despite its many weaknesses, such as failure to help many ACP countries diversify exports and lift competitiveness which were catalogued in the Lomé green paper, the convention has given the ACP countries a meaningful political voice for dialogue with the world's industrialised nations. The latter has a tendency to ignore the problems of poorer nations.

Increasingly, the developing world and notably Pretoria's neighbours in Africa are looking to SA with hope. This is partially due to the enormous respect commanded by President Nelson Mandela. But there is also recognition that having SA within the ACP arena will be of mutual benefit. SA/ACP relations will be strengthened while allowing SA to assist in the development of some ACP countries, notably the SADC and those in the customs union.

It is important for the developing world, which continues to face the threat of being marginalised under the present trend of liberalisation, to speak with one voice.

SA's role in international bodies is growing steadily. Trade Minister Alec Erwin is president of the UN Conference on Trade and Development, one of the few bodies that recognises the plight of developing nations. SA's contribution at the recent WTO ministerial summit was therefore important.

Crucially, the political dialogue has been upheld by the green paper despite the radical reforms it suggests for ACP/EU relations in the next century.

Although trade concessions for SA have been diluted under the EU mandate which provides the basis for negotiation, SA firms would be allowed to pitch for contracts financed by the European Development Fund (EDF). The EDF is an ad hoc kitty comprising EU member states' contributions to finance aid projects under Lomé.

The problem, which has to be resolved by negotiators when they meet, is whether SA companies are allowed to bid in the seventh EDF or eighth EDF. The EU has offered SA the eighth, which covers Lomé for five years until the turn of the century. But Pretoria believes that spending has been slow and therefore that there might still be funds available in the seventh EDF kitty.

Of the scaled back trade benefits given to SA, the country could participate in regional production through changed rules of origin. The sticking point though is that this facility is available to SA on an ad hoc basis. This means that each regional export with SA input will be evaluated before preferential access is granted.

This arrangement brings uncertainty for investors in SA. Naturally, Pretoria's negotiators feel this stipulation should be scrapped and replaced by automatic access for regionally produced exports.

Under the present framework of negotiation, SA's aid relations with the EU will continue on a bilateral basis via the R600m-a-year European Programme for Reconstruction and Development, and SA will not have access to the commodity protocols of Lomé.

Fortunately, whether or not EDF is integrated into the EU's main budget — as proposed in the green paper — EU aid will remain intact until 1999. It may still be intact beyond 2000, depending on the outcome of the present EU/SA co-operation negotiations.

Despite SA's failure to get full membership of Lomé, the benefits of the qualified proposal for the country and its companies are important. Speedy conclusion of talks to pave the way for SA's accession to the convention will ensure the value of the spinoffs is retained.

Fresh talks on SA access to Lomé

(74) BD12/2/97

John Dludlu

NEGOTIATORS from the European Union (EU) and SA resume negotiations today in a bid to remove hurdles on SA's qualified accession to the Lomé Convention.

A senior EU official confirmed yesterday that the SA delegation was expected in Brussels next Tuesday to discuss the terms of SA's partial membership of the trade and aid co-operation agreement between the EU and 70 African, Caribbean and Pacific (ACP) nations.

However, EU sources said further talks would take place this week between officials of the European Commission — the EU's executive arm — and officials of the SA mission in Brussels to prepare ground for next week's one-day round.

Problems to be resolved on SA's qualified membership of the convention include forging an agreement on the terms on which SA manufacturers may take part in regional production as well as how soon SA firms can bid for Lomé-funded regional projects.

SA has criticised the ad hoc provision under which regional exports with an SA input may qualify for preferential access to EU markets. SA wants its firms to be allowed to tender for projects funded by the seventh European Development Fund (EDF) — a kitty that finances Lomé — while the EU has offered the eighth EDF, for five years to 2000.

If agreement were to be reached next Tuesday, it would be tabled for consideration at the EU ambassadors' weekly meeting — paving the way for a final ratification by a joint ACP/EU summit in April.

It has also emerged that two separate teams of researchers are finalising crucial reports on the effect of the proposed SA/EU free trade area on the EU and Southern African Customs Union economies.

It is understood that the EU study, conducted by a team led by UK academics, has completed its report.

EU sources canvassed yesterday did not expect the list of proposed exclusions of SA exports from the free trade — currently standing at 39% of SA's farm exports to the EU — to be extended. One said the initial exclusions were "political", and suggested by EU governments without being substantiated by research. An earlier report found the effect on the EU would be limited.

The draft report on customs union economies — Botswana, Lesotho, Namibia and Swaziland — was also criticised by Brussels, which felt its revenue loss estimates on the BLNS nations — believed to be more than R1bn — were too modest.

Swaziland's government, which is co-ordinating the study, was expecting the revised report by month-end. The study's outcome would be very important in determining the nature and scale of compensation the BLNS would receive if an SA/EU free trade area were concluded.

A desire to join the fast fish of free trade

CT (BR) 12/2/97 (74)

ANDREW BEATTIE

WINDHOEK

New winds have indeed been blowing through Windhoek for the past week, bringing precious rains and greening the hills of this usually parched country.

Water, so vital to this land's future, has no respect for national boundaries and carries no passport, Alfred Nzo, the South African foreign minister noted at a paradigm-shifting conference here this week.

It is a source of life that can also be a source of unity or conflict among nations.

It was at a summit here, five years ago, in August 1992 that the Southern African Development Coordination Conference, which had its historical roots in the struggle for liberation from colonialism, apartheid and poverty in the 1970s, became the current Southern African Development Community (SADC). The SADC annual consultative conference opened on Sunday with partners calling for an integrated approach towards the economic problems of the region.

However, it was the 1994 demise of apartheid which further revolutionised SADC's sense of purpose, originally to isolate the apartheid regime and create solidarity on the part of the independent states along the edge of the so-called Boerewors Curtain.

Nelson Mandela, the present SADC chairman, aptly summed up the organisation's new role at last year's conference when he said national borders could and would no longer be the definitive element for relationships between the people of this region.

Militant struggle rhetoric and obligatory clarion calls for socialism from the organisation's early days were utterly transformed as today's well-groomed delegates modulate this year's theme of productivity, trade liberalisation and increasing competitiveness.

In this age of globalisation, it is no longer the big fish eating the small fish, but rather it is now the fast fish that eats the slow fish. It is also no longer a question of size, as Arturo Tolentino, the International Labour Organisation delegate told a labour-management co-operation workshop.

Another illuminating comment came from Dr KY Amaoko, UN under-secretary general and executive secretary of the Economic Commission for Africa, who tapped his African cultural roots to conclude his address with the proverb: "A too modest man goes hungry."

Bold measures, or rather bold statements of intent, were the hallmark of this conference

There was a record attendance, according to Nzo who chaired, including major contributions from the local private sector and SADC's co-operative partners, including the European Community, China and India. Letters were exchanged with Japan's ambassador, who gave the conference some hot tips for success in business from Japan's impressive repertoire as well as promises of a more tangible nature.

Among other coups, Belgium committed an annual $10 million (R46 million) to SADC, and Jan Pronk, the Netherlands' minister for economic co-operation and the European Union's council of ministers, announced that the European Commission had set a date for a conference to renegotiate the Lomé Convention (in April this year at Maastricht) with the SADC, "without preconceived notions". This preferential trade agreement's restriction on South Africa's agricultural products' access to Europe has long been a bone of contention.

Nzo said in conclusion that SADC would make "rapid" moves to implement free trade protocols, removing regional tariff structures within the next eight years, although finer points on which local products and industries would receive gradually diminishing protection had yet to be worked out.

Such was the undue haste with which delegates embraced quick-swimming notions of privatisation that it seemed almost ironic that a cold note of caution had to be sprinkled on proceedings by David Norman, the veteran Zimbabwean minister of agriculture.

He warned: "Government is fast relinquishing all its income-generating activities. How is it going to fulfil its obligations? Is the private sector going to put back the money they have taken? Or should we put all our faith in a national lottery?"

Norman's remarks were followed by a long and hollow silence which only ended when Nzo moved to call for a tea break.

Speaking on the ecological impact of development and high growth strategies, Jayen Cuttaree, the Mauritian minister of industry and commerce, warned that unless care for the environment was built into the new strategy, "the successes achieved in abolishing skin colour-based apartheid, conquering space and splicing genes will be overshadowed by the spread of technological and economic apartheid. If these forms of apartheid are allowed to grow and spread, social disintegration and ecological genocide will result."

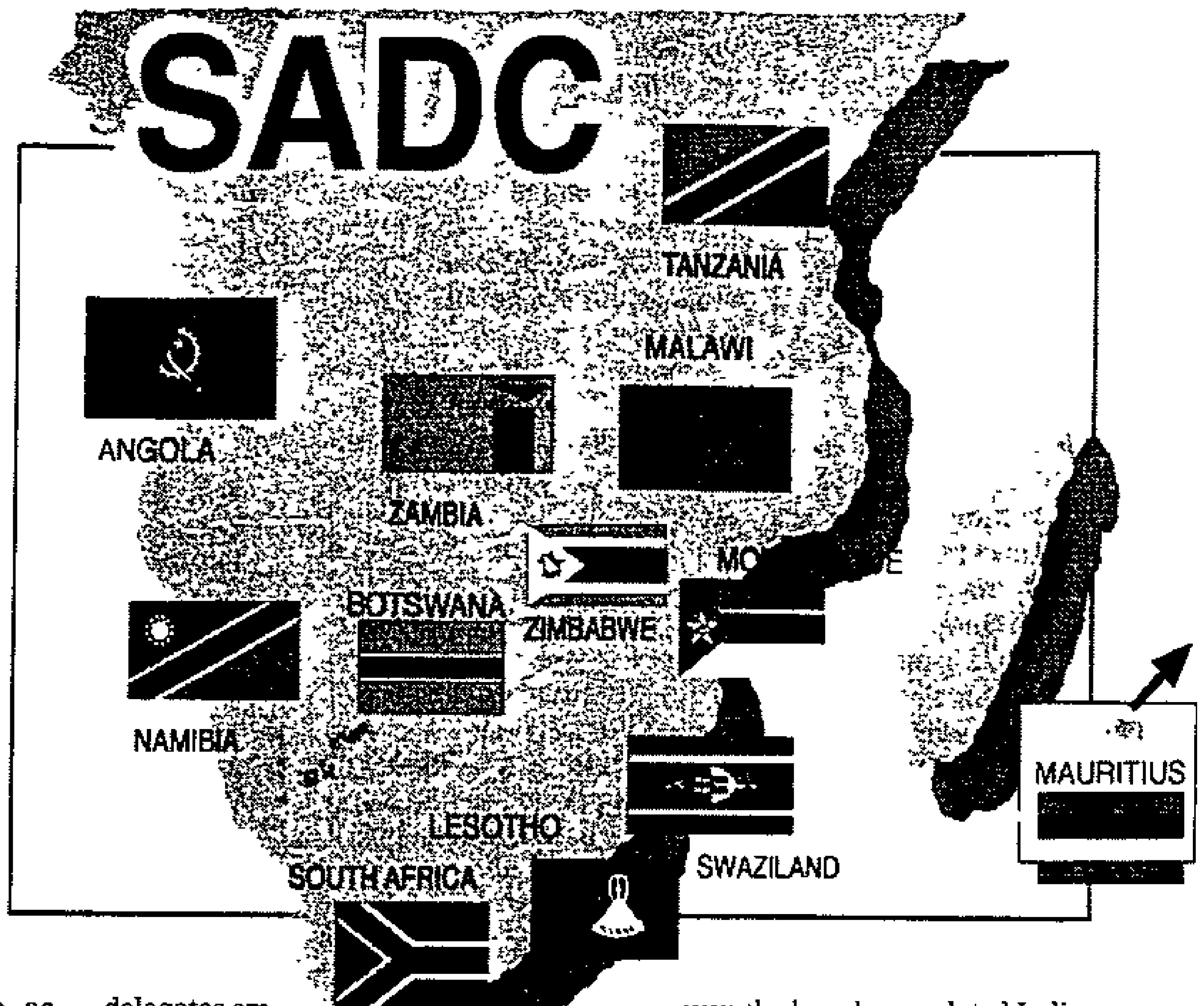
In terms of ecological footprints, said Cuttaree, developed countries like the US had left footprints 15 times larger than even the hugely populated India.

"It has been calculated that if the whole world were to live like North Americans, we would need three Earths to support the world population. Because of the affluent lifestyles of developed countries characterised by excessive waste, the challenge is to develop a sustainable global economy, one which our planet is capable of supporting indefinitely."

Mauritius had achieved a rate of growth that had led it being classified within a decade in the middle-income group of countries. This had been achieved, said Cuttaree, by overhauling the Indian Ocean islanders' work ethic.

In his conclusion, Nzo referred back to this keynote address by the delegate from the "sister republic of Mauritius", which he said graphically illustrated "the fact that we have the capacity and inventiveness to transform our economies into major global players by correctly addressing issues of productivity and human resources development and management.

"It will be presumptuous to assume that our conference has discovered all the hidden truths and found all the solutions to issues of productivity in our region, but let me say without hesitation that the 1997 conference has admirably achieved its purpose as a great indaba for frank and constructive exchanges of views and as a classroom for lessons to be learned."



Zimbabwe hits back at SA in new trade regime

ST(BT) 16/2/97 (74)

TARIFF DISPUTE

By SVEN LUNSCHE

ZIMBABWE has hit back hard at South Africa by excluding it from a new liberalised tariff regime aimed at boosting its sickly manufacturing sector.

Finance Minister Herbert Murerewa on Friday announced the abolition of import duties on capital goods and deep cuts in tax on industrial spares, Reuters reports. The long-awaited tariffs, which were welcomed by commerce and industry, take effect on March 1.

Murerewa says the new tariffs and taxes will not apply in cases where Zimbabwe had preferential trading pacts, including South Africa, with which it is negotiating a crucial economic agreement.

Zimbabwe has been highly critical of the SA approach towards the trade talks, pointing out that while it had opened its borders to SA imports, Pretoria continues to protect its industries via high tariffs and other import duties. Over the past few years Zimbabwe has emerged as one of the country's largest markets in Africa. Harare claims South Africa is dumping its goods.

Trade and Industry Minister Alec Erwin said this week that the two countries were close to finalising an agreement on trade in textile and clothing, but said a trade treaty covering agricultural and manufacturing items was still some time off.

Zimbabwe has signed an agreement in principle with South Africa requiring Pretoria to restore to about 30% duty on Zimbabwean textile and clothing exports, which it trebled in 1992 to protect its own industry. The SA move crippled Zimbabwe's industry.

Murerewa said the tariff regime was not aimed at retaliating against any of Zimbabwe's trading partners. "They are part of our economic reforms to boost manufacturing and industrial growth."

Murerewa said the new duties should not affect Zimbabwe's trade talks with South Africa or the agreement in principle on textiles and clothing.

Murerewa announced in Harare that duties on raw materials for manufacturing and on books would be slashed to 5% from 40%; on spares to 15% from 56% and on partly processed inputs to 15% from 55%. Finished imported goods would attract duty of between 40% and 85%, with the highest tariffs applying to electronics, batteries, luggage, textile and clothing.

US wants SA to drop social spending rule

Contract proviso alarms investors

(74) ARG 17/2/97

PETER FABRICIUS
FOREIGN EDITOR

American businessmen and commerce officials are lobbying the South African Government to drop rules that require companies that win government contracts to cough up half the value of the contract in social responsibility spending.

This is one of the main items on the agenda of the trade and development committee within the United States/South Africa Binational Commission, which is meeting in Cape Town today under Vice-President Al Gore and Deputy President Thabo Mbeki to regulate relations between the two countries.

US business sources said the social spending rules for government contractors were among the most onerous in the world and could discourage US investment in SA.

In effect, the rules required a company – whether foreign or domestic – to set up a black business if it wanted a government contract.

The sources said many countries had similar rules but few, if any, required such a large investment in social spending.

The requirement might discourage investment, because some companies might have bid for Government contracts and then stayed in the country to invest.

The rule would also require monitoring, "which is going to dump companies into the middle of DTI (Department of Trade and Industry) bureaucracy," the sources said.

Although the rule would not affect many US companies as not many intended getting government contracts, it sent the wrong signal about doing business with South Africa, suggesting it did not do business according to normal commercial rules.

"It says we are going to squeeze you for non-commercial purposes."

SA may be able to bid for Lomé deals

(74) BD 17/12/97

John Dludlu

SA COMPANIES could soon be in line to tender for regional development contracts worth more than 6,3-billion euros, if the country's proposed membership of the Lomé Convention goes through.

Co-operation talks to finalise the terms of SA's qualified accession to Lomé — the trade and aid accord between the European Union (EU) and 70 African, Caribbean and Pacific (ACP) nations — resume in Brussels tomorrow.

EU officials said last week that in terms of the EU's negotiating directives, SA firms would be allowed to bid for regional and national development contracts funded by the eighth European development fund (EDF), which was capitalised at 14,6-billion euros, and finances the remaining five years of Lomé.

Contract access

SA wants early access to the seventh EDF-funded contracts, but Brussels officials believe there is little in the kitty for Pretoria, hence the offer for the eighth fund.

The contracts — for which all ACP nations can bid — include works, supplies and services.

EU officials hope that 75% of the seventh EDF funds, which financed Lomé for five years from 1990, will be committed by the end of the year.

Numbers from the European Commission showed that at end-September 1995, three-quarters of works contracts funded by the seventh fund were won by France (20,6%), Italy (31,9%) and ACP nations 26,5%) — a repeat of a trend in the sixth fund.

To date, SA companies, excluding those based in ACP nations, have not been allowed to participate in fund tenders.

As part of the ACP group, SA would be allowed to pitch for regional and national tenders funded by the EDF.

Although the total package for ACP nations until 2000 was 14,6-billion euros, SA could participate only in the 6,3-billion euros worth of EDF grants, officials said.

These grants excluded special aid instruments such as funds for structural adjustment programmes, interest rate subsidies, emergency funds, regional co-operation, funds to cushion ACP nations against the effects of agricultural exports earnings fluctuations and harmful effects of disturbances in mining exports as well as loans from the European Investment Bank.

SA has a bilateral relationship with the European Investment Bank, through which it qualifies for more than R1,4bn worth of loan finance from the Luxembourg-based bank.

In the run-up to the release of the green paper on the future of the ACP-EU relations, European labour unions criticised EDF contracts for lack of transparency and for enriching a few.

Cloud over talks as EU members baulk

BD 17/2/97 (74)

John Dludlu

SA AND European Union diplomats moved at the weekend to avert a potential crisis in tomorrow's co-operation talks as two EU member states threatened to scuttle emerging deals between the two sides, sources close to the process said.

The two EU member states concerned have raised concerns about the growing rapprochement between Pretoria and Brussels officials, saying the emerging consensus is coming at the expense of their own interests.

At the heart of member states' concerns is what they see as a reluctance by the commission — the EU's executive machinery which is negotiating on their behalf — to push hard enough for a link between all aspects of the mooted co-operation agreement.

One European diplomat hinted that his country could use its power within the EU's political structures to block a deal with SA.

A senior commission official in Brussels conceded on Friday certain member states were unhappy about the way the negotiations had progressed, but denied the commissior had moved out of the parameters laid down by member states in the negotiating directives.

Member states want the negotiations on SA's qualified accession to the Lomé Convention — a trade accord and fisheries agreement, among others — to proceed at the same time, and the European diplomat was "annoyed" and "worried" that progress was happening only on matters — such as Lomé — which were of interest to Pretoria.

The two European diplomats believed the linkage in the agreements was being compromised, and blamed the commission for sending out wrong signals: that Pretoria could proceed with talks on certain, but not all, aspects of the EU-proposed package.

If these threats are carried out, talks to finalise terms of SA's Lomé membership could be seriously undermined when the matter is discussed by

Continued on Page 2

EU

(74) BD 17/2/97

Continued from Page 1

member states later this week. Members can scupper the deal if talks fail to secure unanimous support.

SA ambassador to the EU Eltie Links disagreed with member states' sentiments, saying that "we are involved in a comprehensive" set of negotiations. But, he said, it was impossible to "do everything" in one round. "We understand that things are comprehensively linked."

While SA was ready to forge ahead with talks on its accession to Lomé — the trade and aid co-operation accord between the EU and 70 African, Caribbean and Pacific (ACP) nations — Pretoria would deliver on all other issues in due course. The urgency of the matter was, in part, due to the tight schedule, he said, referring to attempts to get early ratification of the protocol at the joint ACP/EU summit in April.

While the commission hates to use the word "linkage" and prefers "comprehensive", it remains convinced this approach will yield "parallel progress" on several issues raised by member states in their mandate.

Some Brussels analysts feel the member states' threats might be an attempt to get greater commitment from Pretoria on these negotiations, especially on trade relations.

"We report to council (representing EU governments) after each and every round", the commission official said.

Links said SA would give a "clear programme of action", signalling its intention to deliver on other facets of the negotiations.

SA and EU diplomats believe these threats could undermine the trust built up at the January 24 EU/SA meeting in Pretoria.

Fears that the commission was moving away from the EU mandate were heightened after reports that SA wanted to grant better access to its neighbours in southern Africa first.

The notion of linking the different aspects of the agreement was an attempt to accommodate the disparate interests within the EU. For example, while southern EU states could lose out on the proposed SA/EU free trade area, the loss could be offset by access to SA's fishing waters.

See Page 10

Mixed reaction to Zimbabwe tariff list

(74)

Michael Hartnack

BD 17/2/97

HARARE — Heavy duties imposed on finished goods were "quite out of line with world trends", Prof Tony Hawkins of the University of Zimbabwe said, reacting to Zimbabwe's long-delayed new tariff schedule, published at the weekend.

Hawkins, head of business studies, said that "SA exporters would not be hurt on balance" since much of their sales in Zimbabwe were in areas that would benefit by lower rates.

"It will be inflationary and I think it is not in the interests of manufacturing industry in this country to go back to being feather-bedded," said Hawkins.

Finance Minister Herbert Murerwa released a 1 252-page handbook after years of delay that attracted bitter complaint from industrialists because of the widening imbalance in trade, especially with SA. Last year a highly protectionist new tariff schedule was announced, but withdrawn 10 days later.

Raw materials and inputs have duties slashed from 40% to 5%, and capital goods may be imported duty free. However, duty on finished goods will be 85%. This will present a threat to newly created retail outlets in Harare, like Zimbabwean subsidiaries of Clicks.

Zimbabwe's Chamber of Commerce said that its members were "alarmed by the high duties on finished goods, especially as some goods are not produced or assembled locally — like video cassette recorders and microwave ovens".

Chamber chief economist Edmore Tobaiwa said sales volumes were already down as a result of economic hardship and reduced consumer spending power, and retailers were struggling to clear stocks.

However, Confederation of Zimbabwean Industries president Jonee Blanchfield said: "This is a great day for Zimbabwe. The new tariff structure is most welcome."

Murerwa predicted the new schedule — to come into force on March 1 — would stimulate investment and remove "inconsistencies and distortions".

There had been extensive consultation with the private sector before producing the tariff schedule, Murerwa said. It would not affect existing agreements with trading partners.

EU's stiff conditions for Lomé entry

(74) CT (BR) 18/2/97

John Fraser

Brussels — South Africa will not be given automatic qualified membership of the EU's Lomé Convention, senior Brussels officials warned this weekend.

They were speaking in advance of today's negotiations between the EU and South Africa, which are being held in Brussels.

South Africa is being offered neither trade nor the aid aspects of Lomé membership, but is nonetheless keen on partial, or qualified, membership of the accord, which links the EU with 70 developing nations in Africa, the Caribbean and the Pacific.

Elias Links, South Africa's ambassador and chief negotiator, is expected to present a formal protocol to his EU counterpart, Philippe Soubestre, today, in which South Africa will request qualified accession to the Lomé Convention. The aim is to win a positive response to this in April, so that South Africa's membership can be ratified under a fast-track procedure.

Unless this April deadline is met, it would take a further year or even longer for South Africa to win formal acceptance into the Lomé structures.

Such qualified membership would give South African firms the right to bid for EU-funded contracts elsewhere in the Lomé zone, would give customs advantages for goods partly made in South Africa and partly manufactured in a Lomé nation, and would also open up a new political dialogue.

However, a senior EU official warned yesterday that there was no guarantee that the EU would allow the Lomé negotiations to be detached from wider issues which are also under negotiation. These include South Africa's bid for better trade relations with Europe and the EU's desire for a fisheries accord with South Africa.

"We are not saying 'no' to the South African request, and we agree that if the Lomé track is to go ahead speedily, it will need to be detached from the rest," said the EU official.

"What we are saying is that we want some commitments from the South African side before we agree to this approach.

"In particular, we want a reassurance that they are serious about seeking an ambitious trade accord — and that they will negotiate seriously on the rest of the issues, and not just seek this Lomé aspect in isolation.

"Obviously, the trade side is complicated and will take months, but we are not prepared to say 'yes' to the Lomé request unless we are confident that the South Africans are serious about the remainder of the package.

"We have not yet received such an assurance, and we will need it."

Links argues that South Africa will be unable to make commitments on trade with the EU until its future relations with the Southern African Development Community have been finalised, and that will not happen before about August.

The negotiations between South Africa and the EU began in earnest last month. — Independent Foreign Service

Hanekom presses US on trade barriers

(74)

CT 18/2/97

AGRICULTURE Minister Mr Derek Hanekom pressed his US counterpart Mr Dan Glickman over trade barriers yesterday and said South Africa would launch a major drive to sell farm products to North America.

Hanekom and Glickman, who met during discussions of the US-South Africa Binational Commission headed by Vice-President Al Gore and Deputy President Thabo Mbeki, said increased trade was in both countries' interests.

"We want to aggressively target the North American market for our own goods," Hanekom said.

"Historically we've had strong trade links with the European Union, but we think there's a massive potential market in the US, Mexico and Canada.

"Our main challenge is to show the US how a real market-based economy works," Hanekom said, referring to US subsidies.

Glickman said the US was reducing or removing subsidies on row crops like wheat, maize, cotton and rice.

"We recognise that that will perhaps involve some risk on the part of producers, but in order to counteract this we may have to ensure that markets are free and open for those goods overseas," Glickman said.

"I know that South Africa is participating very strongly with other nations in trying to remove trade barriers and the minister has twisted my arm just a little bit along those lines since I've been here," Glickman said.

South African and US officials said the agriculture committee of the Binational Commission had removed obstacles to exports of South African citrus and protea flowers to the United States which had been based on fears of contamination. — Reuter rights, while ignoring their rights ...

EU pact 'will aggravate meat sector problems'

BD 18/2/97 MEAT (74)

Louise Cook

AN EXPECTED rise in local demand for meat could be catered for through trade with neighbouring countries rather than SA entering into a free trade agreement with the EU, says Red Meat Producers' Organisation GM Fritz de Jager.

Local demand for meat was likely to jump between 80% and 90% over the next 20 years but production would probably not go beyond 37%, De Jager said in Red Meat magazine.

"The only way for SA farmers to survive (the expected inflow of imports) is through greater exploitation of foreign niche markets."

De Jager argued that if SA farmers — who generally produced higher quality red meat — exported more, they would get better prices.

"SA will always remain a net importer of meat, (but) ... there is room for high quality cuts to be exported," De Jager said.

Meat exporting countries such as Namibia, Botswana and Zimbabwe — generally producers of lower quality meat cuts — could supply shortfalls in SA, Swaziland, Lesotho, Tanzania, Malawi and Mozambique. Countries in the Pacific Rim, Korea, Singapore and Malaysia were likely to be future importers of SA high quality meat.

De Jager warned that a free trade agreement between SA and the EU would aggravate the meat sector's problems in SA and those of its neighbours. "European beef can be imported at an average price of less than R6/kg, considerably less than local producer costs. SA's import tariff of 40% was in many cases not enough."

SA was powerless to fight back on the grounds of dumping as the World Trade Organisation permitted this type of support to European farmers. In addition, Europe expected to export to SA but was not willing to import red meat from SA.

Meanwhile, US Agriculture Secretary Dan Gluckman said that the US would press SA to drop its import tariffs on pork and not to raise tariffs on poultry.

SA was the only country that insisted that pork had to be shipped frozen, a requirement that the US was hoping would be scrapped, he said.

SA-EU talks founder on tender terms

BD 20/2/97 (74)

John Dludlu

CO-OPERATION talks between the European Union (EU) and SA suffered a setback yesterday when negotiators failed to reach agreement on the terms under which SA firms would be allowed to tender for projects funded by the European development fund.

Sources close to the talks said yesterday the main sticking point was an EU rejection of Pretoria's proposal to have SA companies given the preferential tender terms which are available to the 70 African, Caribbean and Pacific (ACP) countries which are the EU's partners in the Lomé convention.

Article 303 of Lomé gives ACP tenderers a 10% price preference for works contracts of less than 5-million ecus and a 15% preference for supply contracts, compared to other tenders of equivalent economic, technical and administrative quality.

It is feared that extending the favourable tender terms to SA firms for projects financed by the fund, the ad hoc kitty made up of EU states' contributions to finance Lomé's aid programmes, will jeopardise the ACP bloc's chances of winning contracts under the price preference arrangement.

Sources said last night that they could not see the European Commission — the EU's executive arm, which was negotiating on behalf of the union's 15 states — getting concessions on the preferential tender terms from either member or ACP states.

Granting SA corporations the concessionary tender terms could also undermine SA's efforts to facilitate the development of neighbours in southern Africa which were recipients of Lomé benefits.

Failure to reach agreement yesterday raised questions on whether negotiators would be able to cobble together an agreement on SA's partial accession to Lomé in time for ratification by the ACP/EU joint ministers' council on April 24 in Luxembourg.

If agreement on Lomé is not reached before April, it is possible SA's qualified membership of the convention could face a delay of more than a year while the protocol is ratified by ACP governments. However, a cautiously worded statement issued by the two sides played down the fears, saying: "The representatives of SA expressed the hope that the protocol could be finalised in time to be submitted to the ACP/EC joint ministers council of April 24-25 ... for final adoption".

This week certain EU members threatened to block a deal with Pretoria, saying SA was dragging its feet on matters such as a fisheries accord.

Hopes of preferential tender rights from EU are fading

BD 21/2/97 (74)

John Dludlu

THIS week's rejection of SA's proposal to obtain concessionary tender rights for regional contracts had "shaken the confidence" of Pretoria's negotiators that the European Union (EU) was serious in its claims for a special relationship with SA, trade and industry director-general Zavareh Rustomjee said yesterday.

Rustomjee was responding to news that SA's efforts to get price preferences for the lucrative contracts funded by the European Development Fund had failed to garner sympathy from EU negotiators. The fund finances aid projects under the Lomé convention, the trade and political co-operation accord between the EU and 70 African, Caribbean and Pacific (ACP) nations.

Sapa-AFP reports Spain has threatened to block SA's entry to the convention if Spanish fishing boats are not granted access to SA waters.

Madrid has also warned it will refuse to ratify any deal with Pretoria unless SA agrees to stop exporting fortified wine labelled "sherry".

Rustomjee, who is leading the trade talks in the SA team, said the EU's action smacked of protecting rich nations and called on Brussels officials to remove the hurdles to allow firms to realise their full potential.

"When we do rise to the occasion, we are confronted with naked protectionism," he said, echoing the plight of developing countries in getting access to developed countries' markets.

The contention from the EU was that including SA under article 303 of Lomé, the clause that granted ACP nations price preferences of 10%-15% for works and supplies contracts, would jeopardise ACP countries' chances of winning contracts in the face of strong competition from SA's firms, sources close to the talks said.

It is understood SA's desire for access to the concessionary tendering terms, tabled only last week, was based on the need to pass on benefits accruing from these contracts to black entrepreneurs through subcontracting arrangements.

EU negotiators will brief the monthly meeting of general affairs ministers, but observers expect the council to throw out Pretoria's request.

SA urged to boost trade operations with Sweden

Patrick Wadula (74)
and Deborah Fine

BD 21/2/97

THERE was a need to identify projects of mutual interest involving both Swedish and SA companies, Swedish Deputy Trade and Industry Minister Yvonne Gustafsson said yesterday.

Addressing a business luncheon organised by the Swedish Trade Council in Johannesburg, Gustafsson said trade between the two countries was far above pre-sanctions levels and seemed set to develop further.

This was evidenced in Swedish companies' representation in SA, including the recent opening of a representative office of Swedish bank Nordbanken, ABB, Electrolux and Ericsson.

Although Swedish exports in 1994 had increased at an annual rate of approximately 50%, they amounted to R1,7bn in 1995. She said this represented only 1,5% of SA's total imports.

SA exports to Sweden had increased by 90% from 1994 to 1995, albeit from an initially low level.

"There clearly exists an SA deficit with regard to exports to Sweden and SA business activities in Sweden," she said.

More could be done to encourage and boost trade in both directions, she said, giving an example of possible co-operation in the field of environmental protection, an area in which Sweden possessed a great deal of expertise.

Meanwhile, Swedish King Carl Gustav XVI said Swedish business confidence in SA would continue to increase as more Swedish tourists visited the country.

He was speaking at Johannesburg International Airport after he and his wife, Queen Silvia, jetted into Gauteng from Cape Town yesterday to be welcomed by Gauteng premier Tokyo Sexwale and his wife, Judy.

The king advised South Africans to exercise patience in the transformation period. SA had gone through a "difficult past" and the path to a working democratic society would be "long and tough".

EU wants SA to back down on tender right demands

John Dludlu (74) BD 24/2/97

SA IS expected to come under increasing pressure from European Union ministers today to back down on its proposal to get concessionary tender rights under the Lomé convention.

Sources close to the talks said at the weekend the general affairs ministers' meeting was likely to confirm the decision of Coreper, the EU ambassadors' body, which rejected SA's request to be given price preferences when bidding for contracts funded by the European Development Fund (EDF).

EDF, which is made up of EU states' contributions, finances Lomé aid projects.

A fresh round of co-operation talks between SA and the EU — to finalise SA's partial membership of the convention which links the EU with 70 African, Caribbean and Pacific (ACP) nations — failed to produce agreement on tendering terms for SA firms.

Negotiators from the commission — the EU's executive arm which represents member states at the talks — rejected SA's proposal that Pretoria's firms be given price preferences set aside for ACP tenderers. Benefits ranging between 10%-15% for works and supplies contracts, respectively, are typical of such preferences.

Sources said SA's chances of winning sympathy from the council were "slim" and warned that further insistence by Pretoria could antagonise friendly governments, including the UK, Belgium, Netherlands, Ireland and Luxembourg.

However, by late Friday, there were no signs that Pretoria would soften its stance. SA's ambassador to the EU Eltie Links said on Friday that SA's request for accession to Article 303 — the specific clause in the Lomé agreement which grants the price preferences set aside for ACP tenderers — formed part of the "developmental thrust" of negotiations.

"We believe (with Article 303 benefits) we can achieve developmental objectives by competing with EU companies".

But he refused to speculate on the outcome of today's deliberations, saying: "The process is now in council. It's up to them to decide".

Also meeting today is the European parliament's development committee.

A "no" from the council will send the commission negotiators back to the drawing board, a move which could thwart negotiators' efforts to reach agreement before the crucial ACP/EU joint meeting in Luxembourg this April.

If that occurs, SA's membership of the Lomé Convention could be delayed by more than a year.

One SA negotiator said a tiny share of about 20% of contracts were won by ACP firms. However, the benefits for ACPs were further whittled down by the fact that most of these had an EU-shareholding. "What we want is to keep the money (from contracts) in Africa."

He said Pretoria would be prepared to exclude itself from those areas in which ACPs were competitive.

Sapa-AFP reports that Spain is expected to come under pressure to drop its threat to block SA's Lomé entry until an agreement is finalised on the access of EU boats to SA waters.

Today's council meeting is taking place amid increasing concerns among EU states that Pretoria is not giving any concessions on issues of interest to them, notably the fisheries accord and free trade, say Brussels observers.

Numbers from the commission show that ACPs won only 15,4% of supplies contracts, the UK accounted for nearly 28,3%, France (15,4%) and Italy (16,2%) from the seventh EDF.

Under the seventh EDF, which financed Lomé between 1990 to 1995, ACPs won 26,5% of works contracts, Italy (31,9%) and France (20,6%).

SA's retreat paves the way to Lomé

John Dludlu

(74) BD 26/2/97

GOVERNMENT backed down yesterday on its proposal to secure concessionary tender rights for regional contracts, removing an obstacle to SA joining the Lomé Convention.

However, a hurdle remained — Spain's refusal to back plans to facilitate SA's partial membership of the convention, which links the European Union (EU) and its 70 former African, Caribbean and Pacific (ACP) colonies, EU and SA officials said last night.

SA previously insisted that its companies be allowed price preferences when bidding for contracts financed by the European Development Fund. The fund, which consists of EU states' contributions, finances aid projects under the convention.

However the proposal threatened to derail SA's qualified access to the convention. SA's proposal had been rejected by the commission and by Coreper, the EU ambassadors' body, on fears that it would undermine the ACP's chances of winning contracts funded by the fund. The climbdown was just in time for the general affairs ministers' council meeting yesterday, paving the way for progress in preparing ground for SA's access to Lomé.

After its meeting, the council said: "Regarding qualified accession of SA ... the council recalls the specific time constraints and will consider to what extent it will be possible to take advantage of the facilitating clause of ... the revised Lomé ... which would allow an early accession of SA to this convention without further ratification."

If SA had not dropped its request it would have risked missing the April 24 deadline for the joint ACP/EU council, which would fast-track accession to Lomé.

SA ambassador to the EU, Eltie Links, welcomed the outcome of the council's deliberations which put SA on the path to Lomé membership.

On suggestions that as team leader he had backed down, Links said: "It would have been good to get (the price concessions) we wanted, but this is only one track of the negotiations." He believed the broader negotiations, which included a trade deal, would achieve an accord that would benefit SA.

Commission spokesman João Vale de Almeida said Spain, which had threatened to block any deal with SA, wanted guarantees that there would be progress on the fishing and trade aspects of negotiations.

The challenge was for the commission to address the concerns of Spain, without whose support a deal with SA could not go through, he said.

Spain thwarts SA's bid for Lomé trade accord

(74) ARG 25/12/97

Brussels – Spain has blocked a proposal outlining the terms under which South Africa could become a partial member of the African, Caribbean and Pacific (ACP) group linked to the European Union, diplomats say.

Spain's Abel Matutes had told fellow EU foreign ministers during a meeting in Brussels that Madrid wanted to see more progress on bilateral relations between the European Union and Pretoria before approving South Africa's partial accession to the Lomé Convention, the diplomats said.

The convention outlines relations between the EU and the 70 ACP countries and offers lucrative trade and other benefits to developing states.

Spain is seeking commitments from Pretoria for a separate fisheries agreement with the EU and also had reservations over the effect of imports of South African wines and spirits on the 15-country EU market.

Diplomats said they hoped Spain could be persuaded to relent in time for South Africa's Lomé membership to be put to the biennial EU/ACP meeting in Luxembourg in April.

In a statement, foreign ministers said they would now consider "to what extent it would be possible to take advantage of a facilitating clause ... which would allow an early accession of South Africa to this convention without further ratification".

The EU has been wary of seeing South Africa become a full member for fear Pretoria's exports will prove superior in quantity and quality and swamp those of the rest of the bloc.

The European Commission – the EU's executive – has instead been negotiating partial membership that would exclude South African trade but allow Pretoria full political representation.

South Africa would aso be eligible for European Development Fund preferential loans.

EU foreign ministers did, however, approve a timetable for further negotiations on bilateral trade relations.

With an eye on the richest economy in sub-Saharan Africa, the EU wants a free trade deal excluding South African agricultural products, but Pretoria is seeking to include farm products and is also wary of the effect any deal may have on its regional partners. – Reuter

Lomé linked to EU commitment

John Dludlu

BD 26/2/97 (74)

SA HAD to give a firm commitment to begin talks on other aspects of the co-operation agreement with the European Union to get other EU member states to back its accession to the Lomé convention, Brussels sources said yesterday.

This was in response to indications that Spain was still unhappy about moves to effectively separate the various aspects of the negotiations.

This week EU and SA negotiators finalised the technical aspects of SA's partial membership to Lomé, the trade and co-operation accord between the EU and 70 African, Caribbean and Pacific nations, after SA had withdrawn its proposal to be given preferential tender rights for regional contracts financed by the European Development Fund.

Madrid still believes that all aspects of the talks — including SA's Lomé membership, free trade, wine and fisheries accords — should proceed in parallel.

However, after a briefing from João de Deus Pinheiro, the commissioner in charge of relations with SA, the general affairs ministers issued a statement, which was interpreted as a call to member states to support the separation of the accords via speedy access to Lomé for SA.

SA ambassador to the EU, Eltie Links, has reiterated Pretoria's stated commitment to deliver on all aspects of the talks, and has undertaken to hold discussions with the Spaniards on their concerns.

Apart from the commitment to a comprehensive set of negotiations, SA and EU negotiators have agreed to a detailed working programme "covering all issues of mutual interest", the council said.

Asked what it would take to win Spanish support, Vale de Almeida said SA needed to "put flesh to the calendar bones", meaning a detailed programme on when it would be ready to discuss the different aspects of the all-embracing relationship.

For any deal with SA to go through, unanimity is required among EU member states. The challenge facing the EU now is to sell the Lomé deal to the commission, the union's executive arm, and begin "pushing it through the bureaucratic EU machinery".

Comment: Page 17

SA tariff policy earns no brownie points

The trade and industry department's rationale behind its accelerated tariff reform programme comes under fire from industry leader **David Sable**

BD 26/2/97 (74)

THE parliamentary trade and industry portfolio committee recently issued a report critical of government industrial policy (or rather the lack thereof) and, in particular, the accelerated tariff reform programme.

An unhappy trade and industry director-general Zavareh Rustomjee took the committee to task (Business Day, February 14). Despite months of time-consuming and costly hearings and investigations by the committee — involving representatives from farming, industry, labour and retail — Rustomjee says conclusions reached by it and many others are "simply not the case".

Responding to the committee's charge that tariffs are being reduced too quickly, Rustomjee says that SA's General Agreement on Tariffs and Trade (GATT)/World Trade Organisation (WTO) negotiators (who brought in President Nelson Mandela to help maximise their position) did such a good job that "...unions and firms in the clothing and textile industry ...themselves agreed to bring down tariffs faster than required."

Labour, however, spoke out clearly for a longer phase-down period and the textile industry's opposition to an accelerated tariff reform programme was widely publicised and formally communicated to the trade and industry department on several occasions.

The facts are that while GATT/WTO allowed a 12-year tariff phase-down period (compared to the US's 15 years under the North American Free Trade Agreement), the industries and labour had agreed with government that, in exchange for clearly defined supplyside assistance as an integral part of the package, they would accept a 10-year phase-down period.

After agreeing to the overall package, government later stated that it could not afford the supplyside measures outlined, and it decreed an effective seven-year phase-down period.

To my knowledge, SA remains the only country in the world to reduce tariffs faster than required by GATT/WTO and, to make matters worse, no concessions were wrung from our trading partners in exchange for the acceleration.

To quote Anglo American Industrial Corporation chairman Leslie Boyd: "Where are the brownie points that SA earned from being holier than GATT?" (Business Report, March 13 1996).

In further defending accelerated tariff reductions, Rustomjee states: "There is little, if any, evidence of a link between the current tariff reform programme and unemployment." Yet he continues, conceding that "... as a result of the depreciation of the currency last year, the tariff reform had practically no effects on employment".

He states that: "This is not an accident ... (but rather a policy objective). Export subsidies and tariffs are known to cause currencies to be overvalued. When they are removed the currency can be expected to depreciate. Therefore the fear of the negative consequences of accelerated tariff reform, while it is understandable, has little substance."

On the contrary, since the tariff reform scheme was introduced (and notwithstanding the depreciation of the rand), an SA Clothing and Textile Workers' Union survey found that more than 17 000 jobs have been lost in footwear, textiles and clothing alone. Firms (not only in these industries) continue to invest in labour-saving technology at a furious pace.

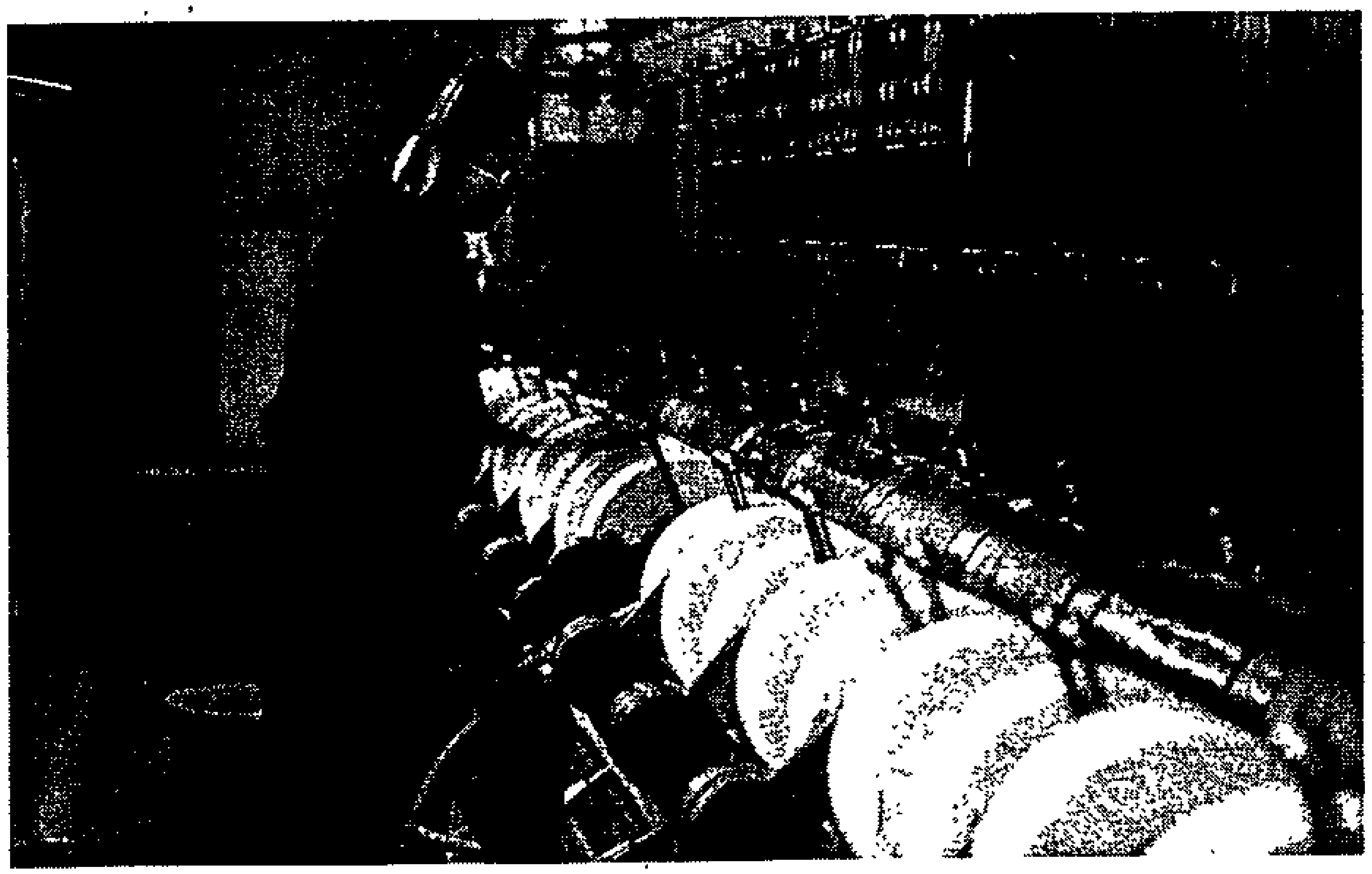
Rustomjee's remarks suggest that government knew that accelerated tariff reform would lead to substantial job losses. However, it believed that its policy would lead to a substantial depreciation of the currency, which would in turn counter this effect. This is implausible. The timing of the rand's fall was fortuitous for trade and industry's policymakers, shielding them from what might have been far more severe consequences of their tariff policy.

Having previously claimed that the rand's depreciation was anticipated by the trade and industry department, and all part of its tariff plan, Rustomjee goes on to suggest that the tariff plan needs to be amended because of the currency depreciation, and he is calling for a further acceleration of the tariff phase-down.

Rustomjee complains that the committee's report "... does not address industrial policy, and implies that the tariff reform is being implemented in a vacuum". He says: "The committee's report also suggests problems in the implementation of supplyside measures to complement the tariff reform," and goes on to list several "key programmes" which the committee has failed to take account of, most of which "are being readied for implementation".

Two years into tariff reform, and most of the supplyside measures are only now being "readied for implementation". With one or two exceptions, however, even the few measures which have been introduced are simply not what industry needs or, due to stringent qualification criteria, are limited in their applicability.

Responding to the committee's concerns about the surge of illegal imports, Rustomjee claims: "...the rationalisation of the tariff system is, for the first time in 70 years, giving customs officials the upper hand against smugglers." Yet it is widely accepted that only recently has smuggling become so severe.



Since the tariff reform scheme was introduced, a survey found that more than 17 000 jobs had been lost in footwear, textiles and clothing alone. Picture: FINANCIAL MAIL

Despite the recommendations of international experts and offers of further aid from industry, government continues to drag its feet.

It has made little progress in installing an effective computer system, amending legislation to incorporate more severe and more widely applicable penalties, completing methods for disposal of seized goods in a manner which will not disrupt local industry, or freeing the SA revenue service to pay market-related salaries and thus hire staff of the needed calibre. In fact, lack of progress on these issues is jeopardising fragile advances to date.

Finally, Rustomjee complains that the committee's report "bemoans the absence of effective programmes to stop unfairly subsidised exports to SA". While he says anti-dumping is "being improved and strengthened", he is quick to qualify that "... government will not allow it to be abused to become a new form of protectionism...". However, a system cannot be misused and abused if it does not work, and besides being unfriendly and cumbersome, SA's system is hardly overused.

According to the Financial Times of London (December 14, 1995), the European Union (EU) and the US between them have no fewer than 485 anti-subsidy measures in force to shield their manufacturers from dumping.

From July 1994 to June 1995, the EU initiated 37 anti-dumping investigations, followed by the US with 30, Mexico with 18 and Brazil with 12. In sharp contrast to these annual figures, the cumulative total of anti-dumping investigations initiated in SA is about 45.

Putting these specific issues aside, then, and lending credence to the deep concerns articulated in the committee's report, the US magazine Business Week provides a revealing insight into the realpolitik of international trade.

Reporting on an Asia Pacific Economic Co-operation meeting attended by US President Bill Clinton and other heads of state, the editorial comments "the disappointing meeting did underscore that when the going gets tough, Asia is likely to stall, rather than push, the global free trade movement" (December 9 1996).

In a small economy, struggling with trade liberalisation and a host of other structural problems, including poor education and massive unemployment, insights such as this should weigh heavily on the minds of SA's policy-makers and those who elect them.

□ *David Sable is a director of the Frame Group.*

FOREIGN TRADE *More meetings between Pretoria, EU planned*

Commissioner optimistic Spain will lift veto on SA

CT (BR) 26/2/97 (74)

JOHN FRASER

Brussels — EU commissioner Joao de Deus Pinheiro, who is responsible for relations with South Africa, has expressed optimism that Spain will be persuaded to lift its veto on South Africa's admission to the Lomé Convention.

This convention is the EU's main development treaty. It already links the 15-nation bloc with 70 African, Caribbean and Pacific nations, including all of South Africa's neighbours.

Negotiators agreed at the weekend on the terms for South Africa's accession to Lomé — which will not cover the trade or aid elements.

This came after Pretoria backed down from a demand to be given preferential treatment in bidding for contracts in other countries which are financed by Lomé.

However, when the deal was outlined to EU foreign ministers on Monday, Spain's Abel Matutes still refused to give his approval.

He is hostile to attempts to rush through the formalisation of the Lomé deal so that it can be ratified in parallel with the ratification of a review of the Lomé Convention itself.

Joao de Deus, the EU commissioner responsible for South Africa

He said the Lomé aspect of the negotiations was being rushed without sufficient progress on other areas such as fisheries and trade.

Matutes is a former EU commissioner, who knows Pinheiro well. The two are expected to discuss the South Africa dossier in the near future.

The EU's chief negotiator, Philippe Soubestre, said there had been progress in the EU-South Africa negotiations.

However, he accepted that the Lomé Convention aspect of the talks must be seen "in a wider context of EU-South African relations".

He said it was "promising" that a schedule for further meetings had been agreed by both sides, and that negotiations would move into the substance of remaining issues, including fisheries and trade.

"That in itself should be enough to reassure all our partners," he said. "We must allay the fears, and that is our task for the next few days."

Pinheiro was talking to journalists in the context of a new agreement between the EU and the World Bank to more closely co-ordinate their activities in sub-Saharan Africa.

He said special efforts were being made in Ethiopia, Mozambique and the Ivory Coast, where co-operation had moved beyond the drawing board into concrete work in the field.

However, Pinheiro said major challenges remained in dealing with the problems of high debt and the need for economic reform. — Independent Foreign Service

SA still fighting for tender right on EU contracts

BUSINESS EDITOR (74)

ARG 26/2/97

South Africa is still bidding for the right to tender for huge regional contracts funded by the European Union, though not under preferential conditions, Government sources said yesterday.

South African negotiators in Brussels for crucial trade talks with the European Union (EU) decided earlier this week to back down on a bid for concessionary conditions for South African companies tendering on contracts funded by the European Development Fund.

The fund finances projects worth about R14 billion a year.

Only European firms and companies in one of the 70 African, Caribbean and Pacific (ACP) countries which are signatories to the Lome Convention are allowed to tender. Firms in ACP countries benefit from a concession of 10 to 15 percent on the tender price, on contracts worth less 5 million Ecus (R25 million) or less.

Accession to the convention would enable South African firms to tender, in other African countries for instance, on the same basis as European firms.

The EU has already ruled out the possibility of South Africa's accession to the trade benefits of the Lome Convention, fearing competition from South African products on European markets. But qualified accession to other benefits of the convention, including permission to tender for European Development Fund contracts, is still under negotiation.

LOMÉ CONVENTION

A Spaniard in the works

(74)
CT(BR) 27/2/97

JOHN FRASER

BRUSSELS

As any journalist will tell you, a deadline can do wonders in concentrating the mind.

It is a law of this profession, and a practice in many others, that if something can be put off, that is exactly what happens. However, when politicians and diplomats dither, the result can be rather damaging.

Take the crisis in the European Union's negotiation with South Africa. It centres on the need for South Africa's partial membership of the Lomé Convention to be agreed by all existing Lomé members at a meeting in Luxembourg at the end of April.

Had negotiations got under way before January this year — almost a year after the EU made its original offer — it would have been a breeze to tie up the Lomé Convention aspects of the discussions, and to make progress on all the other issues.

As it is, a monumental effort by South Africa's chief negotiator, Elias Links, matched by his Brussels counterpart, Philippe Soubestre, has resulted in a deal that would enable the Lomé deadline to be met.

If not for Spain.

The country's foreign minister, millionaire former Eurocrat Abel Matutes, has said he would not nod through the Lomé Convention aspects of the EU-South Africa accord until he was sure progress was being made on other outstanding issues, notably fisheries and trade.

Had there been more time available, and less foot-dragging on both sides, there could have been more work in the negotiations to satisfy the man from Madrid.

However, it will now be a tough task to show much progress, as there is so little time.

Of course, this is not the first occasion on which there has been a Spaniard in the works in the EU's relations with South Africa.

It was pressure from Spain, and from other Mediterranean EU members, that led to a very mean-spirited EU offer to South Africa on trade, from which about 40 percent of South African fruit and vegetable exports were excluded.

And just as the self-interest of the Spanish farmers makes them a powerful political force, so the country's fishermen are equally able in lobbying their minister Abel.

South Africa is thus facing the sort of pressure that is routinely applied in EU discussion — with the message that Pretoria must give ground on fisheries, or it will not win the prize of speedy Lomé access.

It is the type of pressure/blackmail that Britain applied to the rest of the EU over the mad cow crisis, blocking a whole host of issues until there was a framework in place for lifting the beef export ban.

Turkey is applying similar pressure over its demands for EU membership, by warning that Ankara will veto the accession of new Nato members until the Turks are admitted to the EU.

Politicians, diplomats and other professionals skilled in the papering over of cracks have played down the Spanish problem, and played up the chances of an accord.

The EU's commissioner for South Africa, Joao de Deus Pinheiro, even made the shamefully politically incorrect suggestion that the Spanish are like women refusing sex — they are likely to give in after a bit of flattery.

Ironically, the Lomé Convention deal on offer to South Africa is very much a second-rate membership anyway. South Africa will get none of the one-way tariff-free export advantages received by the existing 70 African, Caribbean and Pacific nations.

The limited trade advantages that will be on offer by Europe must be matched by a lowering of South Africa's own tariff defences against predatory imports from Europe.

Whereas the Lomé Convention entails the Europeans giving to the rest of Africa, it would mean them taking as well from South Africa.

On a more positive note, South Africa does not need the aid as opposed to trade elements of Lomé as its current aid from the EU is more generous treatment than that available to existing Lomé members.

There will also be export advantages for South African firms who manufacture part of a product that is started or finished off in another Lomé state, as some of these products will enter the EU market under the duty-free benefits that other Lomé nations enjoy.

And South African firms will also be able to bid for tenders on projects financed by the EU elsewhere in the Lomé zone. However, there has already been a defeat for the South African side on this last concession, with a refusal by the EU to put South African firms on a par with their African competitors, who receive an advantage of 10 percent to 15 percent when tenders are assessed.

Instead, South African firms will compete on the same level as their EU competitors. The EU explained it would be unfair for other Lomé countries if they had to compete on equal terms with the much more powerful South African economy.

Despite all this, the South African government is thought to still have warm feelings for the Lomé Convention, which may be the only remaining club with a strong African membership from which the new South Africa is excluded.

For this reason, second-class status may be better than isolation, particularly as Lomé itself is set to be reformed by the end of the decade, and South Africa could have a prominent — and more equal — role in whatever structure replaces it.

The price to pay, however, may well be the admission of a Spanish armada into South African waters.

The challenge for the South African negotiators is to strike a deal that is better than those that have led to the rape and plunder of the fishing waters of other African nations.

The EU has been accused by a number of independent observer groups — including a Spanish non-governmental organisation — of doing a big disservice through their existing fisheries accords with countries such as Angola and Namibia.

If South Africa is to give new access to EU fishing vessels there must be strict controls on the quantity of fish they are allowed to catch each year and even stricter policing of their catches. Even in Europe's own waters there is a big problem with enforcement of fishing agreements, with the result that some stocks are close to extinction. If the EU is prepared to do that to its own fisheries, there is no reason to assume it will be less reticent in overfishing in South African waters.

Offer the Spanish a reasonable quantity of snoek, cob and yellowtail and they might drop their veto over South Africa's Lomé membership. Offer them too much, on fisheries and on all the other outstanding issues in the wide-ranging negotiations, and South Africa's own fishermen will never forgive their government.

The danger is that South Africa has left itself too little time in the current negotiations to deal with all these issues and still make the Lomé deadline. But there is no disgrace in South Africa saying no from time to time, and in persuading the Eurocrats of Brussels and the blackmailing Spanish that the time has come to start matching their positive rhetoric towards South Africa with more generous actions.

Half-hearted, second-rate membership of Lomé is still worth fighting for. But not at any price. — Independent Foreign Service

TARIFF POLICY (74)

TRADE REMEDIES

FM 28/2/97

Foreign manufacturers who see SA as a ready market for dumping could soon be given short shrift. Legislation now before parliament could mean a swift end to the practice.

Board on Tariffs & Trade (BTT) deputy chairman Leora Blumberg says one of the features of the new amendments "will allow us to implement new antidumping regulations and also so-called safeguard duties against disruptive competition, in accordance with the requirements of the World Trade Organisation (WTO)."

The proposed amendments to the Board on Tariffs & Trade Act and to the Customs & Excise Act are going through various readings before parliament.

Blumberg adds that one of the major objectives of the BTT in 1997 will be to reduce substantially the time taken to conduct an antidumping investigation. "The goal is to be able to come to a preliminary determination — which could result in a provisional duty — within 120 days of the initiation of the investigation in the *Government Gazette.*"

Current legislation, often framed during the sanctions years, falls outside the ambit of WTO requirements — and therefore has to be amended.

And, by amending the previous description of "disruptive competition," and certain related provisions in the Customs & Excise Act, the board will also be in a position to "legally" implement provisional safeguard duties — for a period not exceeding 200 days — where there is clear evidence that increased imports would "cause or threaten to cause serious injury to the domestic industry in SA or the customs area of the Southern African Customs Union (SACU)."

The proposed new definition of disruptive competition — falling within the ambit of WTO agreements — will enable the board to act against "the export of goods . . . in such increased quantities, absolute or relative to domestic production . . . and under such conditions which cause or threaten to cause serious injury," Blumberg says.

Industry will be able to plead for interim protection if its case falls within the proposed new definitions but only in the circumstances and under the strict conditions set out in the administrative procedures that are being developed by the BTT. "Any safeguard duty imposed in terms of the current definition would place SA in direct contravention of its WTO obligations," she says.

While the board already conducts antidumping actions in accordance with the WTO rules, the proposed amendments to the regulation provision will allow for the promulgation of comprehensive regulations, giving greater transparency and satisfying SA's WTO partners.

Blumberg says SA's partners in the SACU have been consulted in respect of the proposed amendments as the new legislation will affect the whole area. Any restructuring of the antidumping system will be affected by the renegotiation of the SACU agreement and any new institutional structure that may result.

Industry sectors like textiles, footwear, clothing and motor vehicles have been hard hit by a deluge of imports, as tariff protection recedes. This is partly the result of SA's joining the WTO — after the signing of the Marrakesh agreement which cemented Gatt's Uruguay Round.

With tariff binding levels now squarely facing heads of industry, they have to work hard at becoming globally competitive — or succumb to competition.

But, apart from "legal" competition, industry also faces floods of illegally imported goods, as well as dumped imports — brought into SA at prices below production costs in the exporting country.

The new SA Revenue Services — led by former banker Piet Liebenberg and ably assisted by a team of British Customs experts — is tackling illegal imports with growing competency and success.

And, apart from "natural" protection against cheap imports provided by the low rand, industry will shortly also have a new arsenal of official measures to help it meet the challenge of dumped goods *Arnold van Huyssteen*

EXCISE *Tighter legislation on the way*

R17bn slips through Customs net

(74)

CT (BR) 25/4/97

SHIRLEY JONES

Durban — Inefficiencies in the customs and excise department cost the country an estimated R17 billion a year, Gill Marcus, the finance deputy minister, said yesterday at the international conference on economic policy issues held in Durban.

Marcus said she could not accept having to borrow money to fund government spending when the country already had the funds it needed. She said the much debated budget deficit was not about borrowing levels but about the country's inability to collect taxes.

She said comprehensive changes to customs legislation were before the Cabinet and a material difference would be evident within months.

Chris Barnard, the chief director of customs and excise, has said the department has been placed under pressure from importers to tighten up customs legislation.

During her speech, Marcus called for a significant improvement in the skills and training levels of public employees. She said South Africa had just 1 500 customs officials, the same number as Heathrow airport. However, it had 36 international airports, of which just nine were manned.

She said staff at the inland revenue department, who were dealing with sophisticated corporate entities, each had an average of just seven months' experience.

Turning to provincial departments, she said financial management problems were such that some departments were unable to produce bank reconciliations.

There was an urgent need to put financial skills and capabilities in place, especially considering the large sums involved, she said. She did not know of one company in South Africa where junior staff were authorised to handle sums as a large as R1 billion.

REFORMER *Finance deputy minister Gill Marcus*

Marcus said fiscal planning was needed to enable government departments to match development to their resources.

In 1995-96 the requirements of government departments were R46 billion above what the government had to spend. For the past budget, government departments had requested R14 billion more than the government could allocate. "We're not talking about a small shortfall," she said.

Marcus said that even if the sums requested had been granted, many government departments seemed to have an inability to spend.

Fresh bid for Harare pact

Problems of farming sectors in spotlight

(74) ARG 1/3/97

EMELIA SITHOLE

Johannesburg – Senior South African and Zimbabwean agriculture and trade officials meet in Harare on Tuesday in a fresh bid to thrash out a new economic pact between southern Africa's largest trading partners.

South Africa's director for Africa trade relations, Mfundo Nkuhlu, said the Harare meeting would be looking at tariffs on agricultural products which hinder trade between the farming sectors of the two countries.

"The meeting scheduled with the Zimbabweans in Harare will be focusing on agricultural products," Nkuhlu said.

"We are looking at agricultural tariffs and quantities of volumes that are to be supplied by the Zimbabweans," he said, adding that the officials would also be looking at the possibility of Zimbabwean beef exports to South Africa.

South Africa currently imports beef from Europe to meet domestic shortfalls.

The meeting is part of protracted negotiations between the two countries over the past four years to improve their and trade ties, strained over charges by Zimbabwe that South Africa was trying to use its stronger economy to dominate its northern neighbour.

The charges came after the lapse in 1992 of a 1964 preferential trade pact between Harare and Pretoria. South Africa then slapped tariffs of up to 90 percent on all clothing and textile imports, which Zimbabwean industries said were squeezing the lifeblood out of them.

Last August the two countries reached a key agreement in principle for South Africa to lower tariffs to about 50 percent of the applicable rate on textile and clothing imports, but it has yet to come into effect.

Mr Nkuhlu said on Thursday that the textile agreement should come into force before the end of March.

"What delayed implementation of that agreement was some legal requirements which had to be taken care of. There's no other obstacle in the way of that agreement now."

However, he declined to comment on new tariffs reforms announced by Zimbabwe about two weeks ago, saying South Africa was still studying them.

Under the latest tariffs Zimbabwe scrapped import duty on capital goods and severely cut tax on industrial spares. It said the new duties would not apply in cases where the country had preferential trade pacts, including South Africa.

Mr Nkuhlu said South Africa was also studying the possibility of similar trade negotiations with Zambia which has also sharply criticised it for unfair trade practices.

"South Africa would have preferred that negotiations be conducted within the SADC (Southern African Development Community) but some countries have expressed urgency and because the SADC process was taking long we decided to respond to those sharply raised concerns," he said.

SADC comprises Angola, Botswana, Zambia, Zimbabwe, South Africa, Swaziland, Mauritius, Malawi, Namibia, Lesotho, Tanzania and Mozambique. – Reuter

ASIAN TOUR: President Mandela with the leader of the Phillipines, Fidel Ramos, and Graca Machel Picture: AFP

Mandela seeks increased trade and ideas from Asian tigers

(74) ST 2/3/97

By CYRIL MADLALA
Manila, Philippines

PRESIDENT Nelson Mandela will be seeking economic inspiration from the "Asian tigers" during his 10-day tour of South East Asia which began this weekend in the Phillipines.

Four of the countries that he will visit — Malaysia, Singapore, Brunei and the Philippines — are members of the Association of South East Asia Nations (Asean).

Their rapid economic growth has earned them the name of "tigers" and the way they have reinforced their economic interdependence and opened up their markets provides a fine example for South Africa and for economic co-operation among Southern African states.

A powerful business delegation is travelling with Mandela, who is accompanied by Graca Machel; the Minister of Mineral and Energy Affairs, Penuell Maduna, and the Deputy Minister of Trade and Industry, Phumuzile Mlambo-Ngcuka.

Yesterday South Africa and the Philippines signed a trade co-operation agreement in terms of which they undertook to give each other "most-favoured-nation treatment".

Mlambo-Ngcuka, who signed the agreement with her Philippine counterpart Jose Juliano, said a joint trade committee would be established when South Africa had full diplomatic representation in the islands.

A cabinet decision approving this was expected soon.

Favoured nation treatment enhances co-operation on customs duties and all other charges and taxes applicable to the importing or exporting of goods, customs clearance, transit, storage and reloading, as well as the treatment of merchant vessels and aircraft.

Mlambo-Ngcuka said the Philippines was interested in South Africa's infrastructure development, technology, engineering capabilities, the construction of aircraft and ports, food processing and packaging, industrial chemicals and coal.

"The Philippines' experience in adding value to wood and in manufacturing auto components was of interest to South Africa, the deputy minister said.

"If we prove to be good business partners, it will market us internationally and lead to even bigger markets."

Business partnerships and bilateral trade agreements, particularly with Malaysia, are beckoning. Meetings with the Philippines chamber of commerce and industry, and President Mandela's keynote address to the Malaysian national chamber of commerce and industry are aimed at boosting the strong economic ties that already exist between these countries and South Africa.

Technological advancement and the huge infrastructural development within Asean have contributed to the rapid growth of the economies of members.

Malaysia is forging ahead with business ties with South Africa, and its vigorous commitment is demonstrated by the visit to South Africa this week by Prime Minister Mahathir Bin Mohamad who has taken a personal interest in focusing business and government attention on this country.

In South East Asia, Malaysia is the main buyer of South African weaponry, and there is potential for fruit products, construction contracts, industrial machinery, telecommunications and chemical products.

Total trade between South Africa and Malaysia has grown from R609-million in 1993 to R1,5-billion in 1995, and Mandela's visit is expected to yield more trade agreements.

Co-operation between South Africa and Singapore has grown in leaps and bounds since Mandela's government took over.

While there has been an increase in South African exports, Singapore is also investing here, with a consortium building a five-star hotel in Pretoria, and another Singapore company producing textiles and stationery for schools in Kwazulu Natal.

Total investment is estimated at R500-million, and the Maputo Development Corridor is enhancing the scope of further co-operation.

Singapore's prime minister, Goh Chong Tong, also visited South Africa this week and delivered the keynote address at a talk organised by the African-Asian Society in Johannesburg. He told of some of the experiences of Singapore along the road to economic success.

With the Philippines, the most promising areas of trade and bilateral co-operation with Singapore include joint ventures in tourism infrastructure and the export of coal.

The country has had its share of political upheavals, and is still battling to recover from foreign debts, now estimated at \$37-billion (about R162-billion).

Singapore's trade with South Africa has grown from R239-million in 1993 to R271-million for the first nine months of last year.

SADC has yet to finalise free trade plan

John Dludlu

60 4/3/97

(74)

TRADE officials from the Southern African Development Community (SADC) have yet to agree on details of an ambitious plan to liberalise trade in the 12-nation trading bloc, more than five months after political leaders gave the green light to the eight-year free trade programme.

SADC spokesman Kgosi Moesi said yesterday only one government, Mauritius, had so far ratified the plan, but indicated that other governments hoped to do so by August. A majority of member states were in the process of ratifying the SADC trade protocol, while some wanted to see results of technical studies currently being done to establish which sectors and product lines had to be covered by the free trade area.

However, he emphasised that the political commitment to implement the trade protocol was strong.

The delay was, in part, caused by the need of governments to assess the sensitive sectors and to prioritise their needs. Last week, SA — which is currently chairing the SADC — gave strong signals that it intended using the trade protocol to open its markets faster to its SADC partners in a bid to rectify the long running deficit the region had suffered in its trade with Pretoria.

The protocol, approved by SADC heads of state in Maseru, Lesotho, last August, envisaged the creation of an eight-year free trade area in the SADC which would take into account the variable speed of removing trade barriers by different nations in the bloc.

The protocol also called for a linkage between trade liberalisation to region-wide industrial restructuring and promotion of new investment as well as co-operation in trade facilitation, trade promotion and rehabilitation of port facilities.

Moesi attributed the slow pace in the initiative to the process of appointing consultants and getting funding for the studies. However, there was now "keen interest" from the Nordic countries to help finance the studies, he said.

An SADC source denied suggestions that there had been a slow down in preparations, pointing to the commitment made by politicians as a clear determination to implement the protocol.

Brussels anxious for SA to resume Lomé talks

CT(BR) 6/3/97

(74)

JOHN FRASER

Brussels — European Union officials in Brussels are anxiously awaiting a response from South Africa to an invitation to hold a new round of negotiations next week.

The EU is looking to maintain the momentum of its discussions with South Africa, despite a threat by Spain to hold up agreement on partial South African access to the Lomé Convention.

The 15 European Union foreign ministers meet in Brussels on March 25, at which stage Spain's foreign minister, Abel Matutes, will come under intense pressure to lift his country's block.

The Madrid government is holding out against South Africa's entry to Lomé, claiming there has not been enough progress on other issues such as fisheries, trade and a new accord on South African sherry exports. EU officials say that the best way to bring the Spanish on board is for there to be a productive meeting next week.

"So far there is no sign of movement by the Spanish," said a senior EU official. "We are seeking progress in the negotiations on all fronts, and the Lomé Convention aspect is just one building block. It is not even South Africa's main concern, which is trade access to our market.

"There is a huge amount of work to be done, and we want to get moving quickly. The more we can demonstrate that things are moving, the easier it will be to win over the Spanish."

There is a particular urgency over the Lomé Convention issue, as an accord will have to be finalised at the end of next month if South Africa is to benefit from a fast-track ratification process. If not, there could be a delay of up to two years, by which time the Lomé Convention will be drawing to an end.

If all the problems can be resolved, South African firms will benefit from the right to tender for projects financed by Lomé.

However, South Africa failed in a bid to win special tender rights, only available to the existing 70 African, Caribbean and Pacific Lomé countries, and instead will be treated in the same way as EU firms. Had it won its battle, it would have had an advantage over European firms of up to 15 percent.

Protectionist EU states, including Spain and France, are insisting that 40 percent of South African agricultural exports should be excluded from the benefits of a free trade agreement. — Independent Foreign Service

FOREIGN TRADE (74)

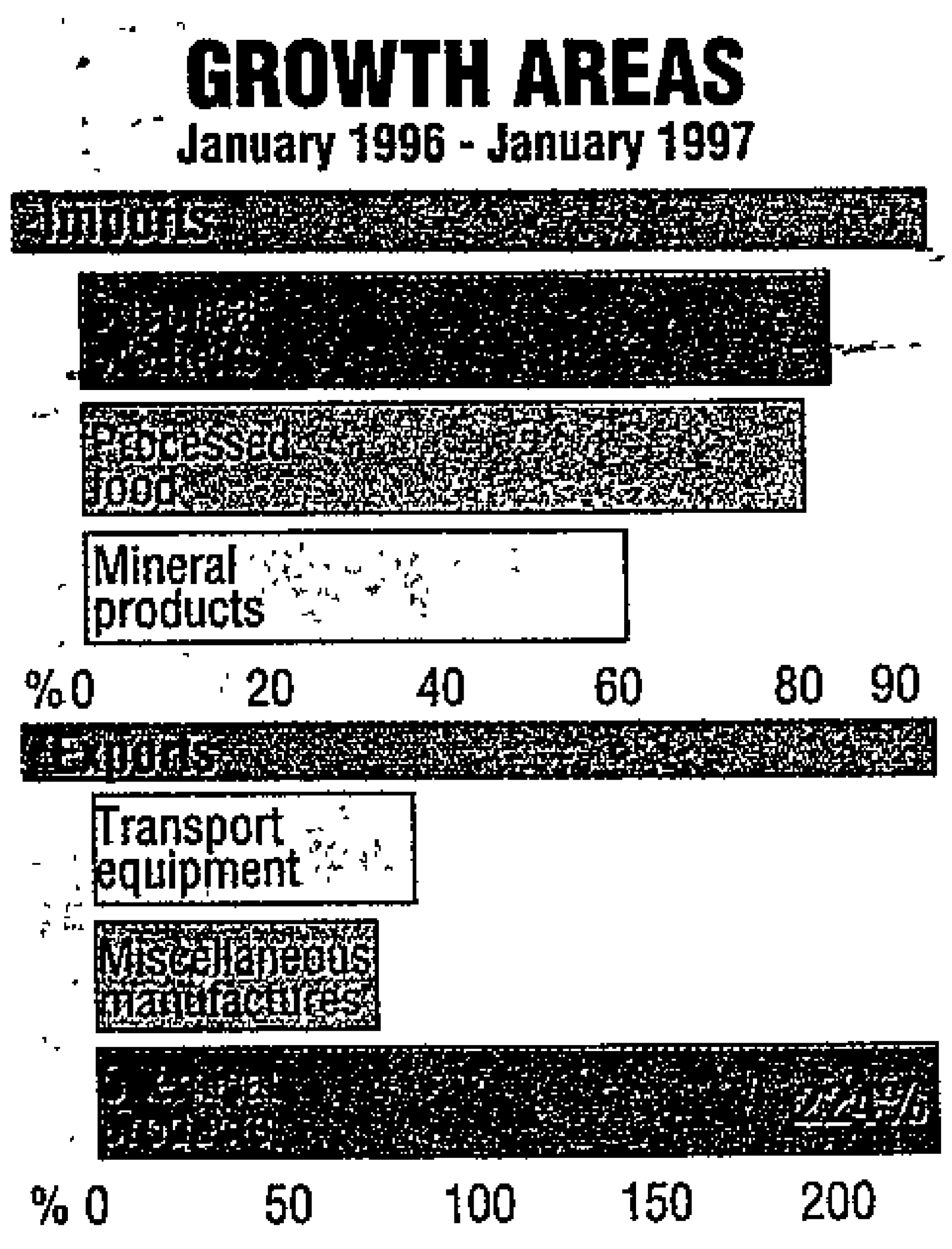
MAKING HAY

FM 7/3/97

Recent growth in imports is a sign South Africans are still heavy spenders on consumption and capital goods — not surprising in view of freer trade and internationalisation of the economy.

Even stronger growth in exports is a sign manufacturers have increased capacity, upgraded technology and introduced more efficient production methods. Some commodity producers are benefiting from higher international prices — a trend Nedcor economist Kevin Lings expects to continue through the year.

These developments combined with the competitive advantage of a weaker currency to boost export volumes. The rand's depreciation — of 21% on a trade weighted basis, says Lings — also increased rand values of the import bill and export revenue.



But in some cases other important forces are at work.

The comparison is between January figures, released last week by Customs & Excise, and figures for January 1996 They are for one month only and, in some cases, may reflect statistical distortions. But for the most part they probably indicate trends over the intervening months.

Imports rose 29% to R10,7bn and exports 53% to R11,2bn.

A breakdown of imports shows:

❑ Machinery & electrical equipment grew 30% to R3,5bn. Sacob economist Penny Hawkins says: "Over the past two years more than R150bn worth of capital projects have been announced. Of these, about R74bn were new projects announced in 1996;"

❑ Mineral products grew 84% to R1,2bn. This category includes oil, the price of which rose about US$2 a barrel in the period. There may also have been an increase, in volume terms, of consumption of diesel, petrol and aviation spirits;

❑ Processed food was up 81% to R269m. A retailer says the biggest inputs are likely to have been frozen poultry, soya and turkey meat, which is used as an additive in meat processing;

❑ Chemical products were up 61% to R1,3bn; and

❑ There was shrinkage in the category which includes motor vehicles, "possibly due to saturation last year after pre-emptive buying," says Naamsa's Nico Vermeulen. The January figure is down 4,4% to R630m.

On the export side there was strong growth in:

❑ Mineral products, up 55% to R1,8bn. The January figure would have captured the effect of some new coal price agreements These were higher, at least in rand terms, than the previous year, says Chamber of Mines economist Bongi Gasa;

❑ Precious metals and stones, up 28% to R3,4bn (The figure for January last year has been adjusted to eliminate the effect of the shift of gold from the "other unclassified" category during the year.) Given the fall in the gold price over 1996, the improvement almost certainly came in diamond exports But diamond figures are notoriously unreliable because consignments from Botswana are often processed in batches This is one case where a one-month figure must be treated with caution;

❑ The category, miscellaneous manufactures, rose 79% to R149,4m. Its percentage contribution to total export revenues rose from 1,1% to 4%. One big component is seats, including motor car seats. Says Lings· "This is part of a continuing trend. In 1995, exports of car seats increased by 124% to over R1bn "

A country breakdown is available only for January-September last year C&E's *Monthly Abstract* for that month shows the category is the biggest single export to Germany (R870m in the nine months). Germany was the biggest single customer by far. Most of the trade is presumably between Mercedes-Benz and BMW in SA and their parent companies,

❑ Chemical products, up 90% to R788m. Sentrachem and Bayers chrome chemicals plant expansion presumably added to output So did Sasol's increased output of speciality chemicals.

Based on the September figures, biggest customers are the rest of Africa (R1,9bn), Spain (R1,1bn) and the Netherlands (R880m); and

❑ Transport equipment rose 244% to R415m. Major items are motor cars and other vehicles designed for transporting people, and vehicle parts and accessories. Re-exports are often an important component. "This has been a trend for about five years," says Lings.

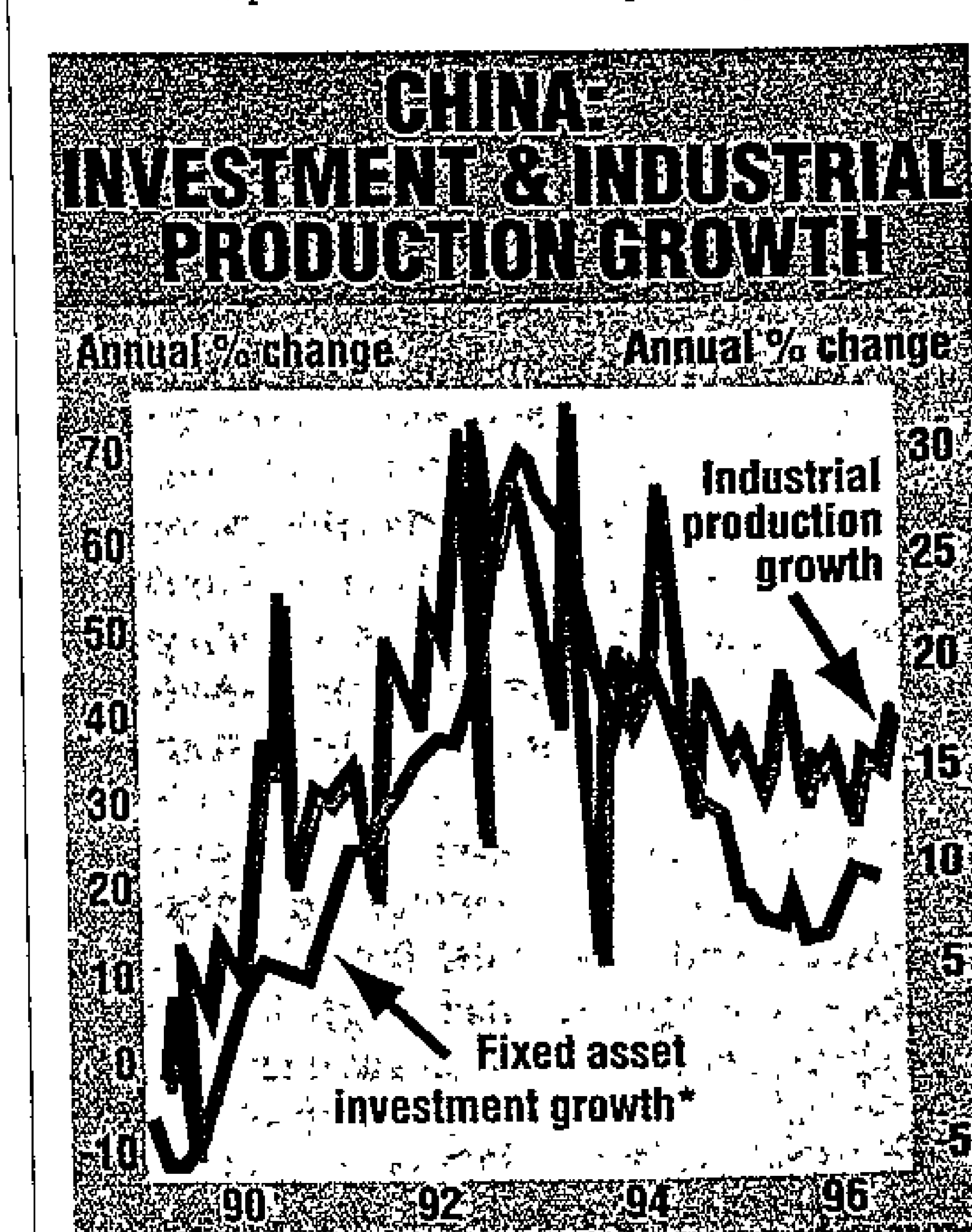
Beneficiation of primary products is playing an increasingly important part in the economy. And manufactures will almost certainly contribute more to overall exports in future This will make the country less dependent on the vagaries of commodity markets. *Ethel Hazelhurst*

CHINA'S ECONOMIC OUTLOOK

NEW DYNAMICS

China has many structural problems, including an over-indebted State sector. But it would be wrong to assume they will slow the momentum of growth, says the *China Analyst*, published by the Bank Credit Analyst Research Group.

It points out the cyclical economic process is no longer driven by China's failing State-owned companies. Foreign joint ventures, private business, quasi-private



SA joins EU in slating Helms-Burton law

(74) BD 7/3/97

John Dludlu

SA HAS joined the European Union (EU) in criticising the onerous terms of the US legislation punishing companies which are doing business with Cuba.

Speaking at a conference on the resolution of international trade and investment disputes in Sandton, Trade and Industry Minister Alec Erwin yesterday said the Helms-Burton law was of concern not only to Europe, but also to SA.

The Helms-Burton law, which had been submitted for mediation by the World Trade Organisation (WTO), restricted trade for companies doing business in Cuba. Mediation on the issue has been hampered by the fact that Washington has declared the matter part of its national security.

Erwin, who is president of the UN Conference on Trade and Development, also highlighted the plight of African countries in participating in globalisation and the rules-based trading system.

The WTO has contributed significantly to confidence in a more "equitable and justifiable rules-based trading system", with its dispute settlement mechanism limiting the possibility of arbitrary action by powerful nations against weaker partners.

Citing the recent victory of Costa Rica over the US as an illustration of the efficacy of trade dispute resolution within multilateralism, Erwin said the key to the legitimacy of the dispute resolution mechanism lay in "buy-in" and contribution of all to the rule-making underpinning such measures.

"Unilateral action in their national interest by the powerful trading countries or blocs undermines this 'buy-in' and has serious systemic effects," Erwin said.

He warned that if legal or arbitration structures were imposed without regard to the difficulties faced by Africa in the rules-based system, the effect would be adverse.

However, he said the African continent, which was at a cross-roads in the globalising world, would contribute to the development of arbitration procedures to reflect the sociocultural contexts in which such conflicts arose.

"We collectively need to contribute towards the development of regulatory frameworks which would provide the transparency and confidence to prospective international partners while meeting the developmental objectives."

At the same conference, Justice Minister Dullah Omar said SA was revising its arbitration dispensation to bring it into line with international requirements and to make SA an attractive destination for trade and investments.

Recommendations on proposed changes included a suggestion that SA should, like other African nations, ratify the Washington convention to create the necessary framework to encourage foreign investment in southern Africa.

The Law Commission had also suggested that SA's present arbitration law of 1965 be replaced by legislation that recognised foreign arbitration awards.

Mashudu Ramano, an official of the National African Federated Chamber of Commerce, said small and black business had so far been at a disadvantage to dispute resolution mechanisms and called for the integration of previously marginalised groups into the dispute resolution system.

'Communities must benefit from EU pact'

#74

THABO MABASO ARG 7/3/97
BUSINESS REPORTER

Trade talks between South Africa and the European Union (EU) should produce results that have a positive impact on communities, EU ambassador Erwan Fouere said yesterday.

Mr Fouere was speaking at Ashton during a meeting with local communities. It was organised by African National Congress members of parliament Rob Davies and Phillip Dexter.

"The result should be one that provides South Africa with improved markets and improved competitive capacity," Mr Fouere said.

"We need to make sure that the sustainability of communities occurs through an agreement that could be reached," he added.

Trade negotiations between the EU and South Africa have been dragging on for months, with South Africa pushing for a trade and development agreement which would give better access to European markets for SA products without damaging her neighbours.

Ashton, a small country town whose main produce, fruit, is a major source of income for families, is one of many communities which stands to benefit should an agreement granting favourable access to South African products be reached.

Mr Davies said the EU ambassador was invited to Ashton so that he could hear first hand what the communities felt about the talks.

Mr Fouere visited the Langeberg canning factory, which exports its canned deciduous fruit to EU countries.

Mr Davies said the canning factories in Ashton exported 60 percent of their produce to EU countries but paid heavy duties which were harmful to their businesses.

Inspection: European Union ambassabor to South Africa Erwan Fouere visited Langeberg Canning in Ashton to hear first-hand the community's views on trade talks between the EU and South Africa

Mandela strengthens SA-Asia trade links

(74)

Sowetan 10/3/97

KUALA LUMPUR – President Nelson Mandela wrapped up his 10-day state visit to south-east Asia at the weekend satisfied that business links between South Africa and Asia's booming economies had expanded.

His marketing drive in the Philippines, Brunei, Singapore and Malaysia have been "very successful", Mandela told Kuala Lumpur journalists.

South African High Commissioner to Malaysia Maite Mohale said new private sector joint ventures with Malaysian groups would exceed more than R2 billion.

She was referring to at least four black empowerment groups, including National Investment Trust, which had clinched deals in banking, shipping, construction and broadcasting.

A R600 million project in the Phillipines was also in the pipe-line.

Mohale, who is non-resident ambassador to the Phillipines and High Commissioner to Brunei, declined to give details saying that the matter was sensitive.

Business delegation

The president said that Brunei's Sultan Hassanal Bolkiah, who had accepted an invitation to visit the country, would send a business delegation to explore joint ventures and investment opportunities.

Similarly, Philippines president Fidel Ramos would soon send a "strong business delegation".

Mandela, who stressed regional cooperation throughout his trip, said that while some of the countries would concentrate on South Africa, he had urged government leaders to include other Southern African Development Community states.

"We want investment in South Africa, but as long as the surrounding areas are poor, we will not be able to properly benefit."

When asked about trading with countries with poor democratic records such as Brunei, the president warned against "dangerous generalisations".

Mandela and former Mozambican first lady Graca Machel left for a private visit to the Malaysian island resort of Langkawi on Saturday afternoon. They will be returning to South Africa today. – *Sapa.*

Huge challenge faces Rustomjee as trade head

BD 10/3/97 (74)

John Dludlu

TRADE and industry director-general Zavareh Rustomjee likes to use the word "navigation". It is an appropriate term given the challenges he faces as the department's top bureaucrat.

Broadly, his job description entails repositioning SA globally — in economic terms, that is — restructuring apartheid trade relations in southern Africa; preparing SA's industries for global competitiveness and transforming the department to a more efficient government agency geared more towards policy work than regulation.

Last year, Rustomjee showed his navigational skills by cutting the export subsidy scheme available to business under the general export incentive scheme. At the height of resistance and threats of lawsuits by business against the department, Rustomjee invited firms to join government in identifying impediments to competitiveness through the department's cluster initiative.

He encouraged SA industries, used to being mollycoddled with subsidises, to reorganise their work methods, to re-examine their customer/supplier relations and to look anew at their human resources.

Some firms took heed of his advice. He says the country is beginning to see fruits of the industrial restructuring programme.

As an example, he cites "tens of thousands of jobs" that go unrecorded in the clothing sector — one of SA's sickly sisters. "Productivity is constantly rising ... the utilisation of (factory) capacity is also at a high level."

He told a lunchtime gathering of German and SA businessmen that today's analysis is based on an economic structure that does not exist anymore.

His worry, though, is the recent depreciation of the rand could have taken the pressure off some firms to continue the quest for global competitiveness.

The current restructuring programme, following the reduction of tariff protection, has seen a gravitation of economic activity from inland towards coastal areas lured by port facilities. Similarly, SA firms are being attracted to neighbouring countries by cheaper input costs.

"Decisions (by firms) are (increasingly) based on the recognition that there's a regional market and that they (firms) can lower input costs by relocating in the region".

The top 100 publicly quoted companies in SA, venture capitalists and the banks are investing in the region.

Normally, the financial services tend to follow the productive sectors into new markets, he says.

Apart from the post-sanctions resuscitation of SA subsidiaries in neighbouring states, the revival of certain traditional industries — for example, mineral and agro-processing sectors — also offer an attractive investment opportunity. He says government would like to encourage SA investment in the region, but denies claims that Pretoria is exporting jobs to the region.

While admitting the attractions offered by the region, where wages are frequently lower than in SA, Rustomjee believes an industrial policy based on cheap labour is a dead end.

In SA, companies which derive their competitive edge from an exploitative labour relations system are beginning to shut down. "We make no apologies for having put into place policies that make it difficult for them to sustain their operations".

SA's industrial policy is based on the need to move away from a "low wage, low consumption economy to a high wage, high consumption economy". Rustomjee and senior echelons at the department believe the restructuring programme is not a "zero sum" game: shutting down business in SA and relocating to southern Africa. This approach, which is being promoted within both the Southern African Customs Union and the Southern African Development Community (SADC), envisages the creation or resuscitation of regional industries with a long-term future rather than fighting over a "fixed cake", he says.

RUSTOMJEE

As an example, Rustomjee uses the sugar industry. The 12-nation SADC is home to some of the lowest-cost producers of sugar, he says. He wants to see the region's sugar sector taking on the European Union's (EU's) heavily subsidised common agricultural policy as global liberalisation takes firm root.

Contrary to claims by vested interests, Rustomjee believes SA firms have passed with a measure of success through the restructuring era.

Recently, he mounted a spirited defence of the country's tariff policy, saying there was no link between current tariff reform and unemployment.

The second, and maybe the trickiest, strand of Rustomjee's task as head of department is to reposition SA globally. Pretoria believes it has to realign its trade with growing trading nations.

Figures show SA's exports to the SADC and the EU have grown to R25bn recently. Importantly, exports to the SADC are made up of manufactured and machinery products.

Trade and investment in the SADC, now chaired by SA, are growing at an encouraging pace.

Naturally, the SADC has been identified by SA government as a priority region. But Rustomjee says the intention is not to ditch the EU and traditional trading partners whose economies have been expanding at a sluggish pace. "We have to continue on all fronts", he says, referring to the current co-operation talks with the EU.

SA, which is now standing at the door of the Lomé convention, is still looking for signals that Brussels is serious in wanting a special relationship with Pretoria and the SADC. This thinking keeps on coming up in the talks with the EU.

All trade relations, though, have to strive for a "mutually beneficial outcome, otherwise they're not sustainable", he says.

While occasional spats with the EU are understandable, dealing with neighbours which do not trust Pretoria may prove difficult.

Tensions between SA and its neighbours have been exasperated by the long-running deficit the region has suffered in its trade with Pretoria. The verbal attacks from Harare on Pretoria are symptomatic of this condition.

However, Rustomjee says Pretoria wants to use the SADC trade protocol to grant generous trade concessions to fellow signatories to the protocol.

To overcome all these challenges, Rustomjee will have to transform the trade and industry department into an efficient, policy-oriented department. This process has begun.

As his contribution to the right-sizing initiative, he plans to cut his bureaucracy of about 1 230 people by a further 30% over the next three years.

This will be done without compromising levels of service as more regulatory functions are devolved to the provinces. Such an initiative will then see the department becoming an efficient policy-orientated state department. As for efficiency, he narrates a small, but symbolically big, initiative to train secretaries and staff to increase their use of computers. For example, his secretary now sends his messages through the computer. Computers have also significantly reduced the hours spent arranging meetings in the department.

The transformation task, as parastatals have recently discovered, is not just about cutting jobs, employing blacks and women or getting secretaries to use computers efficiently. It is also about ensuring that junior officials at the department are sufficiently employed and their frustrations at the hands of inaccessible or insensitive directors are given a sympathetic audience by Rustomjee.

Perhaps, to accomplish all these challenges, Rustomjee will need more than just navigational skills. A bit of luck may come in handy.

Untapped potential in Indian Ocean Rim markets

(74)

Nicola Jenvey

DURBAN — Promoting the development of an Indian Ocean Rim would liberalise trade and enhance economies of member states in the world's largest single market, department of trade and industry assistant director Sagay Moodliar said yesterday.

Addressing the second Indian Ocean Rim Consultative Business Network and Indian Ocean Research Network Conference Moodliar said intraregional trade constituted 18%-20% of the trade undertaken by member states. Significant untapped potential existed between members.

Moodliar believed SA played a major role within the region and upgrading and developing the ports for improved access and trade relations were vital.

Former SA Chamber of Business president Rudi Heine said countries in the region accounted for a third of the bulk carrier traffic and two thirds of the oil shipments throughout the world. About 30% of the world's population resided in the region.

"The potential for trade should not be underestimated," he said.

KwaZulu-Natal premier-elect Ben Ngubane said SA was attempting to become more involved throughout the region via trade missions and political ties.

Member states included Australia, Bangladesh, India, Indonesia, Iran, Kenya, Malaysia, Mauritius, Oman, Pakistan, Saudi Arabia, Singapore, SA, Sri Lanka and Thailand.

BD 11/3/97

SA backs new Indian Ocean charter

(74)

SHIRLEY JONES
KWAZULU NATAL EDITOR

CT(BR) 11/3/97

Durban — The South African government would support the Indian Ocean Rim (IOR) charter signed in Mauritius last week and would champion the initiative aimed at developing, upgrading and improving the management of member countries' sea ports, Sagiar Moodliar, the assistant director of the trade and industry department and chief director of foreign trade, said yesterday.

Opening the second IOR Consultative Business Network Conference in Durban, Moodliar said though the IOR charter did not represent a preferential trade agreement, it would heighten and realign trade within the region.

He said the conclusion of the South African Development Community (SADC) agreement would reinforce the IOR charter while economically mobilising SADC member countries and providing them with access to the opportunities within the broader region.

Moodliar cautioned against difficulties which could stem from the admission of new members, pointing out that sub-regional conflicts which could result would hinder progress and distract common interests.

But he welcomed the harmonisation of standards and accreditations which would facilitate trade flows and the promotion of tourism in the IOR region.

SA, India sign pact to end trade disputes

(74) Sowetan 11/3/97

COURT interference in trade disputes between South Africa and India could soon be a thing of the past after the signing of an arbitral service agreement between the two countries at the weekend.

The agreement, signed on Saturday by the Association of Arbitration of South Africa with its counterpart, the Indian Council of Arbitration, will try to resolve trade and commercial disputes between the two countries amicably.

Indian Council of Arbitration executive director Gagar Kumar Kwatra hailed the agreement.

He said this could see trade disputes between the two countries being resolved without much court interference.

He said that the business community should use institutional arbitration and refrain from using ad-hoc arbitration or the traditional court litigation to solve commercial disputes.

The AASA's Patrick Lane, who signed on behalf of South Africa, said the agreement was vital as it would help the country bring its arbitral laws in line with international standards.

The agreement follows a three-day international conference called by Southern African Development Community (SADC) to deliberate on how countries can arbitrate to resolve trade disputes.

SA urged to focus on regional market

(74) ~~(2...)~~

SHIRLEY JONES

CT (BR) 11/3/97

Durban — If South Africa did not succeed, the rest of Africa would fail; if it succeeded, the rest of the region had a chance, Philip Clayton, an economist with Standard Bank, said at the second Indian Ocean Rim Consultative Business Network Conference yesterday.

Clayton said South Africa played a small part in the global economy, which highlighted the importance of the Indian Ocean Rim initiative, which focused interest on the region.

"If you want to invest in Africa, you have to look at South Africa, which is the economic giant in the region," he said, pointing out that this country accounted for $121,5 billion of Africa's $330 billion gross domestic product.

"South Africa contributes half of one percent of the globe's output. However, it dominates the continent. With 4 percent of Africa's surface area and 6 percent of the continent's population, it contributes 27 percent of Africa's output, 39 percent of sub-Saharan Africa's output and 79 percent of Southern African Development Community (SADC's) output," he said.

He said he had tried to encourage South African companies to import from Africa to create a bigger regional market.

He said 70 percent of exports to Africa were manufactured goods.

Lomé deal sets stage for trade pact with EU

ARG 13/3/97 (74)

Johannesburg – The European Commission has agreed to grant South Africa partial access to the Lomé Convention, paving the way for a free trade pact with the European Union.

The commission said in a statement in Brussels that it had reached an important milestone yesterday when it gave the green light to a draft protocol to the convention, which sets out the terms and conditions of South Africa's membership of Lomé.

"It was agreed that the trade benefits of Lome will not apply to South Africa. Trade relations will be governed by a separate bilateral agreement, which will contain provisions for the gradual establishment of a free trade area," the EU statement said.

South Africa and the EU said after hard bargaining in January that they were moving closer to agreement on a free trade deal and partial membership of Lomé – which grants favourable access to EU markets to 70 developing countries elsewhere in Africa, the Caribbean and Pacific (ACP).

The commission's decision has to be approved by the EU Council of Ministers before being submitted to a joint EU-ACP ministers' council meeting on April 24.

The EU, under pressure from its farming lobby, has previously refused South Africa full accession to Lomé.

With trade excluded, benefits from the Lomé convention would include eligibility to tender for European Development Fund projects in all ACP countries. – Reuter

SA gets partial membership to Lome

ARGT 14/3/97 (74)

MARIUS BOSCH

Johannesburg – The European Commission has agreed to grant South Africa partial access to the Lome Convention, opening up the way for a free trade agreement with the European Union.

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South Africa and the EU said after hard bargaining in January they were moving closer to agreement on a free trade deal and partial membership of Lome – which grants favourable access to EU markets to 70 ACP (Africa, Caribbean, Pacific) countries.

Benefits from Lome would include eligibility for projects in ACP countries

The commission's decision now has to be approved by the EU Council of Ministers before being submitted for approval to a joint EU-ACP Council of Ministers meeting.

The commission has recommended that the EU Council of Ministers adopt "as soon as possible a common position on the draft protocol", which is to be approved jointly on April 24.

The EU, under pressure from its own farming lobby, has until now refused South Africa full accession to Lome.

Since trade would be excluded from an agreement, benefits from the Lome Convention would include eligibility to tender for European Development Fund projects in all ACP countries. Trade will be dealt with in the separate agreement between South Africa and the EU.

"At a political level, South Africa's membership of the convention and its full participation in all Lome institutions should have positive effects.

"It will undoubtedly increase the political weight of the ACP group of countries and influence the political dialogue between the ACP and the EU on many issues," the statement said. – Reuter

PAKISTAN VOWS TO CORRECT LOW LEVEL OF TRADE WITH AFRICA

(74)

Karachi, Pakistan — South Africa and the rest of Africa have been earmarked as special targets for Pakistani exports, Mohammed Khan, the vice-chairman of the Export Promotion Bureau of Pakistan, said at the Textile and Clothing Fair last week.

Khan said that the low level of trade between Pakistan and Africa was "embarrassing", but some businessmen say the heavy anti-dumping duty Pretoria has imposed on Pakistani textile imports makes the local market unfavourable.

He said Pakistan exported goods worth $150 million to the whole of Africa between July 1995 and June last year. Exports to South Africa, mainly textiles and leather goods, amounted to $30 million. During the same period, Pakistan imported goods worth $118 million from Africa and a mere $21 million from South Africa. — Thabo Leshilo.

CT (BR) 17/3/97

No clear outcome in SA's Brussels talks (74)

JOHN FRASER CT(OR) 18/3/97

Brussels — EU and South African officials issued a statement on last week's talks in Brussels yesterday, just two days after the end of the bilateral meetings.

The joint declaration gave no real indication of the state of the talks, but it did reveal that a number of technical issues were discussed, including anti-dumping rules, copyright, competition policy, free movement of capital and public procurement.

It said: "Broad agreement was noted on the need to address such issues in the context of the future agreement and on the principles that should guide negotiations on each of them."

Privately, South African and EU officials admitted the talks had been extremely technical and had focused on several important but undramatic issues. "There was good progress in that we discussed the substance, but we did not agree on anything," an EU official said.

The focus now switches to a meeting this week of EU ambassadors, which will debate whether to allow South Africa fast-track access to the Lomé Convention.

Spain has been blocking agreement, arguing that more progress needs to be made across a whole range of issues before the Lomé dossier is closed.

South African diplomats in Brussels are optimistic Spain will not stand in the way when a formal decision is taken on Monday at a meeting of the 15 EU foreign ministers that will take account of the ambassadors' talks.

Spain sticks to its guns in Brussels talks

(74)

JOHN FRASER

CT(BR) 19/3/97

Brussels — Spain is taking a tough stance in Brussels, refusing to drop demands for a delay in agreeing to South Africa's request for partial membership of the Lomé Convention, sources said yesterday.

EU Commissioner Joao de Deus Pinheiro has become personally involved in the campaign to persuade Spain to drop its opposition to South Africa's Lomé membership, his spokesman, Joao Vale de Almeida, said.

In particular, the Spanish want new rules on South African sherry exports, new access to South African fishing waters, and a trade deal acceptable to their country's farmers.

"We had hoped for a decision at next Monday's meeting of the 15 EU foreign ministers," said an EU official. "However, the Spanish now say there should be a delay, or at most a provisional agreement which would have to be formalised later. The aim is to see how much further progress there is in the negotiations — and to keep up the pressure on the South Africans.

"This stance has not convinced the other EU states — but the Spanish are sticking to their guns."

The 15 EU Brussels ambassadors will debate the issue today.

Spain lifts veto on SA entry to Lomé

(74) ARG 24/3/97

Brussels – Spain today lifted its veto on South Africa's entry to the Lomé Convention, removing the last obstacle to the country's entry to the trade-and-aid forum linking the European Union to the developing world.

Spanish Foreign Minister Abel Matutes said as he arrived for a meeting of EU foreign ministers that Madrid would not block South Africa's entry.

Spain's approval previously rested on progress in parallel negotiations aimed at giving EU fishing boats access to South African waters. – Sapa-AFP

Spain clears way for SA to join Lomé

(74)

Robyn Chalmers BD 26/3/97

SA IS set to be integrated into the European Union's (EU's) main trade arrangement — the Lomé Convention — next month after Spain agreed yesterday to back down on a threat to block SA's accession to the convention.

Madrid delegates said yesterday Spain would not block an agreement on the terms of SA's entry after receiving a letter from Deputy President Thabo Mbeki committing SA to beginning talks on other aspects of the co-operation agreement with the EU.

SA ambassador to the EU Eltie Links said the move, which was likely to be ratified on April 24-25 when the EU met its African, Caribbean and Pacific partners, was a milestone.

"This means that SA will play a more formal role within the Lomé Convention ... and will be part of negotiations on the future dispensation for the countries affected. Talks on the broader trade package may move ahead more rapidly now (but) ... we must be realistic. The talks can move only as fast as the policy framework allows," he said.

EU ambassador to SA Erwan Fouere hailed the move as a "crucially important" development which would enhance regional co-operation. By being part of the Lomé Convention, SA would have access to financial instruments aimed at enhancing investment between member states and could sit on all the institutions within Lomé. SA firms would be in line to tender for regional development contracts worth more than 6,3-billion euros. SA firms could bid for development contracts funded by the eighth European development fund, which was capitalised at 14,6-billion euros and financed the remaining five years of Lomé.

Spain's main concern was that substantial progress had to be made in parallel negotiations aimed at giving the EU fishing access to SA waters.

Sapa-AFP reports that Spanish Foreign Minister Abel Matutes said Madrid had decided not to force the sit-

Continued on Page 2

Lomé

(74)

Continued from Page 1

BD 26/3/97

uation on SA's entry to Lomé. Despite its concerns that the parallel negotiations had not advanced sufficiently, Madrid was ready to see SA brought into Lomé because of its strategic importance for Africa's development.

John Dludlu reports from Madrid that Empressa Nacional Bazan, the Spanish parastatal which manufactures naval ships, is revising its bid to build four patrol corvettes for SA in the hope that the stalled tender process will be reopened soon.

The plan to buy patrol corvettes, worth about R1,4bn, was frozen months ago pending the finalisation of the defence review. The review, which SA diplomats believe is due out early this year is expected to give an indication of SA's defence needs.

Bazan officials said last week the company, which was among five short-listed suppliers before the tender was iced, was revising its bid. No further details of the proposal were released.

Prior to the freezing of the procurement plan, Bazan had offered to increase Spanish imports of coal to an annual 7,5-million megatons from 5,7-million megatons earning SA an additional R2,2bn. The offer to buy more coal from SA was part of a countertrade part of the mooted deal.

Spain will not block SA

74

Sowetan 25/3/97

BRUSSELS – Spain yesterday lifted its veto on South Africa's entry to the Lome Convention, removing the last obstacle to the post-apartheid country's entry to the trade-and-aid forum linking the European Union to the developing world.

Spanish foreign minister Mr Abel Matutes said as he arrived for a meeting of EU foreign ministers that Madrid would not block an agreement on the terms of South Africa's entry.

"Taking into account that we are arriving at the deadline to take a decision concerning Lome, Spain will not force the situation and will not put its veto against South Africa in this very important issue," Matutes said.

Spain had previously insisted that it would block a deal on Lome unless there was substantial progress in parallel negotiations aimed at giving EU fishing boats access to South African waters.

A dozen heads of state have announced they will take part in the summit, which will be preceded today by a meeting of African foreign ministers and yesterday by a committee of Organisation of African Unity (OAU) ambassadors.

It was not immediately clear whether Zaire's ailing President Mobutu Sese Seko will attend. Zaire is expected to be a main topic at the summit. – *Sapa-AFP.*

(a) The installation of burglar bars and/or security grill gates at an estimated cost of RI million is being considered;

(b) replacements of locks where keys are lost or not handed in,

(c) the improvement of record-keeping and the security of the spare key which is kept in the Department's office;

(d) the scrutinising of the Department's records to determine which keys can be accounted for and the subsequent replacement of the locks;

(e) replacement of locks when a burglary occurs without forced entry; and

(f) the issuing of all existing and new keys to occupants on a special key control form. This control form will also be signed by all other users, i.e. SAPS, contractors and my Department.

(2) (a) Yes, the keys to the new locks will be numbered on a code system. The house number will not appear on the key.

(b) No, the installation of burglar bars and/or security grill gates should suffice.

(c) The South African Police Protection Services will be requested to investigate the feasibility of such an option. The Acacia Park Residents' Committee should, however, indicate whether they approve.

Grootfontein Agricultural College: diploma ceremony

*32. Dr E A SCHOEMAN asked the Minister for Agriculture and Land Affairs:†

(1) Whether a certain person, whose name has been furnished to his Department for the purpose of his reply, received an invitation to attend the diploma ceremony of Grootfontein Agricultual College in 1996; if so,

(2) whether the person concerned accepted the invitation; if not, what is the position in this regard, if so, what are the relevant details;

(3) whether the person concerned attended the ceremony; if not,

(4) whether this person offered an apology, if not, what is the position in this regard, if so, what are the relevant details;

(5) whether he will make a statement on the matter? N266E

The MINISTER FOR AGRICULTURE AND LAND AFFAIRS:

(1) The Deputy Minister of Agriculture, Mrs Thoko Didiza received an invitation in March 1996 to attend the Diploma ceremony of Grootfontein Agricultural College.

(2) The Deputy Minister initially accepted the invitation to give the key note address.

(3) She could not attend the ceremony as she had to attend another urgent meeting in the Eastern Cape.

(4) She sent her apologies to the persons that were organising the event She even personally called the relevant MEC of that province to explain her position. She further requested the then Director General, Dr. F. Van der Merwe, to represent her on that occasion.

(5) No

Land and Agricultural Policy Centre: misappropriation

*33 Dr E A SCHOEMAN asked the Minister for Agriculture and Land Affairs †

Whether any public money was involved in the alleged misappropriation by the Land and Agricultural Policy Centre (LAPC), if so, (a) to what extent and (b) in what manner will such losses be recovered? N267E

The MINISTER FOR AGRICULTURE AND LAND AFFAIRS:

No. (a) and (b) not applicable.

(74)

Trade between SA/People's Republic of China

*34 Mr M T MAFOLO asked the Minister of Trade and Industry:

(a) What was the volume of trade between South Africa and the People's Republic of China, including Hong Kong, as compared to that of the volume of trade with Taiwan, as at the latest specified date for which information is available and (b) what economic advantages does South Africa currently derive from the recent diplomatic recognition of the People's Republic of China? N268E

The MINISTER OF TRADE AND INDUSTRY

(a) South Africa and the People's Republic of China, including Hong Kong

January - December 1996

Imports	R5 Billion
Exports	R3.5 Billion
Trade balance	-R1.5 Billion

South Africa and Taiwan

January - December 1996

Imports	R4.1 Billion
Exports	R3.2 Billion
Trade balance	-R933 Million

Source Customs and Excise

(b) China is the second largest economy in the world and it is growing at a phenomenal pace China's GNP increased by an average of 12% pa. industrial output increased by 18% pa. foreign trade leapt from U$20 billion in 1978 to $280 billion in 1995 and in 1996 there has been a surge in foreign direct investment of about $40 billion lifting its international reserves to $105 billion

These are but a few of the growth indications of the PRC that South Africa needs to take advantage of We cannot afford to ignore the PRC, therefore we in South Africa must make substantial efforts to participate in this lucrative Chinese market. It is in the interests of globalisation and in the interests of South African business just as it is for any other business community to understand and penetrate this huge market.

China's population of 1.2 billion is already indicative of the huge consumer market potential it has, and this is something we need to take advantage of It is noted that once the Chinese buy a brand name product and if they are satisfied with product, service and quality, they will continuously buy this product In May 1996, the South African government and the PRC government agreed to grant each other the most-favoured-nation (MFN) treatment in respect of the levy of customs duties, charges and customs formalities The result has been an increase in both trade and investment relations

On the trade side, SA's two way trade with the PRC including Hong Kong in 1996 totalled R8.5 billion (see above). Although mineral products and base metals have been the major exports, there is a substantial increase in value-added sectors such as the motor vehicle sector and prepared foodstuffs and beverages China's less sophisticated consumer market means South Africa's products can compete effectively, for example, KWV brandy.

According to the 1996 World Investment Report by the end of 1994 over 900 Chinese TNC's had established over 4 600 foreign affiliates in 130 countries with estimated FDI outflows ranging from $5.2 billion to $16 billion China has only recently been looking for investment opportunities in South Africa At present 28 companies have been given approval to invest here and the value of these has reached $50 million A particular example is that of the Shanghai Industrial Investment Holdings group that have 8 projects planned for South Africa four manufacturing enterprises are already in the process of setting up, namely, cookware, refrigerators, lighting and illumination products in Ladysmith KwaZulu-Natal

The above-mentioned projects will create more than 1000 job opportunities, will involve considerable inward capital investment and through the export of a number of these products, will generate considerable export earnings for South Africa. Another example is the China Iron and Steel Corporation who are investing about $50-70 million in down stream mining operations in the Northern Province The Chinese have come to understand the need for beneficiation, value adding and most importantly creating a worker oriented society in South Africa The type of quality FDI is sorely needed in South Africa not only does it create jobs in unemployed areas but it ultimately contributes to building on the government's GEAR program.

Some leading South African companies that are already trading or investing in the PRC are as follows: SAB, Group 5, SASOL, Sappi, ISCOR, Denel, Tongaat-Hulett, Grinaker, Landpak, Impro-Technologies, Nedbank, and ABSA.

China is not a market for small investors or traders, not only because of the difficulties of doing business but the volume of goods produced. This suggests that we have to be a competitive nation, therefore opening our economy means (1) exposed to a variety of goods and (2) increasing our competitiveness on medium to large scale. In addition, political support makes an enormous difference to the ease with which business is conducted in China and the diplomatic obstacle has certainly been felt by South African businesspeople in China.

It is clear from the above that there is not much to lose but a great potential to gain. It is in South Africa's long-term economic and political interests to strengthen relations with the PRC.

Diplomatic ties between SA/People's Republic of China

*35. Mr M I MAFOLO asked the Minister of Foreign Affairs

> What political and diplomatic advantages does South Africa derive from the recent forging of diplomatic ties with the People's Republic of China? N269E

THE MINISTER OF FOREIGN AFFAIRS

To ascertain what political and diplomatic advantages South Africa could derive from the establishment, at the end of the year, of diplomatic relations with the People's Republic of China (PRC), it is necessary to consider the PRC's international position:

- The PRC is one of the five permanent members of the UN Security Council;
- The PRC has diplomatic relations with 159 countries including the vast majority of the member states of every major international organisation and grouping of states, among them the United Nations, the Non-Aligned Movement, the Commonwealth, the organisation of African Unity, the Southern African Development Community, the Indian Ocean Rim Association, the North American Free Trade Area, the European Union, the North Atlantic Treaty Organisation, Asia-Pacific Economic Cooperation forum, Association for South East Asian Nations, World Trade Organisation, UN Conference on Trade and Development and the G-77 countries; and
- In early 1993 already, the IMF estimated that the PRC's economy was the third largest in the world. If the PRC's economy were to grow as fast over the next 13 years as it has over the past decade, its GNP by 2010 will be bigger than America's. In the last two decades, the PRC has emerged as a political, economic and military superpower in Asia and is hailed as "the superpower" for the 21st Century.

With regards to South Africa, we should take special note of the diplomatic positions of the Southern African Development Community (SADC), the Organisation of African Unity (OAU) and the Non-aligned Movement (NAM) in its management of foreign relations. The Minister of Foreign Affairs said, in his budget speech to this House on 18 June 1996, that "by trading or concluding diplomatic relations with a particular country, South Africa does not necessarily approve of the domestic policies of that country's government. In fact, the very existence of diplomatic relations creates channels of communication, which enable the Government to convey the values which we hold dear to other governments What is crucial is not to proclaim a vision *ad nauseum* but to take initiatives which will allow us to achieve concrete results."

Currently South Africa is one of a small minority of member countries of international organisations that does not recognise the PRC diplomatically. South Africa's recognition of the ROC on Taiwan – which flies in the face of international practice and custom – is to the detriment of the advancement of South Africa's interests on the global stage Through South Africa's political recognition of the PRC from 1998, South Africa could more effectively engage the PRC in dialogue to promote the interests of South Africans and the people of Southern Africa on the bilateral and multilateral stage – this would not only include free and open trade and investment, but also the maintenance of the international political order.

Hong Kong will revert to the political control of the PRC on 1 July 1997 Diplomatic relations with the PRC will make South Africa's presence there more certain and less vulnerable Arrangements for the interim period 1 July to 31 December 1997 is currently being discussed with the PRC.

With South Africa's return to the international arena, South Africa has to take cognisance of the realities of international politics where the PRC plays an important role.

In terms of future south-south cooperation, and the ability of organisations and groupings such as UNCTAD and the G-77 to successfully meet the challenges of the globalisation of the world economy and to achieve sustainable economic growth, the role of the PRC is important.

Although South Africa is also committed to preserve our lucrative economic relations with Taiwan, South Africa's economic relations with the People's Republic of China and Hong Kong, cannot be ignored The total trade between South Africa and the PRC/Hong Kong in 1995 was R6 478 798 939, up from R5,9 billion the year before, making it South Africa's sixth most important trading partner. South Africa's trade with Taiwan in the same period amounted to R5 774 918 822 But what is most important, is the enormous potential for further growth. Although it is claimed in the media that Taiwanese investments in South Africa are 1,5 billion US dollar, the real figure is closer to 1 billion South African Rand Investments from the People's Republic of China are estimated to be approximately 50 million US dollar and capital from Hong Kong in South Africa 1,8 billion US dollar.

Certain person in possession of firearms

*36. Mr T S YENGENI asked the Minister for Safety and Security:

(1) Whether a certain person, whose name has been furnished to the South African Police Service for the purpose of his reply, is in possession of any firearms: if so, (a) how many, (b) what type of firearms and (c) what is the said person's name;

(2) whether the number of guns in the said person's possession exceeds the legal limit as to the number of firearms which a private citizen is allowed to have in his or her possession, if so, what are the reasons why the said person is allowed to have such a number of firearms in his possession? N294E

The MINISTER FOR SAFETY AND SECURITY

(1) Yes

(a) Thirteen (13) firearms.

(b) Rifles - 6

Airgun - 1

Shotgun - 2

Revolver - 2

Pistol - 2

(c) Mr F W de Klerk.

(2) No, according to the Arms and Ammunition Act, 1969, (Act No 75 of 1969) there is no limitation placed on the number of firearms which may be owned by an individual. The provisions of the Arms and Ammunition Act are presently being reviewed by a committee with a view to producing recommendations for the more effective control over licenced firearms.

Armaments deal with Rwanda

*37. Mr T S YENGENI asked the Minister of Water Affairs and Forestry

(1) What types of armaments were part of the armaments deal with Rwanda that was suspended last year;

(2) whether the suspension of the deal is to be lifted in the near future; if not, why not; if so, what are the relevant details;

(3) whether he will make a statement on the matter? N295E

The MINISTER OF WATER AFFAIRS AND FORESTRY:

(1) The Rwanda Government placed orders for armoured personnel carriers and associated weapons such as machine guns, mortars and grenades. The only arms that have been exported are 6 Nyala Armoured Personnel Carriers.

(2)(a) No, the National Conventional Arms Control Committee agreed at its last meeting on

Zimbabwe-SA trade stalemate ends

BD 27/3/97 (74)

Michael Hartnack

THE stalemate between SA and Zimbabwe on the restoration of preferential access by Zimbabwe to the SA market had been broken and Zimbabwean clothing and textiles would be flowing into SA within days, said SA High Commissioner Kingsley Mamabolo.

He said technical problems, which had delayed implementation of a memorandum signed last September, had been resolved.

A preferential 30% tariff for Zimbabwean clothing had been instated with effect from March 1, and this would be brought down progressively to 20% by September 2002.

Textiles would benefit from a 50% rebate on duties levied on other most favoured nations.

Mamabolo said at a news briefing earlier this week: "A major breakthrough has been achieved in the ongoing trade discussions."

Preference lapsed in 1992 when the 1964 most-favoured nation bilateral treaty between the former white-ruled Rhodesia and SA was overtaken by new protective SA tariffs. A 90% rate of duty on clothing and textiles imposed by SA pushed more than 20 Zimbabwean firms into bankruptcy, with the consequent loss of tens of thousands of jobs.

Mamabolo expressed optimism that an agreement would be reached on Zimbabwean agricultural exports within the next three months, and on all other trade issues by the year's end. These included Zimbabwean-manufactured electrical and household goods and continued subsidies paid to SA exporters.

Davies: Biggest trade battle yet 'to come'

MKG(BM) 27/3-3/4/97 (74)

From PAGE B1

On the other side of the coin, some South African producers were facing insurmountable barriers to entry into the EU market. Davies has tried to highlight the case of the Langeberg fruit-canners in the Western Cape as a case in point. Most of their products remained on the agricultural exclusion list and attracted duties of about 25%, which would probably go down to about 18% when the EU implemented its Uruguay obligations.

Davies said this was based on fears that the canners would "flood" the European market, putting many competitors there out of business. This overlooked the fact that South African canners faced severe land and water restrictions and their growth potential was limited. They also did not measure up to the quality and price requirements of the EU market.

These issues affected not only South Africa, but also its neighbours in the Southern African Development Community — a point South Africa has been trying to bring home to the EU with mixed success.

"A lot of lobbying work needs to be done in Europe," Davies said.

"We need to be pushing for consistency between principles and actual positions and the beef dumping issue is not a very good omen."

Davies said that it was important, however, that as part of the Lomé Convention, South Africa would be party to discussions on the future shape and direction of the accord.

'We need to be pushing for consistency between principles and actual positions'

The EU had produced a Green Paper pinpointing several options on the way forward but Davies said it signalled "a fairly radical and drastic change from the pattern of Lomé IV".

Chief among these was an enhanced relationship with the least developed countries and a move towards a reciprocal arrangement for the rest.

Davies cautioned against this approach, which appeared to be mainly motivated by the fact that the ACP countries' share of EU imports had been declining and that reciprocity would be vital to compel ACP states to subject themselves to the discipline of the global market and increase their competitiveness.

"Such a view is based on a rather simplistic and one-dimensional view of the requirements for the successful integration of developing countries into the world economy," he said.

While it could be agreed that a combination of macro-economic stability, opening up of domestic markets and the development of supply capacity were needed, this would vary in degree and intensity from country to country.

Davies said developing countries were already subject to the discipline of their Uruguay round obligations [of the General Agreement on Tariffs and Trade, the precursor to the World Trade Organisation] and many were subject to structural adjustment programmes.

"It is not immediately obvious that subjecting them to the further disciplines of, and adjustments by, a reciprocal agreement will be beneficial," he said.

The EU Green Paper had not attempted to analyse or explain why the ACP states' share of the EU market had not reached expectations and it was not clear whether the aim was to move to reciprocity by withdrawing preferences.

It also had to be borne in mind that negotiating reciprocal trade arrangements required "enormous negotiating effort" that not all developing countries could necessarily cope with.

"It is strain on our capacity but what about countries with lesser capacity?" Davies asked.

Tough trade test ahead

(74) M+G(om) 27/3-3/4/97

Spain's acceptance of South Africa to the Lomé Convention is only the beginning of a wider battle over trade and development issues, writes Lynda Loxton

SPAIN'S decision not to veto South Africa's limited accession to the Lomé Convention was only the start of a process of negotiating a new trade agreement with the European Union, parliamentary trade and industry committee chair Rob Davies said this week.

Interviewed soon after his return from a meeting of the joint assembly of the EU and the African-Caribbean and Pacific (ACP) states, Davies said Spain's decision opened up the way for South Africa to be granted Lomé membership in April, but many bilateral trade issues still had to be cleared up.

"We will, in fact, derive very few direct economic benefits from our qualified membership of Lomé," he said.

"It gives us access on an ad hoc basis to the accumulation rules, which means that a product that is produced in an ACP country with South African inputs can enter the EU on a Lomé basis. But this facility is only available on an ad hoc derogation basis.

"It gives South African companies the right to tender for contracts which are funded under the EU development fund. We will then also participate in the joint bodies of the ACP, the joint assembly and the ministerial meetings.

"It is probably quite important that we do participate because this is the time when the ACP/EU negotiations on the future of Lomé are taking place."

It was clear, therefore, that the main benefits South Africa hoped to derive from a new relationship with the EU — namely trade related issues — were being dealt with bilaterally. And, as the saying goes, the devil is in the detail.

A number of recent thorny trade issues highlight the difficulties ahead. For example, there has been an outcry in recent weeks about the alleged dumping of EU beef in Southern Africa.

Davies said this was owing to the fact that South Africa had ended direct controls or quotas on imported beef at a time of a huge beef surplus in Europe partly because of the mad cow disease scare.

> **'We will, in fact, derive very few direct economic benefits from our qualified membership of Lomé'**

As a result, there had been a massive increase in beef imports and Davies estimated that they had risen from about 7 000 tons to 47 000 tons.

"The most important thing is that this beef draws exports subsidies of around R6/ton and it comes in at about half the South African landed price," Davies said.

"This not only threatens the South African beef industry, but also that of neighbouring countries."

The issue had been raised with the EU and it slightly reduced the subsidies for beef sold here, but this had "made a very marginal difference and not addressed the fundamental problem.

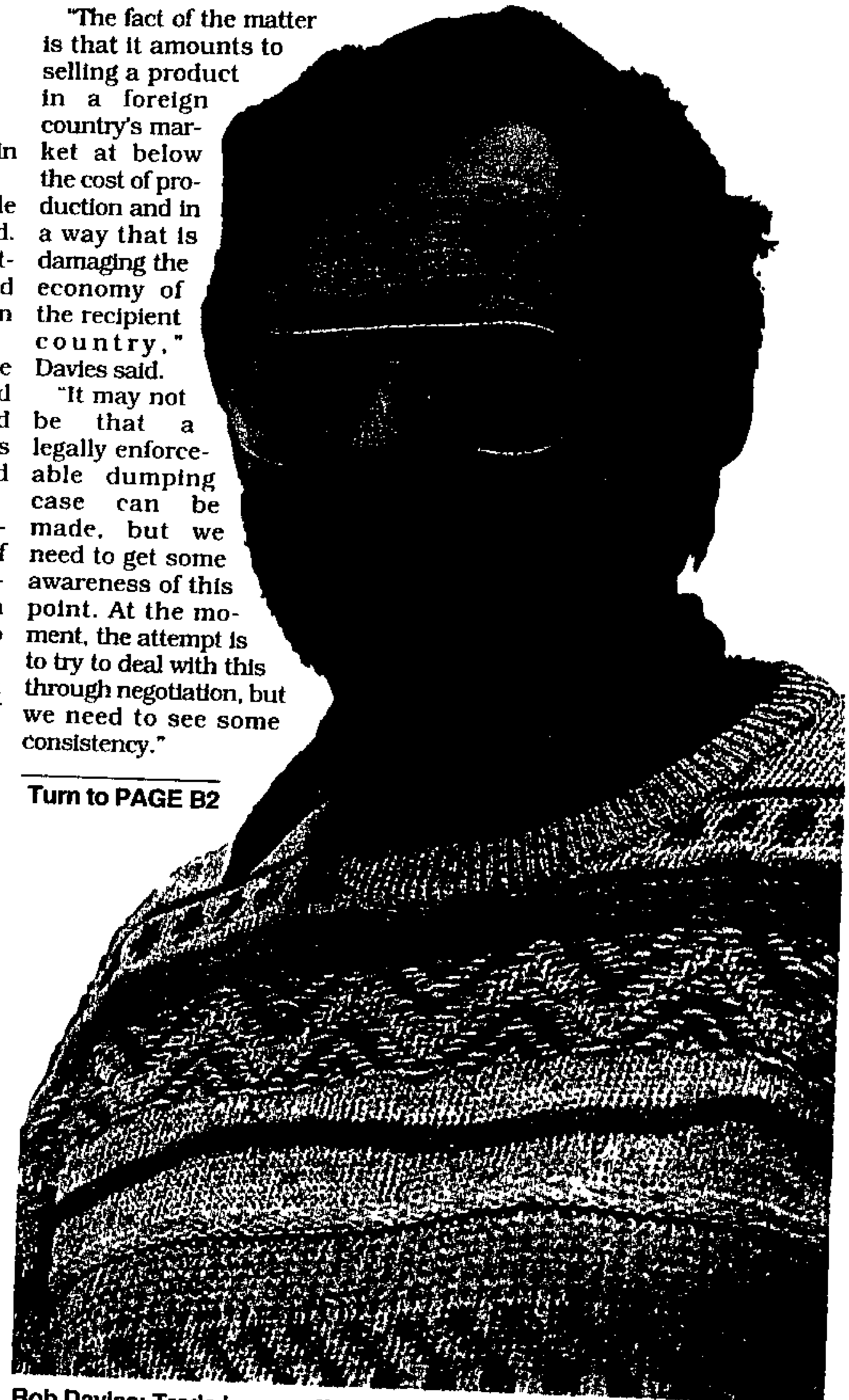
"It is a major problem and it is estimated that the loss to South Africa and Namibian producers is larger than the total amount of EU aid made available to South Africa and Namibia. Namibia is estimated to have lost about 11% of its beef export market."

Davies said this highlighted the fact that the EU did not always stick to the broad developmental principles it espoused in trade matters.

"The fact of the matter is that it amounts to selling a product in a foreign country's market at below the cost of production and in a way that is damaging the economy of the recipient country," Davies said.

"It may not be that a legally enforceable dumping case can be made, but we need to get some awareness of this point. At the moment, the attempt is to try to deal with this through negotiation, but we need to see some consistency."

Turn to PAGE B2



Rob Davies: Trade issues affect not only South Africa but also the neighbouring countries

PHOTOGRAPH: RODGER BOSCH

Trade figures disappoint

ECONOMIC TRENDS

By MARCIA KLEIN

A SUBSTANTIAL decrease in both imports and exports saw South Africa record a trade deficit of R451.6-million in February from a R517.2-million surplus in January.

The trade figures, released by Customs and Excise, came as a shock after economists had predicted a R1-billion surplus.

Economists, however, warn that figures for one month do not indicate a trend, and this could easily be reversed in March.

Exports of R8.8-billion were down from R11.2-billion in January, while imports of R9.3-billion were down from R10.7-billion in January.

Johan Rossouw, chief economist at Huysamer Stals, said it was disappointing that exports had decreased so much.

But while this was bad news from a reserves point of view, it did not point to a trend and a better export performance could be expected in the months to come.

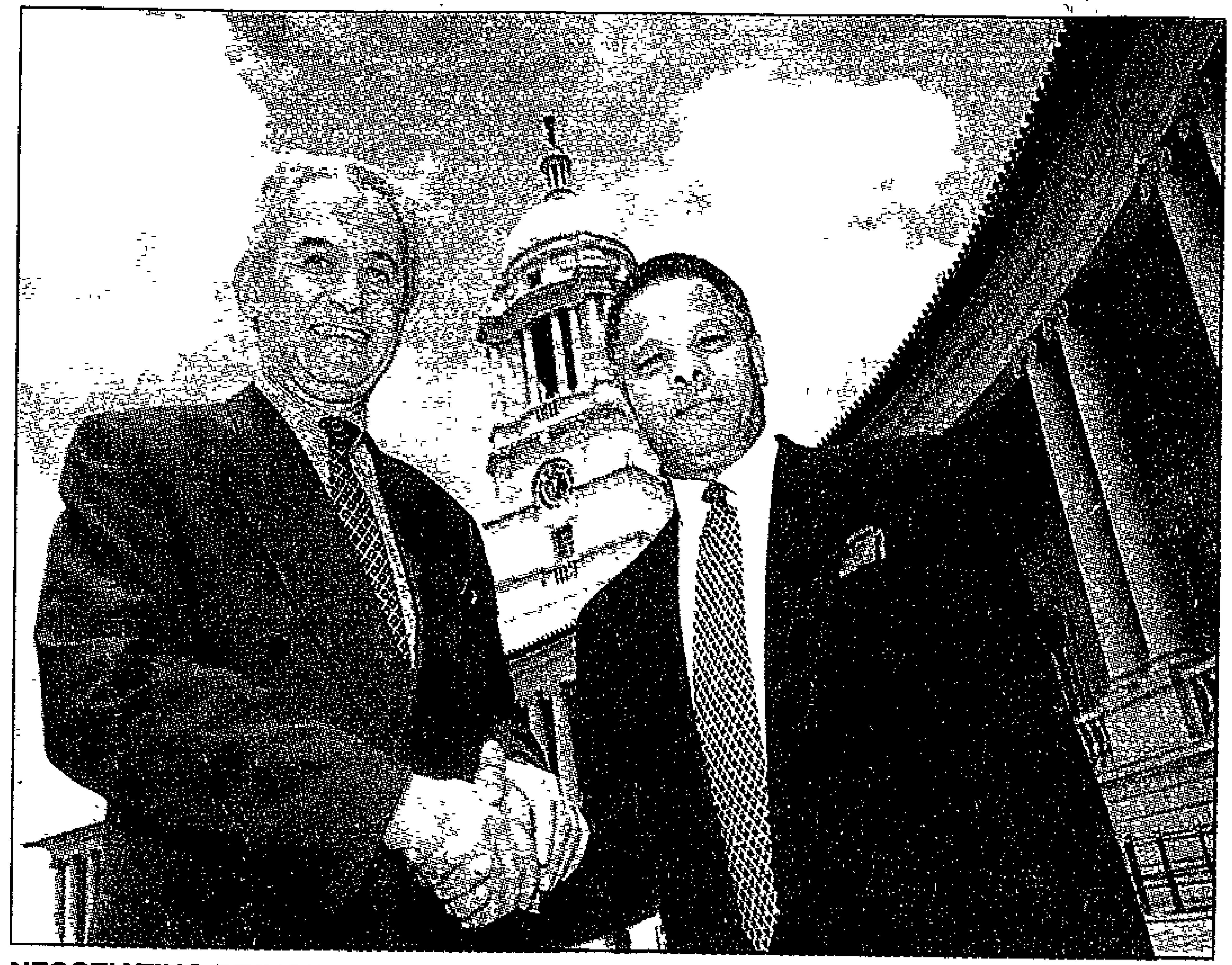
(74) ST (BT) 30/3/97

The long, hard struggle for Lomé pays off

(74)

Membership provides an inside track in business with Europe, writes THABO KOBOKOANE

ST(BT) 30/3/97



NEGOTIATING PRINCIPALS . . . Philippe Soubestre, chief negotiator for the EU, and Elias Links, SA ambassador to the EU, who have sorted out their differences over Lomé

SOUTH AFRICA is virtually certain to secure membership of the Lomé Convention, the trade and aid treaty between the European Union and 70 developing African, Caribbean and Pacific countries (ACP).

Its membership, which is partial at this stage, is likely to be ratified at the EU-ACP Council of Ministers in Luxembourg on April 24-25.

Membership of Lomé would not give South Africa access to preferential loans from the European Development Fund but SA companies would be able to tender for EU financed projects in the ACP countries. The political link with Lomé is significant given that the treaty is likely to be replaced with a more regionally based approach by the EU when it comes up for review in 1999. The current Lomé agreement expires in 2000.

"Partial accession gives us an insider view and an opportunity to partake in the Lomé review process, not only for our benefit, but for the ACP as a whole," said Elias Links, SA ambassador to the EU.

'Accession gives us an insider view and lets us take part in the Lomé review process'

Although it had been expected that inclusion in Lomé would be easy, nothing could have been further from the truth. The first hurdle was the demand by South Africa that its companies be allowed preferential prices when bidding for contracts financed by the European Development Agency, which funds aid projects under the convention.

But the EU rejected this demand and South Africa was forced to back down.

The second obstacle was Spain's threat to block South Africa's acceptance in the absence of sufficient progress in parallel negotiations aimed at several sectoral agreements, including an agreement on fishing rights, giving the EU access to SA waters.

But Spain relented, apparently because South Africa had given its commitment to continue negotiations on a broader trade package, including the fishing pact, agricultural and wine exports.

Spanish Foreign Minister Abel Matutes told Reuters his country did not want to hold up South Africa's entry because of its strategic importance in the region, despite earlier hitches in negotiations."Taking into account that were are arriving at the deadline to take a decision concerning Lomé, Spain will not force the situation and will not put its veto against South Africa in this very important issue," Matutes said.

This could be an indication of the pitfalls that lie ahead as South Africa seeks a favourable bilateral trade agreement with Europe in line with Europe's political commitment to support a democratic South Africa.

The EU mandate, presented last March, offered South Africa partial membership of Lomé, although full membership had been sought. In addition the EU offered a bilateral trade agreement with South Africa eventually leading to a Free Trade Area, but excluded 40% of our agricultural products earmarked for the EU.

South Africa rejected these terms on the basis that the EU had not given any attention to the effects the FTA would have on South Africa and its Southern African Development Community neighbours. Instead South Africa proposed a trade and development approach which "recognises South Africa's development needs and that of its neighbours".

To this end South Africa has sought to link a bilateral trade agreement with Europe with the Southern African Development Community and South African Customs Union.

Links said this week he hoped the details of the SADC trade protocol would be completed in time for the trade talk with Europe in the latter part of this year.

Links said he expected "substantive progress" on bilateral talks over trade liberalisation to be visible only in the second half of the year.

China logical choice – Nzo

(74)

Sowetan 1/4/97

Trade relations between South Africa and China hotting up after furore

By Rafiq Rohan
Political Correspondent

AS THE FURORE AROUND South Africa's decision to choose the People's Republic of China (PRC) over Taiwan dies down, Foreign Affairs Minister Mr Alfred Nzo said it was only logical for the country to choose a country that has the third-largest economy in the world.

Already trade relations between the PRC and South Africa have begun in earnest

During 1996 imports between South Africa and the PRC amounted to R5 billion. Exports between the two countries were worth R3,5 billion.

Trading figures with Taiwan were R4,1 billion imports and R3,2 billion exports.

Nzo said South Africa was one of the few countries that did not recognise the People's Republic of China diplomatically.

But he explained: "Through South Africa's political recognition of the PRC from 1998, South Africa could more effectively engage the PRC in dialogue to promote the interests of South Africans and the people of Southern Africa on the bilateral and multilateral stage.

"This would not only include free and open trade and investment, but also the maintenance of the international political order."

South Africa currently has an interim arrangement for diplomatic relations until the beginning of 1998.

International role

What could not be ignored in the choice over Taiwan, Nzo told Parliament last week, was that the PRC played an important role in international politics.

"In terms of future cooperation, and the ability of organisations and groupings such as Unctad and the G7 to successfully meet the challenges of the globalisation of the world economy and to achieve sustainable economic growth, the role of the PRC is important," said Nzo.

Trade and Industry Minister Mr Alec Erwin said the PRC had recently started looking for investment opportunities in South Africa and 28 companies had been granted permission to invest.

The value of these investments is about R250 million.

He quoted the example of the Shanghai [illegible] Investment Holdings Group that has eight projects planned for the country. Four of these projects are in the process of being set up in Ladysmith in KwaZulu-Natal.

"These projects will create more than 1 000 job opportunities and will provide considerable inward capital investment and through the export of a number of these products will generate considerable export earnings for South Africa."

Another PRC company, the China Iron and Steel Corporation, will invest up to R350 million in Northern Province.

Commenting on PRC companies coming in to South Africa, Erwin said: "Not only does it create jobs in unemployed areas, but it ultimately contributes to building on the government's GEAR programme."

SA attempts to enhance Lomé trade concessions

(74)

BD 2/4/97

John Dludlu

SA, WHICH would be integrated into the Lomé convention later this month, had called on the European Union (EU) to resolve SA's outstanding concerns in a bid to take full advantage of the limited trade concessions on offer, Pretoria officials said yesterday.

In terms of the EU offer, SA may participate in Lomé regional integration arrangements via an ad hoc clause on cumulation of origin, which allows SA inputs in exports from African, Caribbean and Pacific (ACP) nations — which are signatories to the convention — to the EU to be given concessionary treatment on a case-by-case basis.

However, SA has criticised the ad hoc nature of the stipulation, saying it will create confusion and uncertainty among investors eyeing its markets.

SA's chief negotiator, Eltie Links, said the Pretoria delegation had requested clarity from the EU ministers on the ad hoc clause as regional integration was of particular interest to ACP states, including Pretoria's partners in the Southern African Development Community.

SA had earlier called for automatic access to preferential treatment of its exports, a request turned down by Brussels due, in part, to the relatively developed nature of SA's economy.

An EU official in Brussels said the European Commission, the EU's executive arm, was sympathetic to SA's request and a majority of member states appeared supportive of the need to clarify the matter.

The customs co-operation committee, a Lomé institution, was expected to discuss the matter early next month after SA's accession. The decision to integrate Pretoria into the ACP club was expected to be rubber-stamped on April 24 and 25 by the ACP-EU summit meeting in Luxembourg.

Links, SA's ambassador to the EU, said the recent technical round on trade-related matters — including competition, intellectual property, antidumping and certification standards laws — was "very successful in establishing a basis for further talks between the two sides".

However, Brussels observers said the round, which saw broad agreement emerging between the two sides, was hampered by the SA negotiators' limited mandate.

No formal positions were given by SA, although a further round on the issues was planned for early next month. "This (outcome of the recent round) will be firmed up in future rounds," Links said.

The negotiators had agreed to meet monthly. Further talks were planned for this month to discuss implementingthe EU's four-year aid package to SA. SA's membership of Lomé was almost certain in the wake of Spain removing its objections last week.

British consultants will be asked to stay

UK pullout 'no threat' to Customs

CT(BR) 3/4/97 (74)

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Fears that the withdrawal of senior British officials would lead to the collapse of key customs projects were played down yesterday by Piet Liebenberg, the head of the South African Revenue Services (SARS).

SARS was negotiating to increase the number of British officials in South Africa and to extend their stay to the end of the year, he said.

Lee Dutton, a spokesman for the private sector's Customs and VAT Enforcement Caucus, which represents 18 different sectors, said the uncertainty surrounding the stay of the British was worrying. Many had already returned.

He said it would have been better for the British consultants to remain in South Africa for at least 18 months to help with the SARS changeover.

Dutton alleged local officials had not yet taken over critical projects such as the introduction of a minimal-value system for electronics imports.

However, Liebenberg said it would be possible to second skilled South African officials to projects started by the British consultants only once SARS was autonomous. He admitted Customs did not have enough staff, but he said SARS was investigating its staffing needs. The investigation would be concluded within the next few months.

He said the British customs service employed 1 800 people at Heathrow airport alone. South African customs employed between 1 500 and 1 600 to cover the whole of South Africa.

Liebenberg also admitted that Customs technology needed to be modernised. He said SARS was working on this issue and should have results within months.

He said SARS, which is due to become autonomous by the middle of this year, would bring Customs and Excise up to international standards within a year.

Liebenberg said another major change initiated by the British, which would be implemented in the near future, was an across-the-board minimum value system. This would place the onus on the importer to prove the stated value of the imported goods.

Importers have cheated the fiscus of millions of rands by undervaluing goods to escape paying the full duties.

Liebenberg said the introduction of the minimum-value system would coincide with SARS acquiring administrative autonomy.

"There will be an ongoing association with the British. There is not going to be a sudden cut-off," he said.

Liebenberg said it was difficult to estimate by exactly how much revenue collections had increased as a result of the British involvement at Johannesburg airport, the port of Durban and in Cape Town from January.

SA open to business with anyone who pays

MHG 4-10/4/97

(74)

Morals have no role to play in the drive for trade, report **Marion Edmunds** and **Carien du Plessis**

SOUTH AFRICA'S international trade is being buoyed by soaring business with some of the world's leading violators of human rights.

Latest figures show South Africa is enjoying much of its strongest growth in exports and imports from trade with the likes of Indonesia, Malaysia, China, Saudi Arabia and Iran — all renowned for repressive policies

The figures, released this week by the Department of Trade and Industry, underline the government's dilemma in trying to define foreign and trade policies which square South Africa's new-found human rights drive with economic reality. "Human rights are worked into the thinking," a department spokesman says. "But it is sometimes difficult to reconcile these with the needs of South African citizens."

The Parliamentary Portfolio Committee on Foreign Affairs has raised the issue with the Foreign Affairs Department. It is still awaiting a response.

Foreign Affairs officials were unavailable this week, and no one was available from the offices of President Nelson Mandela, Deputy President Thabo Mbeki and Deputy Foreign Affairs Minister Aziz Pahad — the three key players behind South Africa's foreign affairs policy.

The figures show South Africa's top trading partners in volume remain countries such as the United States, the United Kingdom, Japan and Germany.

But in terms of year-on-year growth, trade with more oppressive nations is ballooning.

South Africa's total trade with Iran last year was R5,7-billion, compared to less than R23-million in 1993 The growth can be partially pinned on the reclassification of oil imports, following the lifting of apartheid-linked trade barriers — imports from Iran were R5,3-billion last year.

But the growth is not all oil-related. South Africa's exports there jumped nearly 200% from the 1995 level to R422,5-million. In 1993 the figure was less than R6-million.

Iran's human rights record includes detaining thousands of political prisoners, and punishing offenders by flogging, amputation or execution.

Saudi Arabia, which operates a similarly harsh penal system, is also proving a lucrative trading partner for South Africa. It bought South African goods worth R364-million last year, while its exports here were R942,8-million. Total trade in 1993 was less than R360-million.

Malaysia, rapidly emerging as one of the top investors in South Africa, lifted sales here nearly 25% last year to R1,3-billion, and bought South African goods worth R750,3-million. Trade last year was more than three times the level in 1993. Malaysia is known for its harsh judicial and penal system.

South Korea, named this week by the International Labour Organisation as one of the world's leading infringers of labour rights, has seen trade with South Africa jump from a little over R2-billion in 1993 to more than R5,6-billion last year.

Trade with China was R3,6-billion last year, compared to R1,6-billion in 1993 Business with China is expected to boom further, given South Africa's decision to break off full relations with Taiwan. China's human rights violations include detaining thousands of political prisoners and torture.

Trade with India, where the police are known to have a heavy hand, has doubled in the past three years, while trade between South Africa and Indonesia last year was four times its 1993 value.

MP Raymond Suttner: Supports a trade boycott against Nigeria

South African trade is also soaring with Syria, Nigeria, Sudan and Kenya

Parliamentary portfolio committee chairman Raymond Suttner says the issue is "deeply complex ... In regard to Nigeria, I would support a trade boycott but we need to ask ourselves how effective this is since we do not appear to have the support of most other states of Africa That raises the problem of wanting to do something and needing to do it multilaterally in a continental situation that is not favourably disposed to taking up human rights situations."

South Africa should do its own study of the human rights abuses in China before taking decisions that might impact on relations, he added

Other observers say it is clear South Africa's economic needs are taking priority over the problems of the repressed

"We have a government now that gives a commitment to human rights, but we are ignoring what the countries we trade with do to their own people," Human Rights Committee chairman Jeremy Sarkin says

Spain trod a lone and rocky path in Lomé negotiations

BD 7/4/97 (74)

SA is set to accede to the Lomé Convention after Spain withdrew objections. Trade and industry writer John Dludlu looks at the dynamics behind the negotiations

WHEN the Spanish delegation in the European Union (EU) backed down last week on its earlier threat to block SA's planned accession to the Lomé Convention, the move was seen by watchers of the EU-SA talks as another concession by Brussels to Pretoria.

But, to Spain, the withdrawal of the threat — which now makes SA's membership of Lomé a fait accompli — was a culmination of a period filled with feelings of betrayal, abused goodwill and hopelessness at the direction taken by the talks.

At one level, Spanish officials felt betrayed in the EU-SA co-operation talks, which include Pretoria's accession to Lomé, the agreement between the EU and 70 African, Caribbean and Pacific (ACP) nations. Although government officials would not admit it in public, certain diplomats close to the Spanish delegation in Brussels conceded privately to having genuinely felt betrayed by the commission, the EU's executive arm negotiating on member states' behalf.

However, more realistic officials believed that the commission miscalculated in allowing a dose of goodwill to SA in the hope that Pretoria would reciprocate with meaningful concessions.

The Spanish objections to the EU deal with SA stemmed from the fact that Madrid diplomats felt "parallelism" in the negotiations was being lost. In terms of the EU mandate to the commission, the multifaceted talks with SA — including negotiations on a free trade area, science and technology, fisheries and wines agreements — should have progressed simultaneously, though they did not necessarily have to be concluded at the same time.

Spanish diplomats in Madrid said they were put under pressure — although they do not freely say who applied the pressure — to support the conclusion of the SA-EU science and technology agreement last year. The agreement, with significant benefits for SA, was allowed as a sign of goodwill to Pretoria which had, at the time, not even made up its mind on whether to negotiate the broader EU offer given its unattractive features such as the agricultural exclusions in the trade proposal.

Member states believed that the conclusion of the accord — months before the formal start of negotiations — would not only get Pretoria to talk, but would also get SA to begin negotiations on issues of interest to them such as the wines and fisheries accords.

However, hopes of goodwill from SA were dampened when negotiations resumed in earnest in January, with SA not ready to begin serious talks on fisheries, wines and free trade. Spanish fears that the talks were losing their initial direction were heightened after the January 24 meeting when negotiators began rushing to finalise the Lomé protocol: another agreement which gives greater immediate benefits to Pretoria than to the EU.

One Spanish government official recently told SA journalists: "We think SA only signed issues that are of interest to them ... you have good negotiators."

However, he made it known that Madrid was unhappy that parallelism was being sacrificed.

To steer the talks back to the desired track, the Spaniards had vehemently raised objections in the council. Spanish officials, who felt deeply misunderstood by everyone, were at pains to explain that their objections were not against SA; but were aimed at refocusing the talks. After all, they too had supported the anti-apartheid struggle in SA and were now contributing to efforts to shore up development in SA.

The EU-SA fishing accord will be of great benefit to Spain. The country is the second consumer of fish in the world after Japan. In a typical Spanish family, a fish dish dominates meal times.

Prior to joining the EU, the Spaniards had fishing quotas in SA. These no longer exist as trade is an EU competence.

It is against this background that the fisheries talks with SA, which have yet to begin, carry so much significance for Spain.

But the Spanish concerns also have to be understood in the context of their position in the EU. Apart from being latecomers to the union — they only joined in the mid-1980s — they are widely regarded as small players in the EU scheme of things.

Unlike other EU partners — whose trade relations with SA are the mirror image of north-south relations — Spain's trade with SA is skewed in Pretoria's favour. Although trade statistics differ from one source to another, a deficit of one to two is generally regarded as close to reality.

In public, officials often play the deficit down, saying it does not worry them because it is not structural. There is still potential to even it out. However, it would be naive to think the deficit was not a contributing factor to Spain's concerns about the EU-SA negotiations. For example, during recent meetings in Spain, several officials stressed the fact that SA was not a typical ACP country.

Some see SA as a fully industrialised country, and unlike other EU partners, Spain's investments in SA are negligible. So, the proposed EU-SA co-operation accord could offer it an opportunity to increase this share, as is happening with Namibia (where Spanish joint ventures are growing).

Curiously, the threats to block SA came as Empressa Nacional Bazan, the Spanish state-owned naval ship manufacturer, was revising its bid to supply four patrol ships to SA. The corvette bid, which saw Bazan emerging as one of the frontrunners, had been called off by Pretoria while it assessed its defence needs.

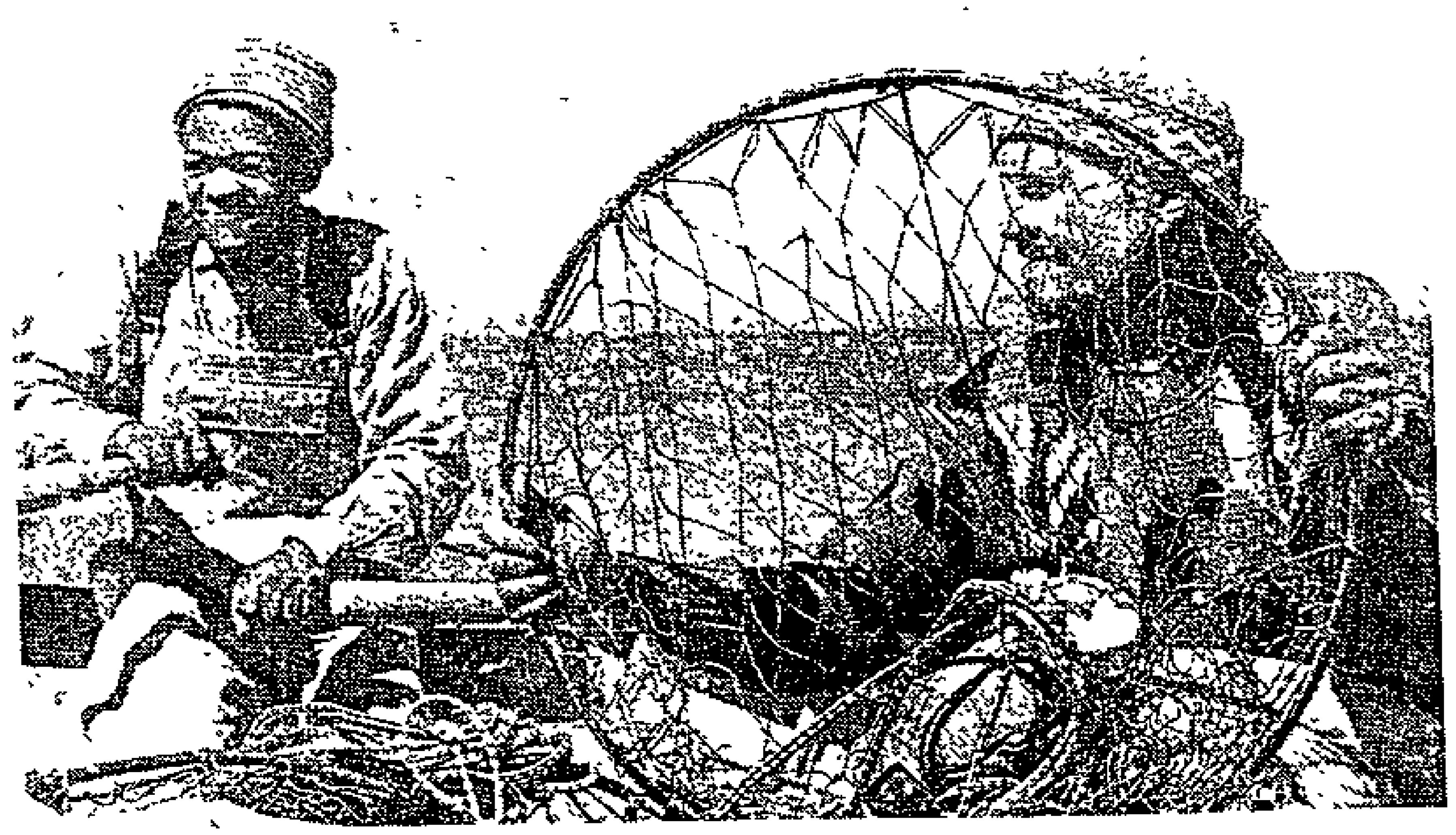
Spanish officials denied any link between their government's threats to block Lomé benefits for SA and the Bazan bid. The Bazan issue was purely bilateral, they said. However, some observers are sceptical about a coincidence.

The question remains, why did the Spaniards back down in their threats to block SA's partial membership of Lomé?

A general belief is that a letter, written by Deputy President Thabo Mbeki, did the trick. While the letter may have been important — as it gave crucial high-level political support to the talks — it said nothing new.

Fear of diplomatic isolation of Spain is also thought to have played a role in Madrid's decision to retreat. If it clung to its position, it would have stuck out like a sore thumb among the 84 nations which are Lomé signatories.

But the Spaniards did indeed brave bad publicity and were branded bad boys before they eventually bowed to SA interests. Pretoria may have to demonstrate a reciprocal degree of goodwill towards Spain in due course — one way or the other.



The EU-SA fishing accord will benefit Spain as Spaniards consume more fish than any other country except Japan.

Portnet officials aid duty evasion, says US

'Customs union provides loophole'

ARG 7/4/97 (74)

RICH MKHONDO
WASHINGTON BUREAU

The United States says goods imported into South Africa for shipment to the members of the Southern African Customs Union (SACU) are susceptible to extensive duty evasion.

In its annual appraisal of foreign trade barriers, the Office of the US Trade Representative said Portnet customs officials facilitated the evasion of customs duties by grey-market importers.

"According to sources, malfeasance within the South African port system is exacerbated by corruption within the ports of entry of South Africa's Southern African Customs Union partners (Namibia, Botswana, Swaziland, and Lesotho), where imported goods are occasionally repackaged as items made in one of these respective countries and exported to South Africa, where they evade customs levies due to the SACU accord," the report said.

The 1997 National Trade Estimates Report on Foreign Trade Barriers, released at the weekend, said that over the past year several South African importers had complained about illicit imports and import duty evasion.

"Importers of agricultural products, poultry, and manufactured goods have asserted that a lack of adequate funding, training and staffing has led to a problem of inefficiency and malfeasance among the port customs inspectors and within the state-owned port and cargo handling company, Portnet," the report said.

"Finally, illegal shipments overland through Mozambique account for a high share of illegal imports and contraband trade. Importers and foreign customs officials have estimated the percentage of intercepted illegal imports into South Africa at less than 10 percent," the Office of the US Trade Representative said.

It acknowledged that the South African Government was aware of the problems with its customs service and was attempting to redress them through co-operation with international organisations and training programmes with US, British and European customs services.

"Nonetheless, the problem of illegal imports and customs evasion will take many years to overcome, as the Government of South Africa struggles to direct limited funding and inadequate available human resources across a wide area of law enforcement needs."

The US government said several U companies claimed that import surcharge remain in several industries, but th charges cited appeared to be excise taxe that were applied in a non-discriminator manner to domestic as well as foreig producers.

For example, although the governmer reduced the tariff on instant-print camera from 6 percent to zero on June 28 last yea instant-print cameras and instant-prin film continued to be classified as luxur items and remain subject to high excis taxes of 37,5 percent and 32,5 percen respectively.

Although these excise taxes are non-dis criminatory, US producers claim tha there are no domestic producers and tha the high taxes induce circumvention b illegal importers.

"Extensive circumvention of custom collection at South African ports of entr may allow some foreign importers to avoi paying the high tax, giving them an advan tage over those importers paying prope excise taxes," the Office of the Trade Repre sentative said.

The SACU, created in 1910, provides fo the duty-free status of goods from Namibia Botswana, Swaziland and Lesotho.

NEWS

US points to corruption in SA customs as barrier to trade

(74)

Roles played by Mbeki and Gore praised

ARG 7/4/97

RICH MKHONDO
WASHINGTON BUREAU

Washington – Deputy President Thabo Mbeki and United States Vice President Al Gore have played an important role in reducing trade barriers between their countries but there are still many problems, including an inefficient and corrupt South Africa customs service and significant trade losses caused by the pirating of goods, according to an American report on trade barriers.

Goods imported into South Africa for shipment to the members of the Southern African Customs Union (Sacu) were more susceptible to duty evasion, it was reported. Portnet customs officials facilitated the evasion of customs duties by grey market importers.

The 1997 National Trade Estimates Report on Foreign Trade Barriers was released at the weekend by the Office of the US Trade Representative. It showed that there had been several barriers against trade with South Africa, but that Pretoria had responded positively and had been committed to abiding by the World Trade Organisation (WTO) guidelines.

The report praised the US/SA trade surplus, which increased by $243-million (R1,07-billion) to $784-million (R3,45-billion) in 1996 from 1995's $541-million (R2,38-billion).

US goods exported to South Africa were worth $3,1-million (R13,64-million), an increase of 12,9 percent or $355-million from the 1995 level.

"South Africa was the United States' 35th largest export market in 1996. US imports from South Africa were worth $2,3-million (R10,1-million) in 1996, an increase of 5,2 percent or $114-million (R501-million) from the 1995 level," it was reported.

"The stock of US Foreign Direct Investment (FDI) in South Africa in 1995 was $1,3-million, an increase of 25,3 percent from the 1994 level. US FDI in South Africa is concentrated largely in the manufacturing and wholesale sectors."

It was reported that the US/South Africa Bi-national Commission co-chaired by Mr Mbeki and Mr Gore had helped in resolving some of the trade barriers.

And as a result of market access commitments made in the Uruguay Round of talks, and of South Africa's Department of Trade and Industry attempts to reform its tariff structure, South Africa had:

- Rationalised 9 580 tariff lines down to 7 182.
- Would bind 98 percent of its tariff lines to WTO binding levels by 2000, up from the 55 percent currently bound.
- Would replace all remaining quantitative controls with ad valorem duties.
- Would cut back tariff lines from the 80 different levels of the past into six levels (0 percent, 5 percent, 10 percent, 15 percent, 20 percent, and 30 percent), with a few exceptions, including clothing and textiles, over seven years

Mr Mbeki and Mr Gore facilitated agreements on several testing standards to determine the applicability of tariff and customs duties on imported products, and under the Agricultural Committee of the Bi-national Commission, the US Department of Agriculture and the South African Ministry of Land and Agriculture negotiated an accord to reduce the freezing time of red meats from a minimum of 30 days to 20.

Meanwhile, the income tax treaty Mr Mbeki and Mr Gore signed in Cape Town in February should remove some existing tax disincentives to investment in South Africa.

"It accomplishes these objectives by reducing tax rates on certain cross-border income flows, and by increasing investor certainty through protection against non-discriminatory taxation and provision for a dispute resolution mechanism," the Americans reported.

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REGIONAL TRADE (74)

BOBBIN ABOUT

FM 11/4/97

At first glance Zimbabwe's Industry & Commerce Minister Nathan Shamuyarira and SA Trade & Industry Minister Alec Erwin appear happy that the mutual agreement on trade in textiles and clothing is in operation.

But in a joint statement issued last week they add that "the implementation process will be monitored closely to ensure its smooth operation."

They may have to. For, though the schedules setting out the new export quotas, preferential duty rates and procedures were published in Zimbabwe in the last week of March, SA's clothing industry says the agreement has yet to be gazetted locally.

"And without such sanction, Customs & Excise still does not have the legal power to administer the agreement," says Clothing Federation economist Paul Theron. Bungling between Trade & Industry and Customs & Excise is apparently behind the undue delay in implementing an agreement that was signed last August.

Mfundo Nkuhlu, director of Africa Trade Relations at the Department of Trade & Industry (DTI), says the memorandum of understanding between the two governments provides for a reduction of clothing tariffs — after two years — to 30% ad valorem; and of textile tariffs to 50% of the most favoured nation rate.

Alec Erwin

But red tape problems aside, says Theron, the Clothing Federation supports the agreement, which will allow Zimbabwe to export around 3,1m clothing items to SA, valued at about R110m/year, at reduced tariffs. Against total local clothing production valued at about R7,8bn, that is not much.

Textile Federation executive director Brian Brink says SA's R10bn/year textile industry also supports an agreement that will allow Zimbabwe to export textile products valued at about R100m/year to SA at preferential rates.

"If properly administered, the impact of this agreement should not be too severe on local industry. Our major concern is that the customs system is already leaking like a sieve," says Brink.

Shamuyarira and Erwin say bilateral agreement has also been reached on agricultural quotas. There are certain outstanding matters and an announcement will be made next month. The Ministers add they will sign a memorandum of undertaking to help narrow the trade balance between the two countries at their next meeting in May.

Meanwhile, both Brink and Theron also support the trade protocol signed late last year between the 12 SA Development Community (SADC) states, allowing for a free trade area in the whole region within the next eight years.

"The only proviso is that proper customs control mechanisms should be in place in all SADC countries, to prevent smuggling. But, if it becomes a reality, the proposed free trade area could have a major impact on regional growth, job creation, foreign and local investment flows," says Theron.

Opportunities offered by the free trade area include:

- Relocation of "lower end" clothing production facilities to neighbouring states, to make use of cheaper input costs and labour rates;
- Opening up the regional market to SA exports; and
- Attracting more foreign investors — in all sectors of the economy — to use SA as a stepping stone to a much bigger regional market of about 150m consumers.

"The SADC free trade area, in the finest sense of the word, is a situation where everyone could and should benefit," says Theron.

Currently, all SADC member states are investigating the potential impact of the free trade area on various business sectors. In Durban, consultants Gavin Maasdorp have been appointed to investigate the size, scope, job creation potential and impact of the free trade area on the local clothing industry.

Agricultural Union (SAAU) economist Johan Pienaar says a matter of concern to the SAAU is the wording — and policing — of the so-called "rules of origin" in the SADC free trade area protocol. "Heavily subsidised, regionally processed US or European Community farm products should not be allowed to flood the SA market via other SADC member states," he says. *Arnold van Huyssteen*

Free State follows lead set by budget

BD 18/4/97

Kevin O'Grady

FREE State finance MEC Zingile Dingani unveiled a R6,016bn budget in the provincial legislature in Bloemfontein yesterday and followed national Finance Minister Trevor Manuel's example by allocating the lion's share (R4,56bn) to education, health and social welfare.

In his budget speech, Dingani said the province's budgeted expenditure of R6,016bn was equal to its budgeted revenue and showed a nominal increase of 5,5% over last year.

However, if inflation of 9,5% was taken into account, expenditure was lower in real terms by about 4%.

As with the national budget and most other provincial budgets, education received the biggest single slice of spending. The vote accounted for R2,14bn or 35,6% of total budgeted expenditure which translated into a 4,4% or R90,7m increase over last year's education budget.

Of this, expenditure on public ordinary school education accounted for 82,2% (R1,76bn), a 6,5% or R107m increase over 1996/97, Dingani said.

The education department's focus this year would be on the implementation of the newly published curriculum, the SA Schools Act and localised learning centres.

Health received the second largest allocation of R1,4bn or 23,3% of total expenditure — an 8,7% increase over 1996/97.

Dingani said community health and district hospital services would again enjoy the highest priority. The rationalisation of the province's academic hospital would continue to receive attention, he said.

Social welfare's grant totalled R1,02bn (17% of total expenditure) and was 15,4% higher than last year's.

Dingani said social security, which accounted for 87,6% of the social welfare budget, placed "a heavy but necessary burden on the province as it represents entitlements that must be paid irrespective of the size of the provincial budget".

Other votes announced by Dingani included R765,1m for public transport, roads and works, R159,6m for local government and housing, and R162,1m for the reconstruction and development programme.

Agriculture would receive R114,9m, finance, expenditure and economic affairs would get R78,25m, environmental affairs and tourism had been allocated R41,89m, and R11,12m (up by 5,5%) would go for public safety and security.

Dingani also increased the province's development and capital item budget by R116,7m (25,5%) to R574,5m over the 1996/97 figures.

In planning the estimated revenue collection for 1997/98, Dingani said it was important to review the province's performance with regard to revenue collection.

He said the estimated revenue for 1995/96 was R258,12m but the actual revenue collected had passed that figure to R275,84m.

Taking this into account, a revenue target of R275,84m was set for the 1997/98 budget while transfers from the national exchequer account came to R5,546bn.

Cuba and SA sign bilateral trade accord

BD 18/4/97 (74)

HAVANA — Cuba and SA have signed a bilateral trade accord, marking the latest step in a diplomatic relationship which has irked Washington.

The accord was signed during a two-day visit by SA Trade and Industry Minister Alec Erwin and a 20-member delegation that ended on Tuesday.

Erwin told reporters at Havana airport he saw considerable opportunities for SA companies in Cuba. He said the trade accord included giving mutual most favoured nation status.

On Tuesday evening Erwin met President Fidel Castro, who has been repeatedly invited to SA by President Nelson Mandela.

The trade balance is heavily in SA's favour, consisting mostly of SA exports of agro-chemicals, but Erwin said SA was interested in possible future imports of Cuban medical products.

A Cape Town-based firm, Atlantis Diesel Engines, has secured an \$80m contract to supply Cuba with 10 000 diesel engines. — Reuter.

Tariff-setting delays trade accord

BD 2/4/97 (74)

John Dludlu

NEGOTIATORS from the signatories to the regional customs union — SA and Botswana, Lesotho, Namibia and Swaziland — have yet to agree to details of an institutional framework to govern the revamped trading arrangement, according to sources close to the SA team.

An SA government source said at the weekend the sticking point in the talks, which started almost two years ago, was on the tariff-setting institution arrangements. SA's neighbours wanted more say in the determination of tariff levels, he said. Under the current agreement, which is being reviewed, tariff levels are set by SA's board on tariffs and trade.

The source admitted the team had not met this year and that the neighbouring countries were waiting for a final response on some key aspects of the talks from their Pretoria counterparts. No official comment was available from the trade and industry department.

The SA source said there was broad consensus on other institutions, including the ministers' council and a committee of senior technocrats, but Pretoria authorities were concerned about a "secretariat with hundreds of people" to determine the level of tariffs. The neighbours wanted a much bigger role than just tariff-setting.

The official said President Nelson Mandela's administration, which runs the tariff-setting board, had tried to improve consultations with the neighbouring countries, but "we want something better than this".

Earlier in the talks, an idea of an independent secretariat was suggested as part of an attempt to democratise the administration of the customs union, notably the determination of tariff scales.

A tentative agreement had been reached on the revenue-sharing formula, suggesting that excise duties be excluded from the new formula. A drastic overhaul of the way the customs duties revenue was being shared has also been proposed.

In terms of the old formula, SA, which has always been blamed for the "octopus-like grip" it has on the trading arrangement, was entitled only to the residual share of the pool, giving the neighbouring countries first claim to the customs spoils. But the new formula, to be based on the price-raising effects and intracustoms union trade, will give SA a share in the common pool.

The Pretoria source felt the alternative formula would compensate the neighbouring countries for the effects of industrial polarisation and that it was more viable than the idea of a development fund suggested earlier in the review process. On the conclusion of the talks, the source said: "If we're lucky, we'll have agreement this year before drafting begins."

ACP lands discuss SA entry to Lomé

BD 22/4/97 (74)

John Dludlu

SA's planned accession, although only partial, to the Lomé Convention would be discussed by 70 developing nations — from African, Caribbean and Pacific (ACP) regions — today ahead of the joint meetings of the ACP and the European Union later this week.

Brian Ritter, an official at the SA mission to the EU in Brussels, said yesterday SA's membership of the convention, which provided a trade and co-operation framework for the ACP and the EU, was expected to be ratified by the ACP-EU joint assembly in Luxembourg on Thursday.

Ritter said SA's membership would be discussed by the ACP ministers at their three-day meeting which began yesterday.

SA is attending the meetings as an observer.

Agriculture and Land Affairs Minister Derek Hanekom would deliver a speech at the Luxembourg gathering, which effectively fast-tracks SA's membership to the convention.

However, the SA parliament would still have to ratify the country's accession to Lomé.

The convention gives SA companies access to tender rights for development contracts in the ACP bloc.

The ACP meetings were also expected to discuss the future of the convention which expires by 2000.

Import permits cost SA hundreds of millions

Customs in rush to plug loopholes

(74)

CT (BR) 24/4/97

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — The government was rushing through amendments to customs legislation in a last-ditch attempt to plug loopholes in the Southern African Customs Union, believed to be costing the fiscus hundreds of millions of rands, officials said yesterday.

The trade and industry and customs and excise departments are driving the process to change legislation governing the issuing of import permits within the customs union.

A Cape Town-based broker, who sells permits to South African companies on behalf of manufacturers, said he was offered R21-million worth of permits from Swaziland and Lesotho last week. He admitted customs officials in neighbouring countries were issuing massive quantities of these permits to companies without investigating if they qualified.

A Durban trader also said he was regularly offered the use of "gift vouchers from government" — or permits issued by neighbouring states that could not be declared illegal by South African authorities, who had no jurisdiction outside of South Africa.

Chris Barnard, the chief director of customs and excise, said the department had capitulated to pressure from industry and fast-tracked amendments to legislation allowing permits to be transferred between companies.

He said amendments had already been sent through to parliament and details would be released within a week or two.

Barnard said it was impossible to determine the sums involved. He said his department had only become aware of the urgency of the problems in Swaziland, Lesotho, Namibia and Botswana over the past three months. This affected mainly the clothing and textile industries.

Barnard said although South African customs had met some resistance from customs union countries, the changes would go ahead. He would not identify which countries had complained, but said all would be compelled to enact the changes in terms of the customs union agreement.

Industry, taken aback by the speed with which the customs department had acted, voiced a number of concerns yesterday.

Brian Brink, the head of the Textile Federation, said it was one thing to change the legislation, but another to see that the non-legislated guidelines which went with it were enforced.

He said it was an infringement of the guidelines which laid down the qualification criteria, which frequently resulted in the issuing of fraudulent permits.

He said textile manufacturers were still not convinced that the playing fields within the customs union would be levelled as long as legislation was controlled by different referees.

Brink said that this was exploited by crime syndicates which often operated in a number of different customs union member countries.

SA lags Brazil and India in trade ranks

(74)

Christo Volschenk

Economics Editor

CT (BR) 24/4/97

Cape Town — South Africa may be one of the bigger trading nations of the world, but it was not one of the most dynamic, the World Trade Organisation (WTO) said recently.

According to a WTO ranking, South Africa was the 21st-biggest exporter and 24th-biggest importer in the world last year.

Brazil and India took 19th and 20th positions while positions 22 to 30 were filled by the United Arab Emirates, Poland, Argentina, Venezuela, Turkey, the Czech Republic, the Philippines, Israel and Iran.

The WTO said total exports last year amounted to $3 950 billion. Of that amount, 92 percent was exported by the 30 biggest exporters in the world. South Africa's exports amounted to $28,5 billion, or 0,7 percent of the amount exported by the top 30 exporters.

Saudi Arabia is the 25th-biggest importer, with the Czech Republic, United Arab Emirates, Argentina, Chile and Hungary in the positions behind it.

Just ahead of South Africa on the top 30 list of importers are the Philippines, Norway and Israel. The biggest importer last year was the United States, which accounted for 20 percent of global imports of goods last year.

But South Africa did not make it on to a WTO shortlist of the most dynamic traders of the 1990s.

Nine trading nations appear on the WTO's lists of most dynamic importers and most dynamic exporters, defined as traders with the fastest-growing imports and exports between 1990 and last year.

The WTO ranks Argentina, China, Indonesia, Republic of Korea, Malaysia, Mexico, the Philippines, Singapore and Thailand as the nine most dynamic traders of the 1990s.

But while South Africa is still one of the bigger trading nations, as the imports and exports of other nations are growing faster, it is slowly slipping down in the WTO ranking of biggest trading nations.

"Recent forecasts for 1997 anticipate an economic recovery in western Europe, roughly unchanged growth in North America and a slight deceleration of growth in Japan. For the OECD (Organisation for Economic Co-operation and Development) area as a whole, growth is projected to be the same as last year," the WTO said.

In China and the group of six east Asian traders, where growth rates are two to three times faster than in the OECD, growth is projected to pick up marginally.

BUSINESS DAY, Friday, April 25 1997

SA to use membership 'to advance ACP interests'

(74) BD 25/4/97

John Dludlu

SA would use its partial membership of the Lomé Convention to advance the interests of the 70 African, Caribbean and Pacific (ACP) nations, Agriculture and Land Affairs Derek Hanekom said yesterday as SA's accession to the trade and aid accord between the ACP and the European Union was approved in Luxembourg.

Hanekom was addressing the joint European Union (EU)-ACP assembly meeting which rubber-stamped SA's qualified membership to the convention which is the centrepiece of the EU's development co-operation policy with its former colonies.

In terms of the agreement, which came after months of tough negotiations and setbacks from protectionist EU lobbyists, SA companies would be allowed to tender for contracts worth about R45bn funded by the European Development Fund, the Lomé financing mechanism, in ACP countries as well as participate in regional production.

Hanekom also called on the EU to address SA's remaining complaints in the Lomé protocol, saying the EU needed to "move quickly to clarify the basis on which the cumulation provisions in the protocol can be accessed".

According to the EU offer, ACP exports with SA input may qualify for preferential treatment to the EU on an "ad hoc" basis, a stipulation Hanekom said was "confusing and investor unfriendly".

The European Commission, the EU's executive body, has promised to look at this request as soon as the protocol is signed.

However, SA has been excluded from receiving the generous quota and tariff preferences as well as concessionary tender rights granted to the ACP due, in part, to the size of its economy.

Hanekom, who thanked both the EU and the ACP bloc for approving SA's membership, said SA — which would now participate actively in Lomé institutions — could make a contribution in the debate on the future of the convention which expires at the turn of the century.

He called on the meeting to reverse the trend which had seen the international marginalisation of the ACP.

João de Deus Pinheiro, the EU commissioner in charge of relations with the ACP and SA, said SA would bring "new strength and dynamism" to the convention.

SA's accession was of "historical significance" as it "finally includes all of sub-Saharan Africa".

SA's fast-track membership to the convention became a certainty last month after Spain removed a threat to block approval of the protocol as SA diplomats moved to assure the EU that they planned to deliver on all facets of the talks — including fisheries, wines and trade co-operation.

Investing in SA after Mandela steps down

Star 26/4/97

(748)

BY JACKIE CAMERON

A new president in the form of Deputy President Thabo Mbeki would be an extremely positive move for the economy because "we'll get a good manager, rather than a prophet", political commentator and former editor Harald Pakendorf said this week.

He was speaking at the Saturday Star Investors Club meeting in Johannesburg.

There is a widespread perception that President Nelson Mandela, who will resign as head of the African National Congress (ANC) later this year, is the sole stabilising factor in our economy and that, when he leaves the helm of government, investor confidence will leave with him.

Last year the rand value took a tumble amid rumours that Mandela was seriously ill.

Pakendorf told investors that the political risks associated with future investment would be no higher than now or in the past.

Mbeki has mustered up strong support within the ANC and is certain to become the new president.

He will bring a wealth of government and business experience to this position – a plus for investors who would like to see a strong emphasis on economic development from this country's leadership.

Policies which boost the economy and reduce unemployment will increasingly take preference over those designed to please trade unions because there are more unemployed voters than voters who are members of trade unions, Pakendorf said.

He predicted that Mandela would resign "on or about December 12 as head of the ANC, and he would resign as president some time next year".

"I predict the virtual demise of Mandela as president from December onwards. Fifteen to 18 months from now, Mandela will be retired. He's already partly retired now.

"He does the great prophetic thing, but the dreary (administrative) stuff is done elsewhere."

Pakendorf said it was "shocking how far Mandela has deteriorated physically". On Budget Day in parliament, Mandela "stepped down very slowly" and "although he didn't exactly fall over – he's not healthy".

Pakendorf said investors who felt pessimistic about this country's future were "inherently racist" for "thinking that it will be like any other African country".

"We have a competitive, market economy approach. There is also a real attempt to find national reconciliation," Pakendorf said.

A problem likely to affect investor sentiment was that the ANC has "moved too quickly" with voter-placating policies like affirmative action, black empowerment and the Reconstruction and Development Programme.

Magnus Heystek, chairman of the Investors Club, told members that Minister of Finance Trevor Manuel "has left himself very little room for manoeuvring" with this year's budget.

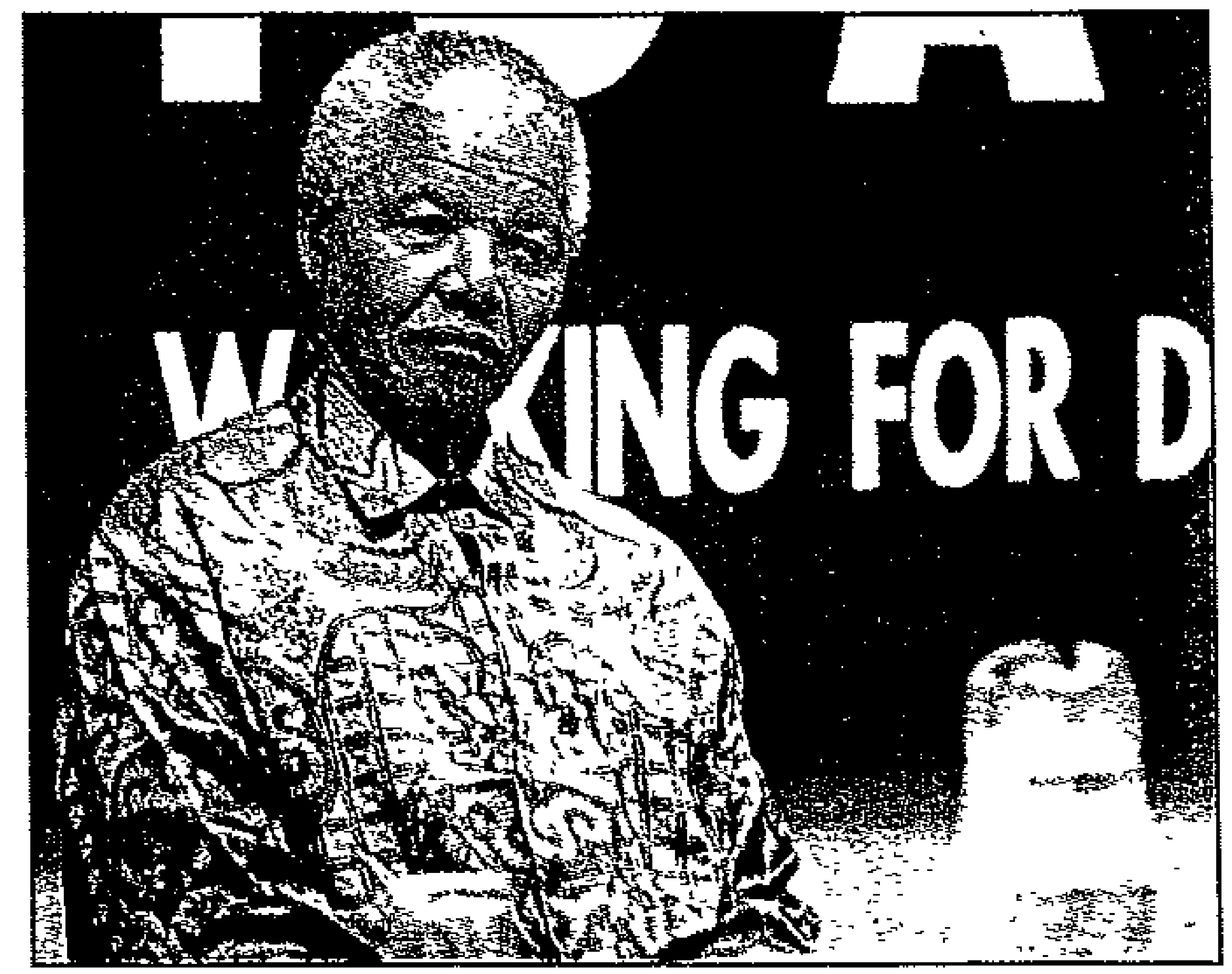
"This is the first ANC budget. In my opinion it is well balanced between what is politically and economically correct. The bias is against the rich."

The greatest risk was the proposed budget deficit of about four percent of Gross Domestic Product, a figure which would be the "benchmark for Manuel's credibility".

The inflation rate was expected to be higher than the percentage increase in funds which the government hoped to net mainly from improved tax collection, thus this "represents one of the toughest budgets in recent years" for the government to meet, Heystek said.

The investment expert predicted that Marketable Securities Tax – a compulsory stamp duty payable when shares are purchased – would be gone by April next year.

Heystek also warned investors to be wary of foreigners attempting to woo local money into overseas bank accounts because "interest rates overseas are currently very low".



SLOWING DOWN: How your investments will be affected when President Mandela retires 'sometime next year'

Lomé offers an important role

Partial accession to convention raises questions about relationship with EU, writes Talitha Bertelsmann

(74)

The Lomé debate is far from over, and as chair of the Southern African Development Community (SADC) and a partial member of the Lomé Convention, South Africa could play an important role in the renegotiations and assure the best possible deal for SADC.

The ratification of South Africa's partial accession to the Lomé Convention raises a number of questions about the Republic's relationship with the European Union (EU). First, what will Lomé membership bring? Second, what are the implications of this for the ongoing negotiations for a SA-EU Free Trade Agreement? And third, what role is South Africa going to play in the renegotiation of the Lomé Convention when it expires at the turn of the century?

South Africa's initial request for full membership of Lomé (which governs relations between 70 African, Caribbean and Pacific (ACP) countries and the EU) was denied due to South Africa's economic sophistication in comparison with the ACP countries and even some of the junior EU members.

Pretoria was offered partial access instead, and after just over a year of negotiations, the accession was ratified at a joint ACP-EU ministerial conference in Luxembourg on April 24 and 25.

In economic terms, South Africa is not set to gain much from this partial accession. The main benefit will be the right to tender for European Development Fund (EDF) projects in all ACP countries (although this will exclude the preferential ACP treatment of between 10-15%).

South Africa will further participate in Lomé projects on technical, cultural and social co-operation, regional co-operation, industrial development and investment promotion and protection.

It will not, however, be eligible for non-reciprocal trade preferences and nor will it have access to EDF funding. The special protocols of the convention on bananas, rum, beef, veal, sugar, and coal and steel products will also not be applicable to South Africa. South Africa's main benefit from its partial accession will therefore be political. Its membership of, and its full participation in, all of the Lomé institutions should have some important effects on this special relationship between the developed and the developing world.

It will undoubtedly increase the political weight of the ACP group, and influence the political dialogue between the ACP and the EU on many issues, including the post-Lomé debate.

The finalisation of South Africa's Lomé membership could also have significant influence on the FTA negotiations. The European Union made a concession in allowing the Lomé negotiations to be delinked from the overall FTA talks in order to finalise South Africa's accession before the ministerial meeting this month.

As Spain's threats to veto Pretoria's accession show, fears do exist that the SA team will now abandon all FTA talks after having achieved their main goal: Lomé. A letter written by Thabo Mbeki to reassure Spain, however, committed his team to a continuation of the FTA negotiations. With the Lomé debate out of the way, South Africa will now be able to concentrate exclusively on the FTA.

The Department of Trade and Industry has shown that it is committed to the process, agreeing to start technical discussions on the commercial content of the Free Trade Agreement in June.

Until then, the agreement's legal backdrop will be discussed, which is to include: intellectual property rights, anti-dumping rules, competition policy and public procurement.

The renegotiation of the Lomé Convention will, however, continue to remain on everybody's mind. The European Union recently released its green paper on the future of Lomé.

It is clear that the EU would like to develop a different relationship with the ACP countries, as it feels the Lomé Convention has failed in many areas. The EU is also looking towards curtailing aid donorship, and would like to see more accountability from the aid recipients.

Ultimately the EU would like to have FTAs, similar to the proposed South African one, with the most advanced economies of the ACP. To this end the EU is prepared to sub-divide the ACP group into smaller regions, a move the ACP would not welcome, as this would diminish its political clout.

The future form of the Lomé Convention will inevitably have a huge influence on the ACP countries, but also on South Africa. Since 1996, President Mandela has been the chairman of the Southern African Development Community, the members of which all form part of Lomé.

South Africa's economic development is intricately linked to that of SADC and therefore the future of its neighbours' trade arrangement with the EU will also have an impact on the South African economy. As a member of SADC and as a partial member of the convention, South Africa could play an important role in the renegotiations and assure the best possible deal for SADC.

■ *Talitha Bertelsmann is the Standard Bank European Union Research Fellow at the South African Institute of International Affairs. She writes in her personal capacity.*

Star 29/4/97

Pretoria optimistic that EU talks will bear fruit

BD 22/1/97 (74)

John Dludlu

SA WAS confident of sealing a co-operation agreement with the European Union, including a trade accord, this year, Pretoria's negotiators said yesterday as they publicly unveiled government's negotiating directives with the EU this week.

Speaking at a news briefing in Pretoria yesterday, Faizel Ismail, trade and industry department chief director for foreign trade relations, expressed hope that Friday's resumption of talks would pave the way for SA's partial membership of the Lomé Convention.

Although SA initially requested full membership of the convention, which grants aid, tariff and quota concessions to the African, Caribbean and Pacific (ACP) nations, the EU offered partial membership, notably excluding Pretoria from generous trade benefits.

Negotiators will have to reach agreement soon on the convention for it to be ready for ratification in April at an ACP/EU summit.

"We hope it (Lomé) will be concluded in time," Ismail said.

The SA approach calls for a trade and development agreement, although it says the idea of a free trade area — proposed by the EU in mandate — has not been rejected.

Pretoria's approach seeks to contribute positively to placing the economy on a new "development orientated growth path" and the removal of discrimination against SA's exports to the European Union.

The paper says: "(The SA proposal) should contribute positively to the promotion of equitable and mutually beneficial co-operation and integration in the southern African region to which both SA and the EU have repeatedly declared their commitment."

Ismail called for "a wider set" of supply-side measures from the EU to help cushion against adjustment costs for SA and its customs union neighbours, which could suffer revenue loss, trade and investment diversion from a trade deal with the EU.

Though the nature of this support has not been clarified, SA negotiators have, on occasion, referred to the EU's structural adjustment funds for economically wobbly regions in the union as a model.

At the same briefing, the Pretoria team's leader, Eltie Links, SA ambassador to the EU, said differences between the two sides' positions had been exaggerated, and said there was a "seriousness" to find a solution from both sides — a sentiment which had been expressed also by EU officials.

He said EU-SA contacts had continued.

Foreign affairs deputy director-general Abdul Minty said that government was going into the talks in a positive frame of mind. Pretoria's approach sought to develop a region that would grow together.

See Page 9

SA ambassador to the European Union Eltie Links, top left, at a briefing in Pretoria yesterday. Trade and industry foreign trade relations chief director Faizel Ismail, right, makes a point while foreign affairs deputy director-general Abdul Minty, as well as trade department bilateral relations director Bahle Sibisi, bottom left, listen. Pictures: ROBERT BOTHA

Any UK govt will push SA aid, trade

(74)

Whether Major or Blair is premier after Thursday's poll, strong links with this country will stay, writes Tyrone Seale

Star 29/4/97

Newly elected British Prime Minister Tony Blair will visit South Africa before Christmas. Think about it. And save that guffaw for Thursday, when 45 million British voters will either transform this mischievous suggestion into fact – or consign it for another five years to the scrapheap of shattered ambitions and precocious journalism.

Whichever way it goes on Thursday, South Africans will join billions of people worldwide in the humbling refrain: what's in it for us?

The fact is that John Major, Tony Blair (and, the optimistic proclaim) Paddy Ashdown are burdened not only with the hopes of a domestic electorate. For centuries, this nation of limited natural resources and one that today accounts for only 1% of the world's population, has had to rely on international trade to assert its offshore influence.

Today it is the fifth largest trading nation, accounting for about 5% of world trade, and it boasts a far higher degree of inward and outward investment than any other leading economy. As the world's largest erstwhile colonial power, Britain is not only in the business of expanding its trade sphere, but, through its pivotal role in the 53-state Commonwealth, it is also seriously engaged in undoing the more unsightly consequences of expansionism over hundreds of years.

In South Africa's case, relations under the Mandela government have broadened into new areas, ranging from development assistance to military advice, and sporting links to scientific co-operation. In addition to a R700-million aid package over the three years from 1994 to 1996 and an additional R420-million announced during President Mandela's state visit to Britain last year, Britain is supporting South Africa's development through trade and investment and through official export credit guarantees.

Britain is the second highest exporter to South Africa and its largest foreign investor, with a market value of between R56-billion and R70-billion.

Nine of the top 20 foreign employers in South Africa are British, and in turn, South Africa has a significant investment in Britain. The question becomes: is any of this likely to change after May 1?

With a domestic debate raging on what Britain's approach should be to a federal European superstate, the leaders of Britain's main parties have not spent a great deal of their public pronouncements on life beyond their 15 state, cross-Channel backyard. However, the manifestos of the three leading parties intimate an unspoken consensus to invest political and economic support in a manner that will ensure that the developing world is truly what its name suggest, and to ensure the world's poorer nations become partners, not just markets, in the global scene.

This challenge was recently dealt with head-on by Conservative Euro-MP Lord Plumb, who also presides over a joint assembly of European politicians, on the one hand, and their African, Caribbean and Pacific counterparts, on the other. Lord Plumb, a highly regarded representative of John Major's party, said Europe's outstanding track record of help for developing countries, worth about R135-billion a year, should not be sacrificed amid efforts to reform the European Union.

"We must always know our duty towards the world's poorest nations. As Europeans, we enjoy high standards of living with good health care and food supplies. The global challenge of industrial and labour market restructuring may lead to short-term insecurity as economies adjust, but it is irresponsible to use this as an excuse to stop development aid."

The party says it will continue to support the Commonwealth to encourage the spread of democracy and will focus aid programmes to encourage sustainable development in countries that are growing towards self sufficiency under democratic government. Britain, says the Conservatives, is more than achieving the long-term United Nations target of 1% of gross domestic product for the transfer of wealth to less developed countries.

At a media conference this week, Tony Blair switched on Labour's patriotic charms by boasting that Britain has been a major force in world affairs for several centuries and that Britain's wealth and prosperity depended on the outside world to a greater extent than any other country of equivalent population, about 55 million.

A Labour government would give new priority to overseas aid and would begin to reverse what he called the steady decline in the aid budget under the Conservatives. "There can be no higher moral purpose than working to eradicate poverty and promote development in the world's poorest countries." However, he said no amount of aid could make up for inadequate trade opportunities for those same countries. – Star Foreign Service.

ILO move threatens public censure unless nations toe line

(74) BD 2/5/97

Reneé Grawitzky

COUNTRIES failing to comply with core International Labour Organisation (ILO) conventions could face increasing public censure if the organisation's 174 member states approve adoption of a declaration to this effect next year.

This emerged from a report compiled by ILO director-general Michel Hansenne.

The director-general's report proposed a range of measures to ensure trade liberalisation was coupled with observance of fundamental worker rights.

The report, intended to give effect to a declaration adopted at the World Trade Organisation (WTO) Singapore conference in December, will be discussed at the ILO's 85th annual conference in June.

The WTO refused to be drawn into a debate which linked trade agreements with worker rights and shifted the responsibility to the ILO to ensure enforcement of core labour standards, including freedom of association and collective bargaining and a ban on discrimination and forced labour.

The WTO member states — many are members of the ILO —committed themselves to observing "internationally recognised core labour standards" and stressed that the ILO was the "competent body" to ensure compliance with these standards.

An ILO source said the organisation now faced the formidable task of ensuring the consensus achieved in Singapore was carried through and that the ILO had the ability to ensure the declaration was put into effect.

Hansenne said enforcement was a "matter of political will.

"The question must now be what particular form this political will, so clearly expressed, should take within the ILO."

In his report, Hansenne proposed that in future, the failure to ratify conventions by member states would come under increased scrutiny. And in terms of the ILO's constitution, the governing body would request reasons for the failure to ratify conventions.

He further recommended that the implementation of standards be monitored through a regular report covering social progress. This, he said, would be discussed by member states and lead to national and international public opinion on efforts made by "each state to turn the economic benefits resulting from the liberalisation of trade to good account in terms of social progress".

The ILO believed that "globalisation could not be left to its own devices" and that "freer trade and improved living and working conditions can only hope to develop if there is universal respect for fundamental human rights in the workplace".

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PERSONAL VIEW

Free trade zones may solve SA's problems

ET (BR) 2/5/97 (74)

CHRISTIAN SCHULZE

The broad argument for free trade, to which many economists implicitly subscribe, is essentially political: free trade can be described as a sound if not perfect policy, while an attempt to deviate from it will probably result in more harm than good. Therefore, support for free trade and opposition to protectionism are the most favoured prescriptions for economic policy.

Over the past few years, companies worldwide have favoured tax-free zones. Free trade zones can prove an effective tool in developing new markets and increasing income from foreign trade and manufacturing operations. They enable importers and exporters to benefit from a variety of customs-privileged facilities offering them guarantees, incentives and other advantages.

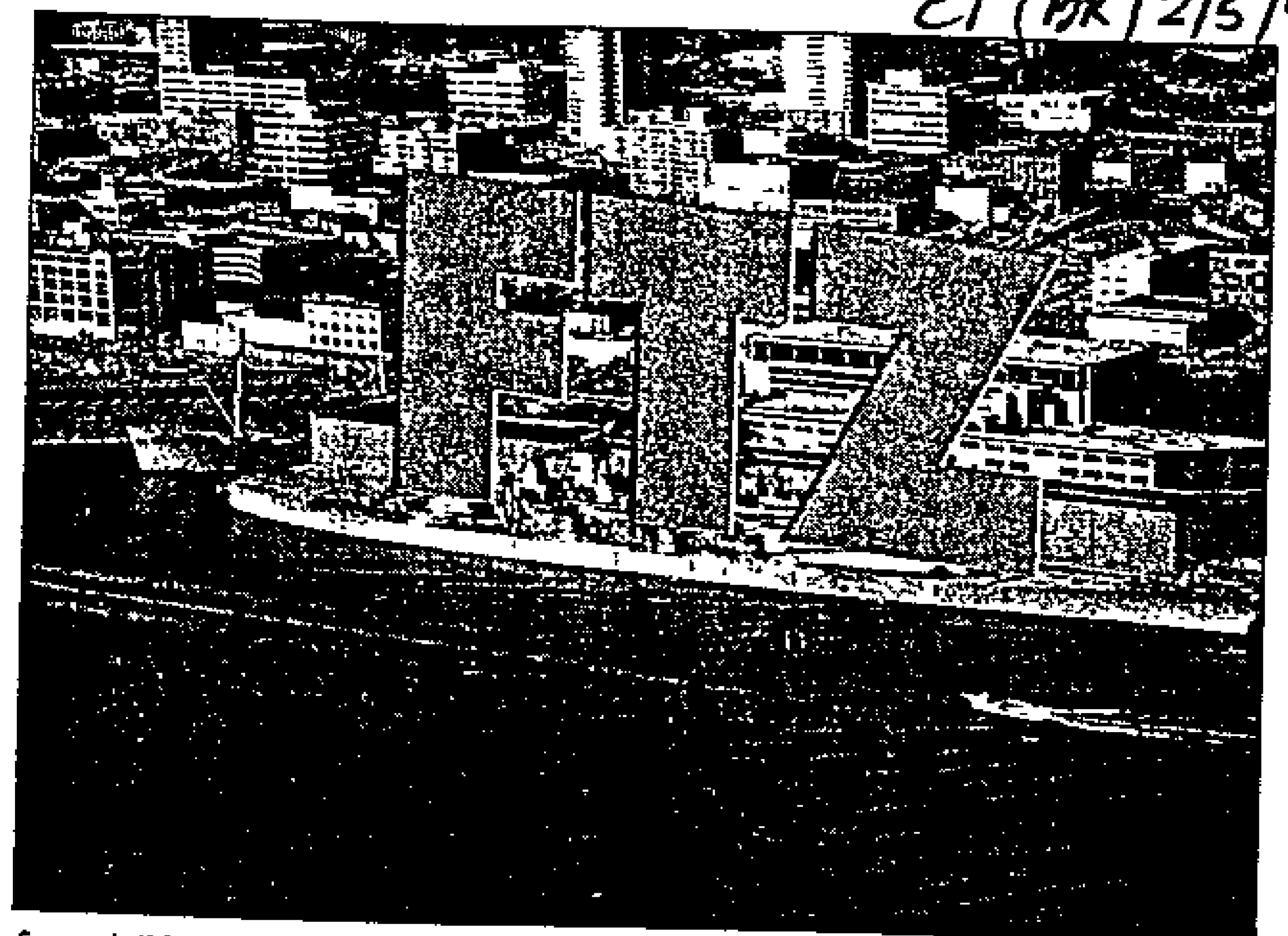
Companies engaged in processing and assembly can, by seeking these sheltered areas, save on taxes and cut down on costs, including transport costs, plant rental, finance charges and insurance premiums. There are 636 tax-free trade zones, free ports and similar designated areas in existence worldwide.

Free trade zones (as well as free ports, free industrial zones and export processing zones, which are specialised versions of a free trade zone) aim to encourage and speed up foreign trade by eliminating payment of customs duties unless and until foreign merchandise is imported into the country's customs territory.

By definition, and from the point of view of customs and excise administration, a free trade zone is not part of the country's customs territory. It has extraterritorial status and enjoys a de facto immunity from domestic civil laws and government controls.

So, for all intents and purposes, movements to and from free trade zones and domestic tariff areas constitute movements between two countries. The de jure extraterritorial status of a free trade zone arises from the fact that a free trade zone is exempt from all customs laws that apply within the domestic tariff areas.

The most common exemptions are



from civil laws such as revenue laws, various tax laws, company laws, foreign exchange laws, profits and dividend repatriation laws, et cetera.

The facility of a free trade zone allows for the free entry of raw materials, components and finished goods of foreign origin and subsequent re-export without being subjected to customs duties and import and export regulations. In many free trade zones traders may store, manufacture, process, label or package goods without the host nation applying its tariffs or other controls on the merchandise.

This is practical in so far as the payment of customs duties is deferred until the foreign goods which have been stored in the free trade zone are finally removed for use in the country where the zone is located. A free trade zone is always free of customs duties and import controls.

South Africa is in a process of transformation and renewal. The strategic framework to address the structural problems were laid down in the government's White Paper on reconstruction and development. The central goal for reconstruction and development is to meet the social and economic needs of the people and to create a strong, dynamic and balanced economy which is to be achieved by the creation of sustainable jobs. This strengthened economy is expected to integrate into the world economy using the growing home base in a manner that sustains a viable and efficient domestic manufacturing capacity, which will increase the country's potential to export manufactured products.

One of the characteristics of the four types of free trade zones (the free trade zone, the free port, the free industrial zone and the export processing zone) is creating employment. The users of such zones, by running warehousing and storage companies (in the cases of traditional free trade zones and free ports), or manufacturing and processing plants (in the cases of export processing zones and free industrial zones) provide jobs for a large number of people.

For example, the German port of Hamburg provides 140 000 jobs, of which 50 000 are within the areas of the Free Port of Hamburg. Another example is the Export Processing Zone System of Mauritius, which was launched in the 1970s in order to reduce the high unemployment rate among its young people. Today it provides about 91 000 jobs.

Free trade zones also facilitate industrial decentralisation, which is one of the reasons why free industrial zones and export processing zones are often located in remote and relatively poor regions of the country. Since free trade zones, especially free industrial zones and export processing zones, require a basic infrastructure, which if it does not yet exist will have to be provided, these factors have a direct effect on the basic needs of the population, such as housing, services, water and sanitation, energy, telecommunication systems and transport.

Another very important aspect is the attraction of foreign investors. The main objective to be achieved by the establishment of a free trade zone is export promotion and the enhancement of foreign commerce. This includes the search for new markets for local products as well as export diversification, which goes hand in hand with the generation of additional foreign exchange and the attraction of foreign capital.

The question to be asked is whether South Africa can really afford to close its eyes on the worldwide trend towards free trade and still follow the path of a government-controlled economy and a policy of protectionism.

Is it not time South Africa takes up the gauntlet and embarks on a free trade zone programme, following the examples of its neighbouring countries — Namibia implemented its Export Processing Programme in 1995, and Mozambique implemented its Industrial Free Zone Programme in 1994?

Economic miracles are very scarce and, in these days of growing crime and gangsterism, potential investors tend to turn their backs on our country. Therefore, the implementation of a free trade zone programme could be the solution to a lot of South Africa's problems.

☐ *Dr Christian Schulze is the chief researcher of Unisa's Institute for Foreign and Comparative Law*

The institute, with Portnet, will host an international conference on tax-free trade zones and free ports on May 21 and 22. For further information telephone 012 429 8306/8362/ 8358.

EU preference demands 'may undermine efforts in SADC'

BD 5/5/97 (74)

John Dludlu

SA has criticised calls by the European Union that Pretoria should extend the same trade concessions to the 15-nation trading bloc as it would offer its southern African neighbours.

Pretoria says such proposals fly in the face of efforts to liberalise regional trade.

The remarks, made by an official in the SA mission to the EU at the weekend, follow recent statements by the EU's executive, the European commission. The body believes SA should offer the EU the same trade concessions as it would offer neighbours in the Southern African Development Community (SADC) neighbours as "a minimum condition".

European commissioner in charge of relations with SA João de Deus Pinheiro believes the principle of granting the EU and SADC the same preferences will see the EU-SA trade talks acting as a "crowbar for opening SA to the SADC".

However, Johan van der Merwe, an official at SA's multilateral mission in Brussels, expressed concern on Friday at the EU's calls to be granted similar concessions as those to be extended to the SADC, saying this would undermine efforts to expand SADC exports to SA's markets.

SA was worried that preferences for the EU would displace SADC products in the SA market and, therefore, undermine the SADC trade protocol. "SADC countries would find it difficult to compete with EU imports in SA," Van der Merwe said. Granting the same benefits to the EU was also contrary to SA's calls that the proposed free trade area should take into account the different stages of economic development in SA and the EU.

Pinheiro's comments, which re-open the debate on compensation for adjustment costs for SA's neighbours, have also been seen by some pro-SA observers as an attempt to play down the costs of the proposed SA-EU deal.

SA has said it aims to use the SADC trade protocol to rectify the long-running trade imbalance — in its favour — with the region. Pretoria is also opposed to the idea of better market access to the EU than the SADC.

Rashaad Cassim, the director of the Braamfontein-based trade and industry policy secretariat, also expressed doubts at the capacity of the SADC nations to protect themselves by application of sophisticated rules of origin mechanisms from EU imports.

Pinheiro told a summit on southern Africa in Maastricht, Holland, that the SADC could limit the negative effects of the proposed accord with SA by applying rules of origin which would make it possible for them to maintain tariff protection against EU imports.

Cassim warned that application of rules of origin, which detect the amount of beneficiation and country of origin of the exports, was "cumbersome" and could act as a deterrent to intra-SADC trade.

Van der Merwe said rules of origin would increase the amount of red tape.

Last year, a much-criticised EU-funded study, to assess the impact of the SA-EU free trade area, found that SA's neighbours in the customs union — Botswana, Lesotho, Namibia and Swaziland — would lose more than R280m in revenue from the customs union if they joined the accord, and would have to spend around R12m in additional customs border controls should they decide to stay out of this accord.

The report, which has since been revised, also recommended the countries seek EU compensation for revenue loss.

Although the EU has in the past signalled it might assist the countries with unspecified "transitional fiscal measures" to adjust to the SA-EU free trade, it recently suggested that SA excludes from the accord sensitive items for the countries' economies.

See Page 10

CORRIDORS OF POWER *Mac Maharaj, Thabo Mbeki and prime minister Pascoal Mocumbi at the signing* PHOTO RICHARD BARTLETT

CT(BE) 6/6/97

R3bn toll road boost for Maputo Corridor

(74)

RICHARD BARTLETT

Maputo — The Maputo Development Corridor received a R3 billion boost yesterday with the signing of a 30-year concession agreement for the construction and maintenance of a toll road between Witbank and the port city.

The new road, to be completed within four years, will be one of the few privately financed cross-border toll roads in the world, Thabo Mbeki, the deputy president, said at the signing ceremony yesterday.

The agreement for the "build, operate and transfer project" was awarded to Trans African Concessions, a consortium made up of Bouygues, the French construction group, and local groups Basil Read and Stocks & Stocks.

Financing for the road project is being arranged by Investec and Nedbank, with Msele Bank as co-arranger. The Hong Kong and Shanghai Bank is acting as a financial adviser on the project.

The new road will make the Gauteng-to-Maputo trip 150km shorter than that between Gauteng and Durban, Mac Maharaj, the transport minister, said.

Construction of the road is to begin within six months and will entail 112km of rehabilitation, 70km of completely new road and 240km of widening with some added interchanges.

The first tolls will be charged in November next year. A final decision on the toll fees will be made in consultation with the two governments. Ownership of the road, which will have a lifespan of 45 years, will revert to the respective governments after the concession agreement expires in 2027.

US trade officials take much better view of SA

BD 7/5/97 (74)

Simon Barber

WASHINGTON — US trade officials are signalling that they no longer have major concerns about the protection of US intellectual property in SA, marking the end of a dispute that erupted in 1995 over an attempt by an SA businessman to appropriate trademarks claimed by fast food giant McDonald's.

The office of the US trade representative, which is responsible for enforcing US trade policy, has dropped SA's name from it annual report, released last week, on the performance of America's trading partners in respecting US intellectual property.

The International Intellectual Property Association, the major US lobby on the issue, had urged that SA at least receive a "special mention" in the trade representative's "Special 301" review, so-called after the section of the 1974 Trade Act which calls for the administration to bring pressure on countries where US firms' intellectual property is threatened.

SA was placed on the trade representatives' "watch list" in the 1995 report, in large part because of the McDonald's case and several like it. These raised the possibility South Africans would be permitted to usurp famous brand names whose owners had not used them in SA during sanctions.

Last year SA was "provisionally" removed from the list after an Appeals Court ruling in McDonald's favour and after the government gave undertakings there would be further changes in SA's intellectual property laws, bringing them up to full World Trade Organisation standards.

Meanwhile, US pharmaceutical firms have asked the US trade representative to raise in the WTO's trade-related intellectual property (Trips) council whether the newly introduced Medicine and Related Substances Control Amendment Bill contains Trips violations.

The firms are concerned that the bill would permit "parallel imports" of their drugs outside existing distribution channels, and at lower prices, in contravention of their Trips-recognised rights to control the marketing of their patented products.

In the latest review, the trade representative placed 46 countries on its watch list. Eleven others warranted "special mentions".

Call for details on EU exclusion plan

BD 8/5/97 (74)

Wyndham Hartley

CAPE TOWN — In a veiled warning to the European Union (EU), Trade and Industry Minister Alec Erwin has called for more detail on the phasing out of EU exclusions of SA agricultural products so that informed decisions can be made on where best to deploy his department's resources.

Introducing his budget vote in the National Assembly yesterday, Erwin said no progress had been made in talks with the EU on the issue of agricultural products in the free trade agreement. The current EU mandate excludes about 40% of SA agricultural products.

He said while the EU wanted SA to make proposals on market access for its industrial products, "it is our view that it would be more appropriate for the EU to both respond to our position on the agricultural exclusions and to indicate their phase down schedules".

The trade and industry department had limited resources and he had to be able to ascertain where they would be best deployed. With trade relations growing rapidly "it would not be wise to concentrate on an area where the gains at the margin are less than the gains that can emerge in other rapidly growing markets".

But Erwin stressed relations with the EU were of "fundamental economic importance" and should contribute substantially to the revival of the region.

He also announced that there had been progress in the southern African region with talks taking place in the SA Customs Union. The major issues were a revenue sharing formula among the member countries and the structure of the Board on Tariffs and Trade.

The minister also announced that there had been 13 applications for the tax holiday scheme. The total value of the applications was R624m with a claimed creation of 1 432 new jobs.

SA and Spain are called on to double two-way trade

BD 8/5/97 (74)

John Dludlu

THE Spanish embassy has called on SA and Spanish businesses to double the volume of two-way trade from last year's R3,7bn by changing the traditional lack of relations between the two countries.

Addressing businessmen at the Johannesburg Chamber of Commerce and Industry (JCCI), Victor Audera, commercial counsellor at the Spanish embassy in SA, said yesterday the present level of trade did not reflect the size of the Spanish economy, which was five times larger than that of SA.

He told businessmen, including a visiting trade delegation from the Canary Islands, to overcome the lack of historical links..

Unlike other European Union nations, Spain has a debit trade balance with SA.

Last year, SA bought R1,2bn worth of products from Spain, but exported R2,5bn worth of products to that country, Audera said.

SA's exports to Spain were made up mainly of minerals — including 6-million tons of coal — although this trend was changing.

Audera said that his country could be used as a gateway to the rest of the European Union.

The governments could provide the necessary business environment for trade and investment, but it was up to the private sector to do the business.

At the function, Tenerifo Chamber of Commerce president Francisco Ucelay-Sabina and JCCI international trade director Gordon Griffiths signed a co-operation agreement. The agreement will see the two bodies co-operating in trade promotion, helping each other in organising trade missions and exhibitions and sharing share market information over the next three years.

Interviewed later, Ucelay-Sabina said the chamber, which has about 80 000 members, had visited SA to sell the Canary Islands, and notably its export zone, to SA businessmen.

The Canary Islands, part of Spain, were strategically situated as a bridge between Europe, the Americas and Africa, he said.

The mission to SA, which now goes on to Cape Town, intended to gain information on the SA market to bolster the two-way flow of trade.

The islands have a population of about 1,5-million. They play host to a handful of SA companies, including SA Breweries (SAB), and have had a trade deficit with SA for a number of years.

SAB owns the two breweries on the islands which attract 8,5-million tourists every year.

Apart from the good weather, prospective investors to the special economic zone stood to benefit from lower taxes — as low as 1% — and an educated workforce, officials said.

EU chides development community on delays

SADC's tariff tardiness could choke SA's deal

CT(BR) 9/5/97 (74) ([illegible])

JAMES LAMONT

Johannesburg — Delays in the the Southern African Development Community's (SADC) reform of regional tariff policies could hold up negotiations between South Africa and the European Union (EU) over a free trade agreement, Erwan Fouéré, the union's ambassador to Pretoria, said yesterday.

Fouéré said the length of time it took the SADC to dismantle tariffs would determine the timing of an agreement with the union, but warned of "slippage" in regional tariff negotiations, partly because of bilateral differences.

"It doesn't make much sense for South Africa to ... reduce tariff schedules with us without doing it with SADC. That will cause tensions," he said. "Whatever we negotiate with South Africa must have benefit for the region."

Fouéré said he expected a clear understanding between South Africa and the EU of a timetable for dismantling tariffs by the end of the year.

The union's opening mandate excludes some 39 percent of South African agricultural products from duty-free entry into Europe. But Fouéré said he expected the differences to be narrowed down to about 12 products, "then the political heavyweights would come in to broker a deal".

The last round of negotiations took place in January after they reached deadlock last year.

The EU accounts for 52 percent of total foreign investment in South Africa and is the country's largest trading partner.

Fouéré said maintaining the momentum in talks was essential to give a clear message to the business community. He warned that negotiation "would become much more difficult down the road", because priorities such as the single European currency and the enlargement of the union would consume Europe's policymakers and overshadow external trade relations.

He said South Africa's entry last month to the Lomé Convention, the co-operation agreement between the European Union and 70 African, Caribbean and Pacific countries, was the biggest single achievement towards the free trade agreement. "The accession to Lomé has given a strong morale boost to the negotiations," he said.

Membership in the convention will give South African companies access to tenders for EU contracts in those countries over the next five years and will allow the export of locally made components to neighbouring countries for products that will then be exported to the EU at preferential tariffs.

"The practical implication ... is that South African companies can tender for some very lucrative contracts worth R45 billion," he said.

Counting on Labour support in trade talks

(74)

SA's high commissioner in London expects Britain's new government to back SA in trade talks with the European Union, writes **Tim Cohen**

BD 14/5/97

LONDON — SA high commissioner Mendi Msimang yesterday welcomed the change of government in Britain, describing Prime Minister Tony Blair's government as enthusiastic and innovative and much less likely to be isolated in the Commonwealth.

Msimang said in an interview that SA was expecting the new government to be in SA's corner during the forthcoming tough negotiations on a trade agreement with the European Union.

He expressed the hope that Blair's government would ensure a continued flow of practical assistance to SA's new administration, stressing the need for training.

Msimang described Blair as "a man with a vision", saying that he showed consistency while the early days of his government had shown it to be enthusiastic.

Of aid flows, Msimang said obviously "we cannot expect the moon", although he suggested that assistance in developing expertise was likely to be forthcoming from the new government.

A number of specific areas could be fruitfully investigated, including improved investment, the development of a new education curriculum for SA schools and the creation of a South African lottery following the huge success of the British lottery, he said.

Msimang said one consequence of the British election would be a much more cohesive Commonwealth. Previous meetings of the Commonwealth have been marred by isolation on critical issues.

Msimang said he looked forward to stronger co-operation with Britain on issues affecting Africa, including Nigeria, although he suggested some issues could not be lightly passed over.

SA had itself been in favour of adopting a strong stance on Nigeria, but it was committed to remaining within the programmes established by the multilateral organisations, in which progress had been slow. One of the complications was Nigeria's oil exports, which Msimang said would simply not disappear.

But a new impetus was likely, arising from several bilateral discussions, the new government in Britain and a visit by Deputy President Thabo Mbeki to Britain next month.

SA proposes fund for free trade deal fallout

BD 15/5/97 (74)

Wyndham Hartley

CAPE TOWN — SA has proposed that a fund be set up to compensate workers in the Southern African Development Community (SADC) who lose their jobs as a result of a free trade agreement with the European Union (EU), and to provide investment where businesses are closed.

However, the confrontation between Trade and Industry Minister Alec Erwin and the EU over agricultural exclusions to the accord could delay talks on compensation.

In a briefing to a joint meeting of the trade and industry, agriculture and foreign affairs committees of Parliament yesterday, chief director of foreign trade Faizel Ismail said Erwin had told EU development director Phillipe Soubestre that until there was a significant response on agricultural exclusions, SA would be constrained in making its offer in the negotiations.

Ismail said the department was still

Continued on Page 2

SADC

(74) BD 15/5/97

Continued from Page 1

waiting for a response from the EU on structural adjustment damage to businesses as a result of the agreement.

He said the burden of adjustment on SA business would be high because of the legacy of high tariffs and low worker productivity. He hoped for a "significant and positive response" from the EU at the next round of talks in July.

Ismail described the EU's attitude to compensation for SADC countries as "unsatisfactory" because it had said SA would have to deal with the fallout. However, EU sources have said that discussions on development funding will be pursued once the SA position has been tabled.

Ismail said until there was a clear indication that the list of agricultural exclusions would be reduced — he insisted it was closer to 40% of SA agricultural products than the 4% claimed by the EU — "we will have difficulty pursuing the trade part of the agreement with any enthusiasm".

☐ Reuter reports SA and the European Commission finalised a multibillion-rand programme yesterday to provide grants and soft loans for development projects between this year and 1999. About R1,8bn in grants had already been committed, and the new programme made R2bn available.

SA gets tough with EU on farm goods exclusion

Offer ridiculous – DTI

ARG 15/5/97 (74)

ALIDE DASNOIS
BUSINESS EDITOR

South Africa will lobby European Union member states to review Europe's trade offer, the Department of Trade and Industry's chief foreign trade director Faisel Ismail says.

Addressing a joint sitting yesterday of Parliament's trade and industry, agriculture and foreign affairs committees, Mr Ismail said suggestions by the European Union (EU) that 40 percent of South Africa's agricultural exports be excluded from a trade deal were seen as "ridiculous and a bit preposterous", even by some member states.

"Some of the goods on the list are not even produced in the EU," Mr Ismail said.

Under the present trade regime, about 90 percent of South Africa's trade with the EU was already duty-free or subject to duties of about one percent.

"It is mainly agricultural products on which there are still heavy duties, and this is a relatively small part of South Africa's trade," Mr Ismail said. "Yet this is the area the EU has sought to exclude."

The Minister of Trade and Industry Alec Erwin had warned the EU negotiators that unless there was progress on this matter, South Africa would "find it hard to proceed with the trade agreement with any enthusiasm".

The Government also intended to raise the matter at a political level during visits to EU member states later this year, he said.

Mr Ismail said the South African negotiators were also arguing that the trade deal should be asymmetrical and that money should be set aside by the EU to help southern African countries over the difficult structural adjustment which would follow on the dismantling of tariff barriers in South Africa.

He hoped to have an answer on the creation of a structural adjustment fund by July, when Mr Erwin and EU commissioner Joao de Pinheiro would review progress in the trade talks.

Significant progress had been made in other area[s] ... approval l... African, C... countries c... sion to the ... he said, culminating ... t month by the EU and the ... ibbean and Pacific (ACP) ... outh Africa's qualified accession to ... né Convention.

Grants: over the next three years the European Programme for Reconstruction and Development (EPRD) will make availabl... according to an agreement signed yesterday in Cape Town by Philippe Soubestre, the European Commission's director-g... Minister of Finance Gill Marcus. This makes a total of R3,7 billion in EPRD grants between 1994 and 1999

Drive to escalate pan-African trade

(74) Sowetan 15/5/97

By Isaac Moledi

TRADE among Africans represents only two percent of the total investment taking place on the continent, African Business Round Table (ABR) executive secretary Dr Karamo Sonko has said.

Despite the increase in investment patterns in African countries reported recently by the United Nations Conference on Trade and Development (Unctad), Sonko argues that the increase is not reflected in trade between African countries.

He notes that overall direct foreign investment by private companies in Africa still remains very low, adding that more than 95 percent of trading in Africa is done with countries outside the continent.

According to the Unctad report released last week ahead of the Economic Commission for Africa conference of African ministers responsible for economic and social development, some R111,25 billion flowed from companies on the continent to other African countries in 1994.

"Some African businesses, especially from South Africa, are emerging as investors in other African countries," the report reveals.

While noting that this is a positive development Sonko argues that "whatever the increase" in investment patterns was between Africans, this has not changed overall direct foreign investment by private companies in Africa which remains low.

"The reality in Africa is that we are more fragmented than anywhere else in the world and this is the reason why we need strong regional integration," he says.

Sonko, whose ABR was formed by the African Development Bank in 1990 to spearhead private sector development and promotion in Africa, says one of the mistakes African countries made after independence was that the private sector was left out of programmes aimed at developing those countries.

Rhetorical statements

"Many leaders concentrated on making rhetorical statements, leaving the private sector out of regional integration. That is why we view our role as important," he says.

Sonko, a Gambian national with work experience in several international organisations including the International Monetary Fund and Organisation of African Unity, says the ABR was founded on the principle that open market economies and a thriving private sector offered the surest means of breaking Africa's cycle of dependence and underdevelopment.

In addition to the organisation's commitment to strengthening the private sector, the ABR believes that Africa's quest for democracy and economic freedom are inseparable.

African Business Round Table executive secretary Dr Karamo Sonko. PIC: MANDLA YENDE

The business organisation's membership encompasses every region on the African continent, drawing its members from the ranks of successful African entrepreneurs, chief executive officers of African businesses and of foreign companies in Africa.

"The ABR's overall objective is to realise Africa's full promise and potential through the promotion of free markets and democratic governance," says Sonko, adding that this could be realised by creating an enabling environment for private sector development.

"The ABR believes that dialogue between business and government in Africa is the first step to improving the environment for private investment, and towards promoting a positive image of Africa to foreign investors and the international community at large," he says.

On the ABR's relocation of its offices from Abidjan, Ivory Coast, to Johannesburg he says: "There is immense potential for South Africa to play a leading role in Africa."

He says South Africa's strategic position, its economy, resources and its well-developed private sector, will help the ABR's recruitment drive and will better enable his organisation to fulfil its objectives.

Although he declines to comment on various issues pertaining to what Africa's relations particularly to organisations such as the IMF or the World Bank should be, Sonko is quick to point out that the future of Africa lies with Africans themselves and not with "people" outside the continent.

He says the ABR had developed an action plan called *The ABR in the 21st Century: Framework for a Strategic Action Programme* which will provide a clearer framework within which the organisation's activities can be undertaken and to prepare it for the 21st century.

Mandela working to get SA trade 'right'

(74) BD 21/5/97

HARARE — SA President Nelson Mandela said yesterday he was working to create the "right" trade relationship with neighbouring Zimbabwe, which complains that it is getting a raw deal.

While on a state visit to Zimbabwe, Mandela told a rally in the southern Masvingo province that his government was working for economic integration in the 12-nation Southern African Development Community that includes Zimbabwe.

"So we are consulting thoroughly, as governments, in order to get the trade relationship between our countries right," he said.

Among other things, he said, SA was opening its market to Zimbabwean clothing and textiles and exploring other areas to boost trade and economic co-operation.

Trade relations between SA and Zimbabwe, its eighth-largest trading partner, have been strained by long-drawn-out talks on a new trade agreement.

Mandela, who ends his three-day state visit today, said the trade talks were "on track but a sensitive issue".

Negotiations to update an expired 1964 trade agreement have gone on since 1992. Despite vehement denials, Zimbabwean business and government leaders have consistently accused SA of dragging its feet in concluding the agreement.

SA is Zimbabwe's largest trading partner in Africa, but the trade is heavily weighted in SA's favour. In 1995, trade between the two nations totalled Z$10bn.

"Boosting trade between us is important for creating growth, more jobs and balanced development, but it is also only a part of the relations between our countries that are strengthening by the day," Mandela said.

Mandela yesterday travelled to KweKwe to receive the freedom of the Zimbabwean town eight years after it was bestowed on him while still in prison.

At the ceremony, Mandela said he was proud to be a citizen of KweKwe, a town whose resistance to Anglo-Rhodesian oppression of the majority of Zimbabweans was documented. "It is a town that wanted to share its freedom with South Africans when they were not free in their own country." Owing in part to the support of Zimbabwe, apartheid's walls had broken down and "I am free to come and receive this honour in person," he said. — Sapa, Reuter.

Global competition at issue in WEF talks

Sowetan 21/5/97

(74)

Harare summit will discuss a Southern African trade bloc

By Sharon Chetty

HARARE – Southern Africa's business and government leaders are assembling in Harare, Zimbabwe, today for a summit on economic development in the region.

World Economic Forum for Southern Africa, which will be opened by President Nelson Mandela and president Robert Mugabe of Zimbabwe, is expected to attract record number of delegates, higher than the previous summit held in South Africa last year.

The summit, whose theme is *Political Vision for Southern Africa*, is organised by the WEF in conjunction with the Southern Africa Development Community (SADC).

Trade, infrastructural development, competitiveness and privatisation are expected to dominate the talks.

Participants said one of the summit's other objectives would be to formulate a plan on how the region could get together as a trade bloc in order to be more competitive in the world business arena .

"This year's growing interest in the summit is proof that the international business community is warming to opportunities existing in Southern Africa.

"It is also proof that we have succeeded in building bridges between business and government and between business leaders in the region and internationally," the WEF said yesterday.

The talks will also centre on the impact of globalisation on Southern Africa, the location of the region in terms of growth in a global economy and some of the investment success stories in Southern Africa.

Of the more than 600 participants about 30 percent are from South Africa. They include Finance Minister Trevor Manuel, Labour Minister Tito Mboweni and Nedlac executive director Jayendra Naidoo.

Others are chief executive of the Development Bank of Southern Africa Ian Goldin, Shell SA general manager Koosum Kalyan, Anglovaal Limited deputy chairman Richard Menell.

The summit will also include other international leaders and the 12-member SADC countries.

Charles Hove, of the SADC secretariat, told a media briefing yesterday: "The region is ready to embrace the international community and to do business with it."

Govts, trade told to work together

(74)
Sowetan 22/5/97

By Sharon Chetty

HARARE – President Nelson Mandela yesterday urged governments and businesses to work in partnership to urgently eradicate poverty.

Speaking in Harare at the opening of the World Economic Forum's Southern African Summit, Mandela said: "Development can no longer be regarded as the responsibility of government alone.

"It requires a partnership of government with its social partners: private sector, labour and non-governmental organisations."

Mandela and Zimbabwean President Robert Mugabe spoke jointly on the theme "Political vision for Southern Africa".

Mandela also said the Southern African Development Community (SADC) was convened during the struggle for freedom in the region and that it now had to realise the dream of cooperating for prosperity.

Southern Africa's interest in keeping peace and stability was fundamental to development.

"No Southern African country can succeed on its own," he said. Inter-dependence and working together was necessary and cooperation in the supply of power and water, transport and the combating of drug-trafficking already showed what can be achieved.

He said, however, that there were numerous difficulties still to be overcome. Ways had to be found of insuring that growth translated into employment and that the region secured an equitable share of world trade.

"The fact is that poverty and deprivation continued to define most of the region and humanity was an indictment of the past from which we are now emerging." He added that if governments in the region failed to build partnerships to fight poverty, history would judge them harshly.

Mugabe said that despite political security, justice and peace, people still hungered for economic growth. He said the democratic vote was not enough – people wanted employment opportunities and the benefits of investment.

Use of cheap labour criticised

BD 23/5/97 (74)

Patrick Wadula

KELVINATOR SA's new MD, Simon Koch, criticised neighbouring states for employing cheap labour in the refrigeration industry and called on the SA government and labour to look at collective bargaining for the southern African region.

Speaking at the official launch of Kelvinator SA, Koch said those countries that did not fall within the collective bargaining process should have duties levied against them.

Koch said the firm found it easier to compete with Italians, Turks and the Americans than it did with its neighbouring countries where labour rates were a quarter of SA's — R2,50 an hour against R10,51 in SA.

"Today, 40% of the SA fridge market is controlled by a company that produces in a neighbouring state.

"We thus ask the unions for standardisation of wages via collective bargaining within the industry so that everyone is playing on the same playing field," he said.

He argued that it was difficult for a labourer earning R2,50 an hour in another country to buy SA goods, let alone buy goods at all. These workers were doing nothing to stimulate the SA economy.

"We do not ask for our labour rates to be reduced. We want the rates in the neighbouring countries to be increased effectively to the same level as ours by way of collective bargaining."

The government had to start taxing countries paying less for labour. It also had to push for equal labour standards among SA's trading partners.

Kelvinator SA was officially launched as a separate company on Tuesday after a buyout from Barlows by management and a labour-based empowerment group.

Clause removed in new twist in abortion saga

BD 23/5/97

Kathryn Strachan

A NEW twist was introduced to the abortion saga yesterday when KwaZulu-Natal health MEC Zweli Mkhize agreed to remove a clause in a national health directive which states that if after an abortion procedure "an infant is born who gasps for breath, it is advised that the foetus does not receive any resuscitation measures".

Mkhize's announcement came in a provincial legislature debate this week after pressure from the anti-abortion group, Doctors for Life, to withdraw the clause. The organisation now intends to push government to include a clause which forces medical personnel to do everything in their power to resuscitate a child accidentally born alive. In cases where viability is uncertain, every effort should be made to keep such an infant alive until viability has been ascertained, it states.

Zimbabwe wins access to SA's produce market

(74)

AGREEMENT had been reached on restoring access for "a wide range" of Zimbabwean agricultural products to the SA market, Trade and Industry Minister Alec Erwin and his Zimbabwean counterpart, Nathan Shamuyarira, announced at the World Economic Forum in Harare yesterday.

The accord was reached in terms of the revived 1964 most-favoured-nation trade pact. Exceptions were citrus fruit, about which SA still had crop hygiene fears, and tobacco products, for which a quota could not be agreed on.

The ministers said the agreement should be in operation within a month. In March Zimbabwean clothing and textiles regained tariff preference, lost in 1993.

BD 23/5/97

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6. STATEMENT BY THE APPLICANT

I declare that

— the foregoing information is correct

SADC slams SA trade policies

(74)

REGIONAL TRADE

By SVEN LUNSCHE

THE South African Development Community's top executive has strongly criticised South Africa's regional trade policies.

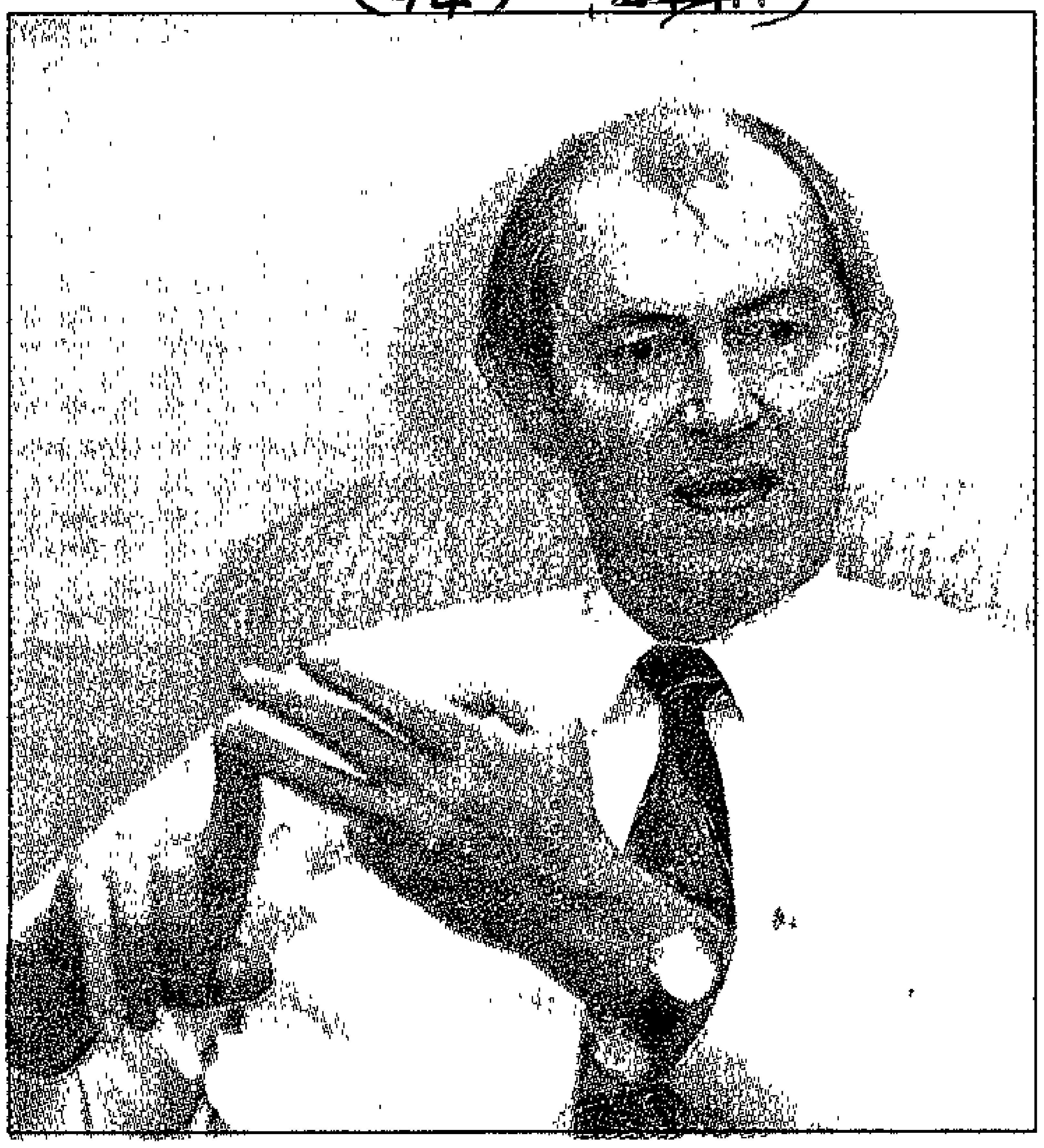
Kaire Mbuende, SADC executive secretary, said in an interview at the World Economic Forum in Harare that South Africa's political commitment to regional economic integration had not yet translated into the lowering of trade barriers.

However, Alec Erwin, South Africa's Trade and Industry Minister, said at the forum that South Africa would soon announce a low tariff regime as part of its offer under the proposed SADC trade protocol.

"Over the past two years our average trade-weighted tariff has dropped from 27% to 11% and it could fall further to 7% in three years. This gives us significant leeway in lowering tariffs even further for our partners in the SADC," he said.

Mbuende said the SADC was looking to South Africa to take the economic lead in the region. "It is by far the largest economy in the region, accounting for 78% of last year's regional GDP of $170-billion. This gives it a special responsibility. But the country has not yet opened up to the region or the world."

Figures released by the Industrial Development Corporation this week show that South Africa's trade surplus widened to R12.7-billion last year compared with R10.6-billion in 1995. Exports to Africa surged from R12.8-billion to R16.7-billion, while imports inched up from R3-billion to R3.7-billion.



ACTION . . . Alec Erwin says SA has the leeway to cut tariffs

South Africa has come under attack from its neighbours for its "protectionist" stance.

Mbuende called on South Africa to give the region better access to its market than it is obliged to under its tariff-reduction commitment to the World Trade Organisation.

The SADC's 12 member countries last year committed themselves to a free trade area within eight years. But South Africa is awaiting next month's meeting of trade ministers in Mauritius, at which a timetable for tariff reductions will be discussed.

South Africa's offer, outlined by Erwin this week, will be viewed as a benchmark for other SADC countries.

Mbuende was adamant that the first anniversary of the trade protocol should show significant agreement on tariff cuts "if we are not to lose credibility in the eyes of foreign investors".

He said the eight-year deadline was achievable, although some product categories could require a longer time span.

Erwin defended South Africa's relatively slow pace of trade liberalisation, saying the government had to balance trade reform with the interests of business and labour.

Finance Minister Trevor Manuel said upcoming talks on the Southern African Customs Union would be the last, given the difficulties in assessing tariff revenues and appointing them among the five member states. Future trade structures would fall under the SADC, he said.

ST (BT) 25/6/99

Portuguese govt optimistic about SA economy

Patrick Wadula (74) BD 26/6/97

THE Portuguese government is optimistic about the future of SA's economy but stresses that more investments in the country are needed.

Portuguese Deputy Foreign Minister Jose Lamego said at the inauguration of the Portuguese-SA Chamber of Commerce and Industry that to create more job opportunities, SA needed foreign investments. He said the Portuguese government saw good prospects for the future of SA and bilateral trade between the two countries.

He said the chamber fulfilled a role which supplemented and complemented the fundamental economic diplomacy exercised by the two governments and the role of government institutions which promote trade and investment.

"The chamber is called upon therefore to play a role which is increasingly complex and demanding," he said.

The chamber assisted with Deputy President Thabo Mbeki's recent visit to Portugal where he met more than 140 businessmen.

To date 44 trade missions have been organised, bringing Portuguese businessmen to SA, and five trade missions taking SA businessmen to Portugal.

Talks pave the way for next phase of EU pact

BD 26/5/97 (74)

John Dludlu

TECHNOCRATS from SA and the European Union (EU) are believed to have reached "broad agreement" on areas of economic co-operation to be covered by a future bilateral agreement between Pretoria and Brussels.

This paves the way for the talks to move on to the highly controversial trade chapter of the co-operation accord. The next round of the talks, to discuss the tariff liberalisation schedules in a bid to create a free trade zone as proposed by the EU, is scheduled for late next month.

A joint statement due today is expected to say that technical negotiators, who met in Brussels on Thursday and Friday after exploratory talks on a wines and spirits agreement, have identified and achieved "a large measure" of agreement on the economic and sociocultural issues to be included in the bilateral accord. These include co-operation in industrial and small business development, the agricultural field, information technology and investment promotion and protection.

The June meeting, also at a technical level, would be the last before the crucial ministerial encounter between Trade Minister Alec Erwin and João de Deus Pinheiro, the European Commissioner in charge of relations between the EU and its 71 African, Caribbean and Pacific (ACP) nations.

Both the June technical meeting and the ministerial summit are important for the talks, which observers expect to go on for at least 18 months.

The ministerial meeting, ending the formal programme of agreed meetings in the first half of this year, will take stock of progress achieved so far and provide political impetus to the negotiations. Achievements to date include SA's integration into the ACP last month after being granted partial accession to the Lomé convention; the conclusion of the science and technology agreement; and technical agreement on a range of other less controversial aspects of the talks.

The June trade session looks set to take place with the two sides stills poles apart on the shape of the future trade agreement.

The EU has proposed a free trade area, excluding 39% of SA's farm exports to the EU, while SA has suggested a "trade and development accord".

Apart from the agricultural exclusions, which remain a sore point for Pretoria despite Brussels' assurances that they are only an opening position, subject like any other issue to negotiation, SA insists that its industries and those of neighbours will suffer adjustment costs.

Compounding the EU's problem is the fact that SA's neighbours — Botswana, Lesotho, Namibia and Swaziland (BLNS) — look set to demand compensation for the significant revenue losses they stand to incur if a free trade area with Europe is signed. An EU-funded study to assess the economic impact of the EU-SA free trade area on the BLNS recommended this course of action last year.

Customs and excise figures disappoint

Greta Steyn

(74)

BD 28/5/97

IMPORTS surged and exports were up slightly in April, yielding an anaemic trade surplus of R725m after a bumper R1,98bn in March.

Customs and excise figures released yesterday disappointed economists, who had expected imports to show more evidence of the slowdown in domestic demand. Economists were divided over the implications for Bank rate, with some saying the numbers did not augur well for a cut in the third quarter. Analysts warned that the rand's real appreciation this year could already be having an influence on the overall trade performance.

As the monthly figures are volatile, analysts are paying more attention to the cumulative figures for the year to April compared with the same four months last year. Over the period, imports and exports both rose about 15% — flying in the face of hopes that export growth would begin to outstrip import growth.

Imports in April were up almost 18% to R10,57bn, propelled by a surge in machinery imports. The Standard Bank's economics division said in its comment: "Machinery imports came back with a vengeance, rising by just over R1bn, after declining over the past two months." The bank described the rise as "surprising", noting that the month-on-month increase was almost

Continued on Page 2

Trade

Continued from Page 1

42%. "Import data points to stronger demand than other economic indicators suggest," the bank said.

The bank noted a 54% fall in mineral imports, made up largely of crude oil, in April from March. If the sharp fall in this volatile number was stripped out of the import total, there would have been a smaller surplus.

Exports rose only 3% to R11,29bn in April, with a sharp fall in the precious gems and stones category accounting for the weak performance. The exclusion of Botswana's diamond exports was blamed for the fall in the category. Other export categories performed weakly, with the exception of minerals.

EW Balderson economist Mike Schüssler said it was disappointing that exports of manufactured goods had performed badly in April. However, on a cumulative basis these categories were still leading in the growth stakes. He noted that exports of transport equipment were up almost 58% in the four months to April from the same period the previous year, and miscellaneous manufactures were up about 56%. However, agriculture took third place with exports of vegetable products growing at 55%. Schüssler was baffled by the strong performance of vegetable exports in the face of a slowdown in agriculture.

Rand Merchant Bank economist Julia Roy said she was considering revising upwards the current account deficit forecast for the year of R4bn. "We have to begin asking whether the rand's strength this year is not having an impact."

Museveni calls for trade partnerships

By Jovial Rantao
Political Correspondent

Cape Town – The man regarded as one of Africa's foremost statesmen has called for economic integration on the continent and urged South Africa to enter into partnership with the rest of Africa in investment, trade and tourism.

"Your country has minerals, good infrastructure and technical know-how. We, on our side, have 50 000sq km of freshwater bodies, we have equatorial forests and very reliable agriculture. Therefore, a partnership with Uganda will benefit us all," visiting Ugandan President Yoweri Museveni told a special sitting of Parliament yesterday.

He said that while the 1970s and 1980s were referred to as the lost decades for development in South Africa, the 1990s could be referred to as the decade of awakening.

"Now that African economies are beginning to grow, basing themselves on private enterprises, we must think of one additional factor: the size of the market. Our view is that the lifeblood of production is the ability to sell to as many buyers as possible so that we lower production costs per item. The wider the market, the better."

Museveni also spoke about the need for the emergence of a propertied middle class.

"Having lost sovereignty, the African societies underwent serious distortions. By 1500AD some of the African societies were three-class societies (feudal, artisan and peasant); by 1940 there was only one class surviving, the peasant class. The other two social classes had been eliminated by colonialism. This is why, up to today, black Africa has not yet developed a propertied middle class.

"Without a propertied middle class, productivity and entrepreneurship are low and a cosmopolitan outlook is conspicuous by its absence," he said.

Museveni received South Africa's highest honour, the Order of Good Hope Grand Cross (gold), yesterday, the first of his four-day state visit.

Foreign Minister Alfred Nzo and his Ugandan counterpart Eriya Kategaya signed a double taxation agreement between the two governments.

(~~2~~)(74) Star 28/5/97

US wants free trade area with Africa

CT (BR) 29/5/97 (74)

Christo Volschenk
Economics Editor

Cape Town — A free trade area between the US and sub-Saharan Africa was part of a comprehensive new plan to strengthen trade and investment ties between the two, a delegation from the US Congress told South African parliamentarians this week.

The trade and investment plan is outlined in a bill tabled in the House of Representatives on April 24. It was later referred to the house committee on banking and financial services.

The delegation is on a visit to South Africa and asked the portfolio committee on finance to comment on the bill.

The bill commits the US government to develop a plan within a year of the act coming into effect, outlining the steps which need to be taken to make the proposed free trade area a reality.

The plan will include a suggested timetable for winding down tariff and other trade and investment barriers. The bill also suggests annual high-level meetings between Washington and the governments of sub-Saharan Africa "to foster close economic ties". It suggests all concessional debt owed to the US by the poorest sub-Saharan countries be "extinguished".

SA, EU reach 'agreement'

(74)

Sowetan 29/5/97

SOUTH African and European Union negotiators have reached "a large measure of agreement" on areas to be covered in a future trade accord, the two sides said in a statement this week.

The latest talks, held in Brussels on May 22 and 23, followed South Africa's entry as a qualified member of the Lomé Convention.

Discussions had focused on two groups of issues: economic cooperation, and cooperation in the social and cultural areas.

"In both groups of issues, detailed discussions resulted in a large measure of agreement in the areas to be covered in the future agreement," the statement said.

The accord should provide for economic cooperation in industrial development, investment promotion and protection, the promotion of small, medium and micro enterprises, agriculture, consumer policy, the information society and related technologies, transport, fisheries, energy and mining.

In all of these areas, cooperation should help address the specific challenges faced by the South African economy and promote closer cooperation between South Africa and the neighbouring countries of Southern Africa.

The agreement should also allow better cooperation in the field of environment protection, the development of human resources and the health sector.

The next round of talks, to be held in the second half of June, would focus on the trade component of the bilateral agreement.

This would be the last session before the inter-ministerial meeting planned for mid-July at which progress would be assessed. – *Sapa.*

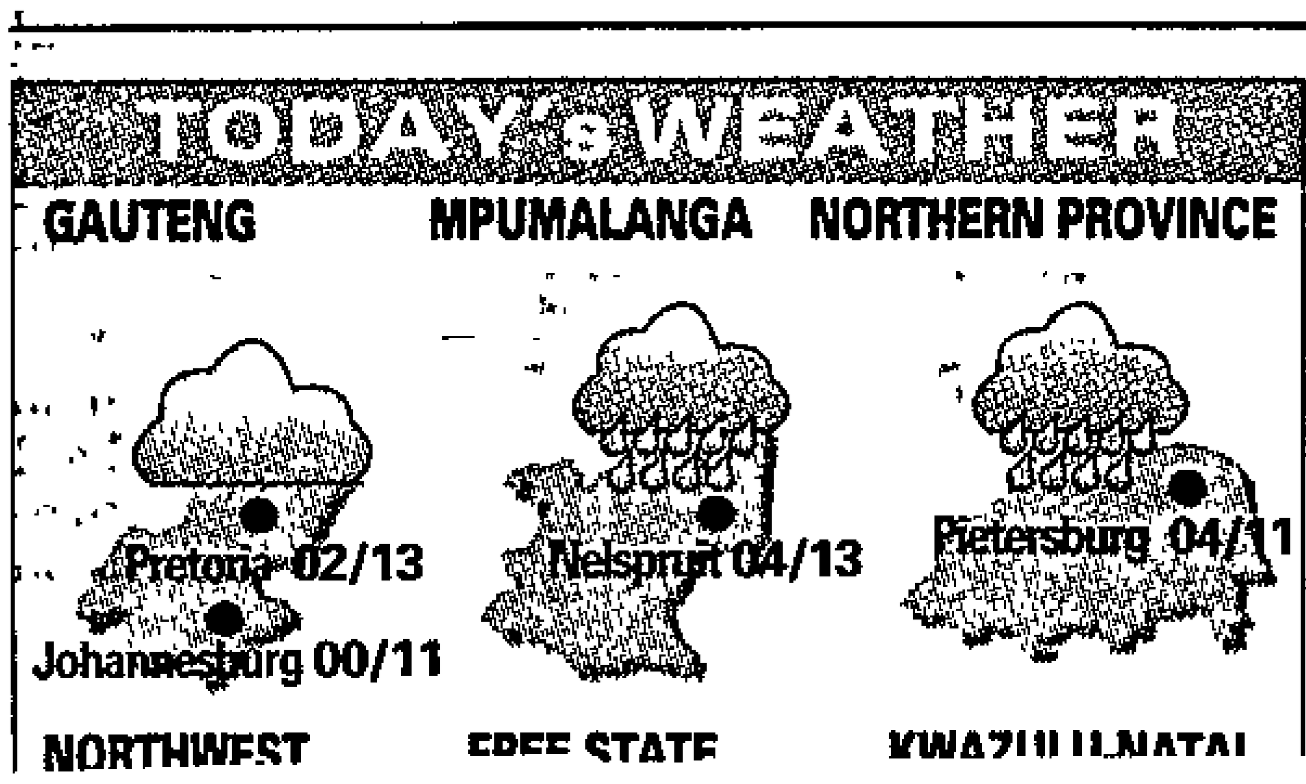
Botswana govt urged to police Hyundai

BD 30/5/97 (74)

Prof Molema

GABORONE — SA trade and industry director-general Zav Rustomjee ha urged the Botswana government to instruct Hyundai Botswana to start conforming to Southern African Customs Union (Sacu) regulations on customs duties, SA diplomatic sources said yesterday.

This emerged after a meeting between senior trade and industry officials of the two governments aimed at resolving the motor trade dispute between the two countries which started in January last year.



Sources close to the talks said SA was concerned at the way Hyundai Botswana had been exceeding its export quota of cars to SA. The Botswana authorities had only recently issued a licence to Hyundai to increase its quota. "They were actually evading tax," the sources alleged. This had a negative effect on the common pool of Sacu revenues. Sacu is composed of Botswana, Namibia, Lesotho, SA and Swaziland.

Hyundai management did not respond to requests for comment yesterday.

SA has alleged that the semi knocked-down vehicles which Hyundai Botswana imports are brought in from Mozambique with only the bumpers, computers and lights removed. These are refitted in Botswana.

"When we got to Hyundai's Gaborone West plant there was nobody there and no activity. We are concerned that instead of Hyundai providing employment for the Batswana they are bringing in completely built-up vehicles. That might have a negative effect on us as neighbours because people will ultimately drift to SA in search of jobs, thereby increasing the pressure on us," sources said.

Rustomjee's tough stance follows Trade and Industry Minister Alec Erwin's warnings that SA would take tough action against semi knocked-down vehicle operations in Botswana even though this was likely to result in "a major clash between the SA and Botswana governments".

Press reports said the SA authorities would take action to address the unacceptable delays by the Botswana authorities in implementing certain mutually agreed steps to deal with semi knocked-down activities in that country.

The Pretoria High Court recently gave Hyundai Botswana 48 months to finish its plant, which is still under construction in Gaborone, to enable it to conform to the Motor Industry Development Programme specifications.

The programme classifies vehicles as completely built up or completely knocked down. If they are not completely knocked down they are taxed as completely built up vehicles.

13 counter-trade projects in pipeline

1 500 jobs, R3-bn in exports

ARG 31/5/97 (74)

ALIDE DASNOIS
BUSINESS EDITOR

New policies on counter-trade for Government contracts could create 1500 jobs and generate export revenue of more than R3 billion between now and the year 2000, according to the Department of Trade and Industry.

The department's director of industrial participation Vassie Ponsamy said yesterday the Government was working on 13 counter-trade projects, including plans for an industrial park to be situated either in Atlantis or in the Eastern Cape, where British engine manufacturer Rolls Royce would invest.

Addressing Parliament's trade and industry portfolio committee on the Government's industrial participation policy, Mr Ponsamy said the project being negotiated with Rolls Royce would create 178 jobs directly and generate US $116 million in exports over seven years.

The project is being offered by Rolls Royce in a bid to win a contract to supply South African Airways with engines for seven Boeing aircraft.

Mr Ponsamy said a decision could not be made on the Rolls Royce industrial park offer until SAA had decided on the Boeing contract.

The park would include an aerospace component manufacturing plant, other factories and a shipping and financing component.

Steel for the factories would be sourced from Iscor and all output would be exported to Rolls Royce, which had agreed to buy it all.

He said this and other offset deals which his department was working on should create 1 500 jobs and generate $1 billion in revenue, $708 million in exports and $200 million in investments by the year 2000.

Outlining the Government's industrial participation strategy to parliamentarians, Mr Ponsamy said foreign companies bidding for part of the state's procurement budget – estimated at R56 billion last year – would be invited to suggest offset deals which fitted in with South Africa's economic growth objectives.

Projects would be evaluated in terms of sustainability, export promotion, job creation, training, promotion of small business development and black economic empowerment, investment content, research and development and technology transfer.

Foreign suppliers would be encouraged to situate their investments in geographical areas and industries where weaknesses had been identified, he said.

The industrial participation policy would now apply to all Government and parastatal contracts for more than $10 million.

A total of 30% of each contract's imported content would carry the industrial participation obligation, Mr Ponsamy said.

This meant that on a total purchase contract of $250 million with an imported content of $100 million, the foreign supplier would have to come up with a project for $30 million.

Minister of Trade and Industry Alec Erwin told the committee that in the past only defence contracts had carried offset clauses.

The new policy was in line with similar strategies all over the world and would strengthen South African industry, he said.

Textile industry heads reject claims that SA was responsible for demise of Zimbabwe's clothing sector

Preferential trade pact under scrutiny

CT (BR) 2/6/97 (74) (362)

Shirley Jones
KwaZulu Natal Editor

Durban — The South African textile industry was demanding clarification on the preferential trade agreement between Zimbabwe and South Africa, Brian Brink, the executive director of the Textile Federation of South Africa, said at the weekend.

The deal allows Zimbabwe to export goods to South Africa at a lower rate of duty than all other countries except Malawi.

The textile industry believed that, unlike certain agricultural products, the textile agreement had been renewed from March 1.

However, Brink and other industry heads said while the preferential trade agreement on textiles had been gazetted in Harare, it had never been published here. "We know the rules, but had to ferret information out of Harare," Brink said.

Thus, accusations by Zimbabwean businessmen recently that the South African industry was responsible for the Zimbabwean industry's difficulties were completely misguided, he said.

"Under the 1964 RSA-Zimbabwe trade agreement and the recently renegotiated deal, Zimbabwean textile and clothing exporters enjoy duty preferences over all other exporters to South Africa. Coincidentally, these preferences are not reciprocal."

Brink said the Zimbabwean industry's difficulties were not brought about by the elevation of South Africa's clothing and textile duties in November 1992.

He said Zimbabwe, unlike South Africa, had duty-free access to the European market under the Lomé agreement.

He said until the advent of its Economic Structural Adjustment Programme, Zimbabwe's textile and clothing industries had benefited from export incentives, cotton price subsidies, import control, high tariffs and manufacturers' rebates on input costs.

These had been removed overnight in terms of measures imposed on the Zimbabwean government by the World Bank.

Brink said the demise of its textile and clothing industry could be blamed on the profligacy of the Zimbabwean government, which led to the IMF and World Bank imposing the disastrous adjustment programme. The flood of cheap, illegal imports into the country was also to blame, he said. Poor customs control was the biggest threat to the industry.

Brink said South Africa also faced customs control problems.

UK speaks up for SA on trade

(74)

Tim Cohen BD 3/6/97

EDINBURGH — SA has received a welcome boost from Britain's new government in the trade negotiations with the European Union (EU), with the British trade and industry department saying it will support maximising open markets for SA's agricultural products.

Speaking at a Europe-SA '97 conference, board of trade president Margaret Beckett said it was "understandable" that the negotiations for a free trade area between SA and the EU had encountered difficulties.

She underlined the new British government's support for the negotiations, saying "we should be clear that the benefits of trade should be allowed to flow both ways between partners".

She was in favour of ensuring that EU exporters had open access to the SA market over a period of time, but said SA needed to be offered a fair deal in return. "A free trade area should mean just that," she said.

A fair deal meant "maximising access to our market for SA products, including agriculture".

Beckett was referring to one of the chief stumbling blocks in the negotiations for a free trade area between SA and the EU, after European countries excluded 39% of SA's current agricultural exports from the deal.

Beckett committed the new government to press for World Trade Organisation action to enable developing countries to take part more fully in global trade.

SA NEWS DIGEST

☐ TRADE

Labour to support South African bid for free trade agreement with EU

CT(BR) 3/6/97 (74)

The new British Labour government would give South Africa strong support as it tries to secure a free trade area agreement with the European Union, Margaret Beckett, the president of the Board of Trade, told delegates at the Europe-South Africa conference yesterday. She said opening markets was a two-way street, and European countries could not have it all their own way.

"If EU exporters are to have open access to the South African market, South Africa needs to be offered a fair deal in return, and that means maximising access to our market for South African products, including agriculture. That is the position we will adopt in EU discussions," Beckett said.

She said it was "a little too early to tell" how much backing EU partners would give to this policy, but said she saw no reason to suppose there would not be support. — *Mark Hillier, Edinburgh*

MPs focus on free trade zone

POLITICAL STAFF (74) ARG 6/6/97

Parliamentarians from 12 southern African states will be discussing economic union which could see a European Union-style free trade zone in the region within eight years.

About 80 parliamentarians from Tanzania, Mozambique, Zimbabwe, Malawi, Angola, Zambia, Lesotho, Namibia, Botswana, Mauritius, Swaziland and South Africa will gather for a three-day workshop in Parliament in Cape Town from this evening.

Speaker Frene Ginwala acknowleged that the discussions could take in a broader discussion of political union, which could lead to the establishment of a parliament representing the 12 states in the longer term.

Members of parliament for the various finance, trade and industry and agriculture committees in the 12 sub-continental legislatures will be attending. Two representatives from each of the nine provincial legislatures in South Africa will also be there.

The parliamentarians will be discussing four important trade and investment related agreements. The most important of these is the Southern Africa Development Community trade protocol agreed to in principle last year and which will lead to the phasing out of all tariffs among member states within eight years.

The intention was to create a free trade area within that period, said Dr Rob Davies, chairman of the trade and industry committee of the national assembly.

The other important agreements to be discussed are the Southern African Customs Union agreement currently being renegotiated. This existing free trade area includes South Africa, Lesotho, Namibia, Botswana and Swaziland.

The arrangement which is to replace the Lomé IV agreement with the European Community – of which South Africa has only recently become a qualified member – will also be discussed by member states.

Lomé is an agreement between the EU and African, Caribbean and Pacific states which gives these countries privileged access to the European market.

The fourth matter to be discussed will be the ongoing negotiations between the EU and South Africa to create a free trade area between the two entities.

They will assess the impact on the wider southern African region.

Maputo corridor to benefit all parties

Star 5/6/97 (74)

PROVINCIAL MATTERS

By Hopewell Radebe

When Mpumalanga established provincial relations with one of Mozambique's provinces, many wondered how the province hoped to benefit from a relationship with one of the world's poorest countries.

Today, the economic initiative between Mpumalanga and Maputo province has grown to such an extent that other regional governments have become involved.

The business deals that have come out of the relationship amount to billions of rands. The biggest deal is the Maputo development corridor – a project designed to improve rail, road and telecommunication links between South Africa and Mozambique.

Mpumalanga Premier Mathews Phosa says the agreement has set in motion economic cooperation in the southern African region. The interest in the corridor plan has snowballed and is attracting other neighbouring states.

This marks a transformation in the lives of Africans who have been subjected to abject poverty for decades because of the lack of a common economic objective in the region since the post-colonial era.

South Africa, Namibia and Botswana are considering plans to extend the Maputo corridor to incorporate these countries.

Botswana and Namibia want to join Mozambique in improving their technology and infrastructure.

They are proposing a trans-Kalahari development corridor which will start in Windhoek in Namibia and go through to Gaborone in Botswana via Rustenburg in the North West Province and join the Maputo corridor in Pretoria.

The project would be a blessing for Botswana, which would have a variety of transport options to improve its economy. It would have the choice of using either the Maputo or Walvis Bay harbours, which will be renovated to reach international standards.

Goods imported from the East will arrive in Maputo, while those from the West will arrive in Walvis Bay – all transported via the corridor.

The Maputo development corridor came into operation when five agreements were signed on the carriage of goods and conveyance of passengers, and to allow the construction of a R3-billion Maputo-Witbank toll road a few weeks ago.

Other agreements include the protection of investment capital between the two countries and the protection of land lease rights of South African farmers in Mozambique.

The agreements are aimed at eliminating bureaucratic proceedings at the borders of the two countries. It will also allow quicker access of goods, and promote tourism.

The agreements will immediately boost the economies of at least four provinces in South Africa and three in Mozambique, through which the corridor passes.

The advantage of the Maputo development corridor is even greater for Mpumalanga, which is poised to become one of South Africa's tourism giants because of the Kruger National Park and picturesque landscapes like the "God's Window" escarpment near Pilgrim's Rest.

Provincial officials expect unemployment levels will decrease in both Mpumalanga and Maputo during the construction of the toll road.

The project would result in about 7 900 full-time jobs on site, 19 700 indirect jobs and 14 500 projected potential jobs that would come from entrepreneurs taking advantage of the agreements. The labour force would be shared between both countries.

Deal needs EU blessing

Sowetan 9/6/97

BEFORE South Africa could table detailed proposals for a future trade deal with the European Union, the EU would first have to respond positively to concerns of the local agriculture sector, Faizel Ismail, chief director of foreign trade relations, said on Saturday.

He was speaking at a Southern African Development Community Forum "workshop" in Cape Town.

The issue of adjustment costs of any trade accord and the impact on a proposed free trade agreement within SADC would also have to be addressed by the EU, Ismail said.

(74)

South Africa had thus far not been willing to discuss the possibility of allowing the EU access to fish in South Africa's waters, he said.

Earlier, officials from Southern African Customs Union countries – South Africa, Namibia, Lesotho, Swaziland and Botswana – said they were not at present considering disbanding Sacu in favour of a broader agreement within SADC.

The Sacu agreement is in the process of being renegotiated. – *Sapa.*

Trade between SA, France projected to new heights (74)

BD 9/6/97

Samantha Sharpe

CAPE TOWN — Trade between France and SA, valued at R4,4bn last year, was set for renewed growth following heightened activity between the countries' business communities, French economic and commercial counsellor in SA Marc Bouteiller said at the weekend.

Speaking at a news conference ahead of a French technology exhibition at Gallagher Estate next month, Bouteiller said France and SA had much to offer each other with the number of French companies active in SA trebling to 125 from five years ago.

Direct investment into SA from France was estimated at R9bn.

"France is technologically advanced and has pioneered some of the world's most extraordinary research and development ... (making it) uniquely positioned to help develop the southern African region and to help SA become a major exporting country.

"This year public sector spending on technological research and development is R45bn, while research and development spending in SA as a whole amounted to about R150bn," said Bouteiller.

"This is the type of investment which will ensure France's continued leadership in many technological sectors — generating knowhow and experience that could be of immense value to our business partners in developing countries in future."

He said SA's eventual competitive position in global markets depended to a large extent on its ability to develop into an industrialised economy, with SA able to facilitate the process by employing extraordinary technological expertise developed in highly industrialised countries.

The agreement between the companies Rembrandt, Nethold and Canal+ was a good example of the potential business partnerships between the countries, although the large deal had been complemented by smaller transactions involving the transfer of SA companies' manufacturing headquarters to France, he said.

Lomé urged to boost EU exports

BD 9/6/97 (74)

John Dludlu

SA AND its developing partners in the Lomé Convention have to step up their efforts to produce competitive value-added exports to the European Union (EU), a Zimbabwean economist says, amid evidence of an abysmal export performance by the African, Caribbean and Pacific (ACP) nations who make up the grouping.

In this month's ACP-EU publication, The Courier, John Robertson also warns the ACP that further integration in the EU, such as the launch of a single currency in 1999, might see EU states moving attention away from their traditional trading partners.

He says: "After all, it is individual traders and distributors who make decisions on where to source their needs, and they will be looking to issues other than emotional ties when they place their orders."

Figures from the European Commission, the EU's executive, show that exports from most ACP countries — save for SA, which joined the club only last March — slumped to 2,8% in 1994 from 1976's 6,7%. However, the fall-off should not necessarily be read as evidence of European resistance to ACP exports.

Robertson's strong views come as the unofficial debate on the future of Lomé, which expires in 1999, is gaining momentum ahead of the official launch of renewal talks next year. The EU is expected to release its negotiating directives later this year. SA has expressed keen interest in playing a role in the ACP-EU talks.

Robertson urges the ACPs to "attract vigorous investment flows into processing and manufacturing industries" which can add value to their commodities and improve quality to levels acceptable to developed countries.

He is particularly critical of the role of aid, which he says removes the urgency of Africa's governments to solve their problems.

Aid makes governments careless, releasing extra money that can be stolen by corrupt officials, while fuelling inflation by holding money supply too high.

Apart from granting trade concessions to the ACP states, Lomé provides billions of dollars in aid.

Robertson says aid plays a distorting role in recipient economies, by encouraging more imports from donor countries which often ruin companies in recipient states that have invested in capacity to make similar products.

"If aid flows are thought to be essential to the needs of the donors, then they should be directed into education to close the knowledge gap between the donors and the recipients.

"This would help make future aid flows less necessary."

Washington group to promote SA trade

(74) CT 9/6/97

WASHINGTON: The large community of South Africans living in the Washington DC area has been invited to a meeting on Sunday to form a new group that is to try to help South Africa.

Many South Africans abroad are alarmed by reports of crime and violence in their homeland.

Although the meeting is to be held in a South African embassy building and is to be addressed by ambassador Dr Franklin Sonn, the initiative has been taken by private SA citizens.

"It is no good just talking about problems at home. We must do something about them," said Ms Zodwa Sikakane, a member of the steering committee.

The proposed group is to try to develop a sense of community for South Africans in the US.

It is also to provide a support network for the SA embassy in its efforts to bring investment and jobs to South Africa.

One project that is likely to receive attention is the drive to win the 2004 Olympic Games for Cape Town.

US Congresswoman Ms Elizabeth Furse, a former South African, has introduced a measure in Congress to win support for Cape Town's bid. The measure is said to have been endorsed by 38 of her colleagues.

The group's chief emphasis is expected to be on helping to create a climate for more trade, investment and tourism, which would help to create jobs in SA.

"We will beat crime in SA only when people have jobs and the sense that they can provide for their families and themselves," said embassy spokesman Mr Daniel Ngwepe.

"We must work toward alleviating unemployment and poverty and provide the education and training that will help people improve their lives. If the new support group can be part of that, then it will be doing something good for SA." — Sapa

State still awaits EU's response

(74) CT(BR) 9/6/97

CHRISTO VOLSCHENK
ECONOMICS EDITOR

Cape Town — The government still awaits a response from the European Union (EU) Agricultural Council on a request in February this year by Derek Hanekom, the agriculture minister, for the EU to remove all export subsidies on EU beef exported to South Africa.

The EU subsidies led to income losses to cattle farmers in South Africa and Namibia of about R600 million last year, an amount larger than the annual EU development assistance to South Africa and Namibia, Rob Davies, the chairman of the parliamentary portfolio committee on trade and industry, said at the weekend.

The alleged dumping of EU beef and South Africa's response to this came under the spotlight at a two-day workshop of the Southern African Development Community parliamentary forum where four important trade agreements were discussed.

The community's trade protocol, renegotiation of the Southern African Customs Union agreement, South African-EU negotiations for a free trade area and the upcoming negotiations for a successor to the Lomé IV Convention were discussed at the workshop.

The latest request for the removal of subsidies came after a similar request by the government to the European Commission last year, which was turned down on the grounds that South Africa had implicitly accepted the legitimacy of the EU subsidies when it accepted the Uruguay Round trade and tariff agreement.

SA drawn into the world of Atlantic-rim politics

(74) Star 9/6/97

By Greg Mills
Star Foreign Service

Recently, the US Naval War College in Newport, Rhode Island, staged "The South Atlantic Symposium", bringing together Argentina, Brazil, Paraguay, South Africa, the United Kingdom, the United States and Uruguay to debate issues affecting security in the South Atlantic region.

The event was co-sponsored by the US Southern Command (Southcom), the 50 000-strong military command responsible for protecting and promoting US interests in Latin America.

However, US motives in staging the seminar were clearly not entirely altruistic. Latin America's amalgam of 450 million people living in 33 diverse states are an important market and partner for the US. Washington estimates its trade with the Americas will overtake that with Japan and Europe by 2010.

Southcom's mandate includes protecting the Panama Canal and seeking increased co-operation among these states - to broaden regional security against drug traffic, improve controls over immigration, and deepen military-to-military contacts and multinational training.

Southcom, due to move its headquarters from Panama to Miami this year, has to carefully negotiate a minefield of political and security relations in which the US is often cast as the scapegoat.

In the security realm, the issue of drug production and smuggling remains central to US military strategy in the region which is the source of all the cocaine, most of the marijuana and a growing share of the heroin entering the US.

Although the efficacy of US anti-drug strategies (as opposed to domestic demand-reduction efforts) is a matter of fierce debate, importantly the economic power of drug traffickers does provide a threat to the nascent democracies of Latin America. In Colombia, for example, the annual proceeds from trafficking in cocaine is estimated to be about $8-billion (about R35,86-billion), more than total legal exports in 1992. But there is still a need to build a regional consensus on the drug issue.

At another level, 60% of more than 1 million legal immigrants annually to the US come from the Americas, mainly Mexico. The region also accounts for more than half the estimated 2 to 4 million illegal arrivals. As with unchecked southern African immigration into South Africa, controls can only begin in the source countries.

Yet, although these security issues are important, the symposium highlighted where the US and South Africa clearly now share the greatest interests with Latin America: through a common understanding and appreciation of democracy, human rights, the rule of law, market economics and of stability and peace as a prerequisite for growth and development.

Latin America's democratic and economic transition has paralleled that in southern Africa. In 1990, eight of today's 12 members of the Southern African Development Community (SADC) were in a state of civil war and could not be considered as democracies.

Today, all but one state (Swaziland) has more-or-less successfully negotiated a transition. In Latin America, as late as 1987 there were 25 Marxist insurgencies, supported by the Soviet Union, Cuba or Nicaragua. Today only Cuba has not completed a transition from authoritarianism to democracy.

It is clear South Africa will have to attempt to improve its relations with Latin America at all levels. After all, by the end of this century, the region will have a $2-trillion (nearly R9-trillion) economy. But the symposium largely steered away from recommending overarching security structures to deal with common interests and difficulties.

Co-operation should rather proceed clustered around functional issues: in the maritime domain, these include the management of marine resources, the movement of shipping, ship-building and repair, space and arms technology, as well as joint training and manoeuvres.

Indeed, one suggestion for future naval co-operation involves joint procurement of a patrol vessel which might eventually serve as a replacement for South Africa's aging strike-craft early in 2000. To facilitate this co-operation, the establishment of a security committee as an extension of the already existing Zone of Peace and Co-operation in the South Atlantic (ZPCSA) was suggested; as was the creation of a common maritime security forum.

The requirement to strengthen existing trade and investment links was seen as pivotal for the process of South Atlantic co-operation.

Symposium participants pointed out regions world-wide, considered as the most integrated economically, were the least likely to be embroiled in disputes and conflict.

Where there are areas of regional tension, little inter-state mercantile contact existed. The cases of Israel and its Arab neighbours, India and Pakistan, Ecuador and Peru, and North and South Korea all sustain this argument. The success of Latin America's Mercosur (Southern Cone Market) illustrates perfectly the stabilising role of integration and economic growth.

During the Cold War, the dictum, "If you want peace, prepare for war", was the mantra accepted by militaries globally. But contemporary needs have shifted, along with rapid global and regional integration. Now the truism, "If you want peace, be prepared to co-operate", applies. In the South Atlantic, co-operative (rather than collective) security endeavours could enhance and support democratic efforts in South Atlantic Rim nations through the promotion of appropriate roles for armed forces and by providing security against common threats and vulnerabilities.

■ *Dr Greg Mills is the national director of the South African Institute of International Affairs (SAIIA). He attended the seminar at the US Naval War College and presented a paper on "A Maritime-Naval Vision for South Africa in the 21st Century".*

French trade drive in SA

(74) Sowetan 10/6/97

Technological exhibition at Gallagher Estate

By Isaac Moledi

FRANCE WILL START its major South African trade initiative when it launches a technological exhibition at Gallagher Estate in Midrand next month.

Announcing the details Marc Bouteiller, French economic and commercial counsellor in South Africa, said France Technologies, an exhibition highlighting France's technological competence, will have no fewer than 140 French companies exhibiting state-of-the-art technology.

"This will be the biggest and most comprehensive technology-based exhibition yet staged by any country in South Africa," Bouteiller said. "It will be unique and will be a technology exhibition which focuses on technology's applications in industry," he added.

Bouteiller said the five-day exhibition, to start on July 8, will signify the importance with which France viewed South African trade ties.

He said trade between South Africa and France, valued at R4,4 billion last year, will move into top gear with the launch of the France Technologies exhibition.

About 125 French companies – three times the number of five years ago – were already active in South Africa, either via local subsidiaries, licence agreements with local enterprises, or joint ventures, he said.

According to Bouteiller direct French investment in South Africa amounts to R9 billion.

"France Technologies will focus attention on extraordinary technological competence and the extent to which French companies have already succeeded in providing governments and private sector clients in many developing countries with tailor-made solutions to their developmental problems."

Tariffs down due to regional project

(74)

John Dludlu

BD 12/6/97

THE cross-border initiative, a plan to fast-track intraregional trade in southern Africa supported by multilateral financial and donor institutions, has resulted in tariffs dropping to about 20% among participating nations ahead of the complete removal of tariffs next year, according to a regional analyst close to the project.

However, Cape-based independent researcher Dot Keet said the initiative, which is co-sponsored by the European Union (EU), the African Development Bank and the World Bank, had become "moribund". She said it had been overtaken by events in the region, including the suggested creation of a free trade area within the Southern African Development Community (SADC), and the present free trade negotiations between the EU and SA.

The SA-led SADC is planning to create a free trade area over the next eight years, and the EU has proposed a free trade agreement with SA which, if concluded, will affect SA's partners in the customs union owing to the common external tariffs in the union.

Harare-based consultancy Imani Development's MD Richard Hess said yesterday a majority of the participants had signed "letters of policy" — documents indicating their commitment to the plan's implementation. The remaining members were finalising their policies for submission to the project's co-sponsors, he said.

The project seeks to improve intraregional trade through removal of tariff and investment barriers among participating nations.

It is envisaged the bloc, including Zambia, Malawi, Tanzania, Swaziland, Namibia, Zimbabwe, Uganda, Kenya, Madagascar, Seychelles, Mauritius and Comores, would completely scrap tariffs by next year.

As soon as the "letters of policy" had been signed and evidence of implementation of the plan had been presented to sponsors, economic support — either in the form of project support or balance of payment support as most of the participants are undergoing structural adjustment programmes — was provided by the co-sponsors.

Hess, whose consultancy has conducted extensive research on the region's economies, said the EU was currently giving such support to two countries. It was giving support to investment promotion in Swaziland and the Namibian trade development project. Uganda and Zambia had received balance of payment support, while discussions were now under way with Tanzania, Zimbabwe and Kenya, Hess said.

But Keet said she believed only two nations, Mauritius and Zambia, had implemented their commitments with a high degree of enthusiasm.

Although the pace of liberalisation had not been fast, Hess said the progress had been encouraging. The participants — SA is not currently participating — had dropped tariffs nearly 80% to as low as between 20% and 30%.

He said the initiative, which worked closely with regional bodies including the SADC and the common market for eastern and southern Africa (Comesa), also sought to facilitate existing liberalisation programmes in the region. Now the focus had turned to harmonising participants' external tariffs.

A summit of ministers from participating nations was planned for the end of the year to enable them to assess progress, he said.

BUS

US grants ostrich leather duty-free status

(74) BD 13/6/97

Simon Barber

WASHINGTON — The good news for SA ostrich farmers is that the US has granted duty-free status to SA ostrich leather under the US generalised system of preferences (GSP). The bad news is that US importers will still have to pay the duty — 2,1% — because congress let authority for the GSP programme expire at the end of May.

Sasol is another victim of Washington's now-you-see-them-now-you-don't trade preferences. The office of the US trade representative announced last week that it was eliminating the 2,2% duty on Sasol's growing exports to the US of alpha-olefins, a valuable byproduct of its oil-from-coal chemistry used to make plastic wrap.

The US trade representative also rejected a petition by the US Ferroalloys Association to deny GSP treatment to SA manganese dioxide; added SA railway axles to the GSP list; and granted waivers to allow SA furfuryl alcohol and vanadium compounds to continue enjoying GSP benefits although their share of the US import market exceeded the 50% "competitive need limit" on GSP eligibility.

A similar waiver was granted for SA ostrich leather, exports of which to the US were worth $20,3m last year, accounting for 67% of all US imports in the tariff category "leather of other animals, without hair on, fancy". Pretoria had been lobbying for the waiver since 1995 on grounds that SA was the world's only major supplier and no damage was threatened to US producers.

Sasol's petition for duty-free status in the category "other unsaturated acyclyic hydrocarbons" also dates to 1995, the year after the Clinton administration made SA eligible for GSP.

Sasol has been working hard to establish a market for its alpha-olefins in the US, and successfully sought approval from the food and drug administration for a new kind of food wrap containing one of products, pentene.

Its GSP request was granted outright, but it may have to seek a "competitive need limit" waiver down the line.

In the category for which it has been granted GSP benefits. Sasol accounted for US imports worth $14,4m last year, or 76% by value of US imports from all sources.

Chemicals are one of SA's fastest growing exports to the US. In theory, SA was by far the biggest African beneficiary of GSP last year: $431m of its exports to the US — a fifth — were eligible for duty-free treatment under GSP, whose purpose is to stimulate the exports of developing countries.

However, after lapsing in July 1995, the programme was inoperative until October, when congress renewed it until May 31 this year, when it was allowed to lapse again. The Clinton administration is trying to persuade congress to renew it on a long-term basis.

UK trade minister backs SA

(74)

TYRONE SEALE
FOREIGN SERVICE

ARG 13/6/97

London – Britain's Minister for Trade, Lord Clinton-Davis, will visit South Africa next week to display his new government's support and to briefly examine black economic empowerment and environmental policy issues.

Lord Clinton-Davis arrives in Johannesburg on Monday and will spend the next three days meeting Trade and Industry Minister Alec Erwin, transport director-general Khetso Gordhan and unionist-turned-businessman Cyril Ramaphosa.

He will also attend a National Business Initiative function to be addressed by Deputy President Thabo Mbeki.

The Minister for Trade is the first member of the new Labour government to visit South Africa.

A British Trade and Industry spokesman in London said Lord Clinton-Davis' visit was an early opportunity to display the new British government's support for South Africa. The minister hoped to build on South Africa's status as a prime target for British exports, he said.

LOMÉ CONVENTION

Battle lines drawn as major overhaul of pact looms

(74)

Sweetheart deals set for short shrift as European trade departments attempt to untangle the intangibles

FM 13/6/97

The European Union's top development officials have joined battle with 71 African, Caribbean and Pacific (ACP) countries, including SA, in a bid to revamp the Lomé Convention, Europe's trade and aid accord with some of the world's less-developed economies.

SA joined the Lomé agreement in April as a "partial" member: it won't have access to EU trade and aid preferences but will be able to participate in Lomé discussions and in EU-funded tenders for development projects in ACP countries.

Joao de Deus Pinheiro . . . probing for the best trade routes

The hope is that the planned overhaul will halt the 15 EU governments' growing disenchantment with the 20-year-old treaty. But the ACP countries, chief among them SA, are vociferously defending the privileges afforded them under Lomé. Their principal argument is that the accord goes some way to redressing the economic imbalance between developed and developing countries But defending Lomé will be tough.

"The Lomé Convention is far too complex, it has too many instruments and too much operational detail," Britain's new Overseas Aid Minister Claire Short told a meeting of the EU's Development Ministers last week. "The challenge is to put together a new European development policy, including a reshaped Lomé Convention"

Other EU governments have expressed similar criticism. "We want a simplification of Lomé's procedures. The agreement is too inefficient and bureaucratic," says Dutch Development Minister Jan Pronk.

Germany, the Netherlands, Austria and the Nordic countries have called for a change in the agreement's focus on the ACP states, saying there's no reason the least developed countries in Asia and Central America should be excluded.

"There's great divergence between EU countries on whether participation in Lomé should be enlarged," admits Pronk. "But if there are more countries involved, the financial spread will be thinner."

ACP countries, who have been promised 14,7bn Ecus in EU aid until end 1999 have said they don't want new countries joining Lomé — or a break-up of the current group into separate African, Caribbean and Pacific zones which could negotiate their own region-to-region arrangements with Europe.

Pressure to change Lomé is coming from other fronts too The treaty is under attack in the World Trade Organisation The US has criticised Lomé's special trade arrangements for exports of ACP bananas, saying the preferential tariff provisions hurt the interests of Central American banana producers. A WTO disputes settlement panel has just ruled in favour of the US and said the EU must change its ACP import rules

Lomé, with its special privileges reserved for a closed club of nations, runs counter to the WTO's ambitions for generalised global liberalisation. The EU has secured a WTO "waiver" for the Lomé pact until the end of the century. When it runs out, EU officials say they'll either ask for another WTO-authorised exemption for the pact or change the agreement's trade provisions to make them more compatible with globally agreed WTO rules.

The latest Lomé pact — signed in Mauritius in December 1995 — is set to run out in December 1999. European Development Commissioner Joao de Deus Pinheiro is consulting European and African governments, business leaders, independent aid agencies and academics to see how the pact can be best modernised.

Pinheiro and his team started the exercise with high ambitions, saying they were prepared to tackle all issues related to development policy. "There are no taboos," the commissioner said. But, the review is proving to be much tamer than many expected. The ACP states have made it clear that they do not want any major upheavals in Lomé. Nongovernmental aid agencies are also pressing for improvements in the agreement, but say the basic structures shouldn't be changed.

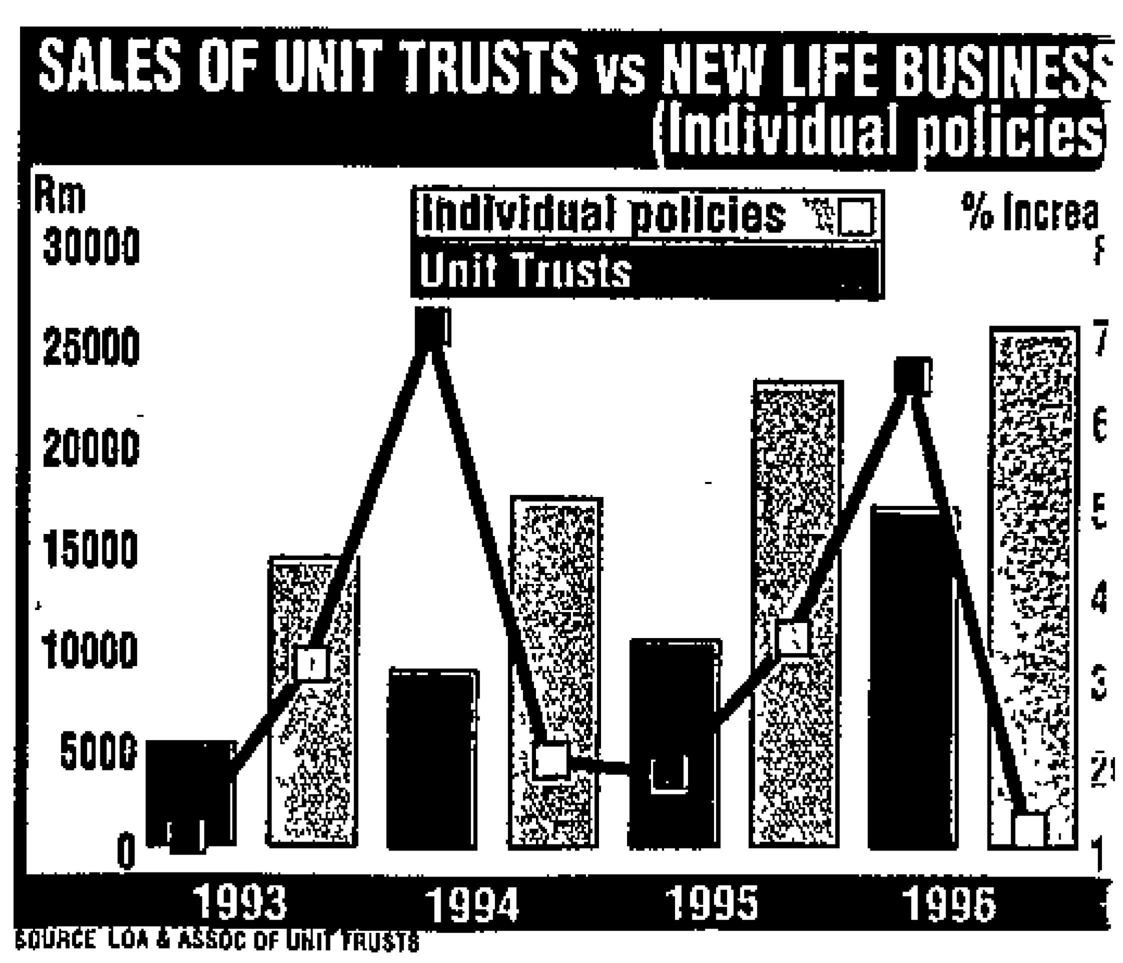
"The fear is that once we start talking about specific details, the whole Lomé agreement could unravel," admits an independent aid expert. "That's why we are insisting the relationship must continue."

Still, whether ACP countries like it or not, changes will definitely come. Commissioner Pinheiro's so-called "Green Paper" on the future of Lomé, issued last autumn points to several new directions. For instance, while the agreement itself will remain in place, it looks likely that Lomé members will be given different trade and aid benefits, depending on their level of development.

Shada Islam, Brussels

The right stuff!

A corrected version of the bar chart that accompanied the *FM*'s life assurance industry story on June 6. Apologies to the LOA and the Assoc of Unit Trusts.



Time running out on talks, EU warns SA

FOREIGN SERVICE

Brussels – South Africa is to be warned that the EU is running out of patience, and wants to make speedy progress in negotiations on a new relationship between Brussels and Pretoria.

The warning will come at the most important meeting between EU and SA negotiators for some time, which is being held in the EU capital on Thursday.

The Eurocrats are keen to see some new momentum in the negotiations, and point out that it is now more than a year since they made a trade offer to SA – and they are still awaiting a full and detailed response.

While denying that SA is stalling, Ambassador Elias (LT) Links says that his team cannot make commitments without assessing the impact any deal would have on SA's neighbours.

He says that for that reason, SA is able to move forward in some – but not all – areas.

SA wants to conclude free trade negotiations with its SADC partners before making binding commitments to Brussels.

There are also tensions inside the SA team, with foreign ministry officials anxious to speed up the process, and trade and industry officials applying the brakes.

"This meeting will be an important one," Mr Links said. He also pointed to a key meeting next month in Brussels between SA Trade and Industry Minister Alec Erwin and EU Commissioner Joao de Deus Pinheiro.

"We hope to at least tackle some of the issues at these meetings," he said.

"But our responses from neighbouring nations have not been sufficient to allow us to cover the entire spectrum – and I think they will understand that on the European side.

"We have to be sure that what we offer is not in conflict with the interests of our neighbours.

"Stalling is not part of our scheme of things."

SA is also awaiting an EU response to requests for new funding to help SA industry adapt to a free-trade era. It is also seeking a greater financial commitment to its social and economic development.

But senior EU officials warned that it takes two to tango: "The longer the delay, the less flexibility we may have in dealing with South Africa."

(74)

ARGT 14/6/97

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Wines travel troubled trade waters

(74)

FOREIGN SERVICE

ARG 14/6/97

Brussels – South Africa is under strong pressure from the EU to stop calling its port "port" and its sherry "sherry".

The Europeans are seeking to get these names dropped as part of a wider accord on trade in wines and spirits.

This is one element in an overall trade and co-operation package under discussion between the EU and Pretoria.

South African officials say they are resisting EU demands over the names of port and sherry.

"We did not steal these names," protested SA Ambassador in Brussels Elias (LT) Links.

"We have a history of wine-making which goes back centuries, and these names were brought from Europe by winemakers at that time.

"They are as much a part of our tradition as they are part of European tradition and we feel quite strongly about this."

The negotiations are also looking at additives used in winemaking, with the EU seeking to get some banned.

However, Australia was able to fight off such demands, and SA hopes to do the same.

There is also a problem concerning Vin de Constance – one of the few wines President Mandela enjoys.

Made at Klein Constantia in the style of the very first South African wines produced when the Cape was settled by the Dutch, Vin de Constance is stronger than the EU's maximum strength for a wine, and is technically banned.

However, most EU states – with the exception of the British – have ignored the rules.

SA, EU in 'decisive' phase of trade talks

BD 17/6/97 (74)

John Dludlu

SA AND European Union (EU) negotiators are meeting this week to commence talks on the controversial trade accord which is to form part of the co-operative bilateral accord.

This week's talks in Brussels, the first to deal with trade, are taking place amid an increasing level of frustration in Brussels at the pace of the negotiations, European sources say.

The frustration was understood to have been caused by perceptions that previous rounds had yielded little progress as SA negotiators often came with no negotiating positions, one European source said.

The EU, which is understood to have chosen Brussels as the venue after failure to agree an agenda with Pretoria, would call on SA to provide more details — regarding products coverage and sensitivities — of its negotiating position on the mooted trade accord.

An EU official said last Friday: "This will be a decisive round." Brussels authorities, keen on exchanging positions, might focus their resources on other crucial issues in Europe — like further EU integration — if talks continued at a slow pace, the source warned.

Previously, SA diplomats have played down the significance of the agenda, saying it was not unusual for the programme of discussion to be finalised only at the last moment.

Attempts to get detailed comment on the agenda at the weekend were unsuccessful, but a SA diplomat at Pretoria's multilateral mission in Brussels confirmed the talks would indeed take place this week.

Earlier the EU had called on SA counterparts to agree to discuss prerequisites of the trade accord — including a "standstill clause" and a "roll back clause".

This week's talks conclude a series of meetings agreed by the two sides for six months. The outcome would be significant in the agenda of next month's ministerial summit between Trade Minister Alec Erwin and João de Deus Pinheiro, the European commissioner in charge of relations with SA.

China, SA expect rise in trade once ties are formalised

(74) BD 18/6/97

Michael Acott writes that diplomatic links with China will be accompanied by commercial agreements

BOTH China and SA expect a significant increase in trade following the formalisation of diplomatic ties between the two countries when SA switches recognition from Taiwan to China at the end of this year.

Officials explain that diplomatic recognition is far more than a symbolic link. It opens the way to a variety of agreements on trade, economic co-operation and investor protection intended to facilitate commercial ties.

This is particularly so in China's case, where most enterprises are state-owned and risk-averse executives are far happier dealing with countries with which their government has formal links.

Trade between the two countries is expanding rapidly. In 1992, when formal ties began with the opening of officially staffed "study centres" in Pretoria and Beijing, trade stood at $14m. By last year it had risen to $1,35bn and diplomatic ties will give it a further spurt.

SA has "most favoured nation" trade status with China, the only country to have been accorded this status before the establishment of formal diplomatic ties. Previously SA was prejudiced under China's two-tier tariff policy, which sets one rate for countries recognising China and another for those recognising Taiwan.

The exact date for diplomatic recognition was fixed during the current negotiations between the two countries. When President Nelson Mandela announced last November that SA would recognise China, he said only that diplomatic ties would be established by the end of this year.

Officials have agreed that the switch will happen on December 31, with China recognised from January 1 1998. This could be pre-empted by Taiwan, which often severs diplomatic links with countries about to recognise Beijing.

Taiwan cut ties with the Bahamas last month for that reason. If it does so with SA before the end of this year, that might hasten SA's recognition of China.

China's negotiating team is headed by Ji Peiding, former head of the Chinese mission in Pretoria and now assistant minister in China's foreign affairs department.

"We expect big developments in the economic and trading areas after the establishment of diplomatic relations," Ji said in a recent interview in Beijing.

Current obstacles to trade included the lack of official agreements and treaties because the countries had no formal ties.

Ji made several references to the "complementarity" of the Chinese and SA economies — the fact that each is a ready market for the other's products. China needs SA's minerals, metals and vehicle components, while SA is a market for China's textiles, footwear and machinery.

He also said that, while China was seeking investment and technology from other countries, it also had $106bn in foreign exchange reserves at the end of last year. This made it willing to invest abroad, a process which would be accelerated by diplomatic ties.

"Political guarantees have to be taken into consideration when business people think of investing overseas. After the establishment of diplomatic relations and the opening of a Chinese embassy in SA, business people will be assured that they can invest there. The same applies to SA companies coming to China to do business."

SA is in negotiations with both China and Taiwan over future relationships after the switch in diplomatic recognition.

China regards Taiwan as a renegade province which will eventually, like Hong Kong next month and Macau in 1999, become part of China again. Taiwan has maintained offices in most of the 170 countries which recognise China, usually under the title of Taipei cultural and trade office.

Ji said SA had been assured that China did not object to the continued development of SA's economic and trade ties with Taiwan, as long as there were no political and diplomatic links.

However, Ji said, Taiwan was trying to ensure that its future SA office also carried "official meaning", which he rejected as impossible. "The Taiwan agency in SA can only be unofficial in the form of economic or trade offices."

Also involved in negotiations on diplomatic recognition is China's ministry of foreign trade and economic co-operation (Moftec).

Director-general of the West Asian and African affairs department Shi Weisan said China had already invested $50m in SA, $40m of it in a chrome joint venture in the Northern Province.

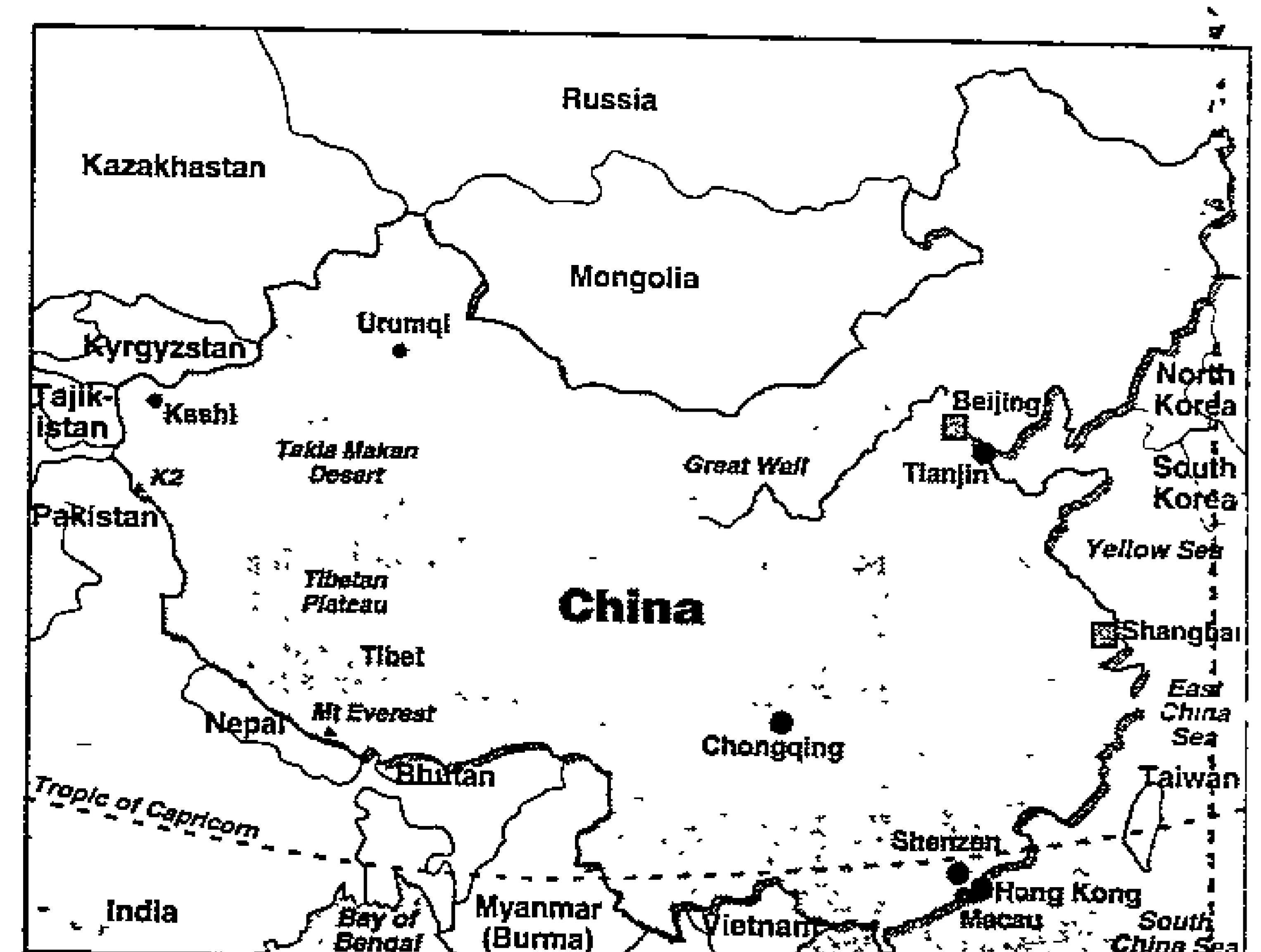
China welcomed the interest of SA companies in projects there. These included SA Breweries, which has three joint ventures in China, and mining houses such as Gencor, De Beers and Anglo American which have expressed interest in China.

China is interested in SA mining technology, and has sent several delegations to SA to study mining methods.

Iscor is active in China, which is a major coal market and imports some stainless steel. Iscor is also going into a gold mining venture after doing prospecting there, in terms of new regulations more favourable to foreign companies.

Shi said an increase in the number of joint ventures in both countries was likely. He thought trade would soon rise from $1,36bn to $2bn a year, excluding SA's $1,5bn trade with Hong Kong which will still be tallied separately after Hong Kong rejoins China.

"The pattern of trade will not change much, but the quantity of goods that will be exchanged will grow very rapidly," he said.



Map: SARAH EVANS

SA, Taiwan trade still in a state of flux

(74) BD 20/6/97

John Dludlu

SEVERAL of the 640 Taiwanese companies operating in SA were "seriously considering" pulling out of the country following the planned reduction of diplomatic contacts between Pretoria and Taipei, senior Taiwanese officials have said.

A Taiwanese diplomat said yesterday although there had not been any noticeable change in the trade trend — since the November announcement that SA would establish diplomatic ties with Beijing next January — it was expected that reduction of import orders by Taiwanese parastatals would lead to a decline in the volume of trade.

According to Taiwanese diplomats, Taiwan Power Corporation buys an annual 5-million tons of coal from SA, while the China Steel Corporation sources between 100 000 and 150 000 tons of iron ore from this country. The level of these two orders was expected to be scaled back in future after the formal lowering of diplomatic status.

However there is some confusion about the state of Taiwanese development co-operation projects. Although some Taiwanese and SA diplomats believed all official aid projects — including a vocational training centre for soldiers — had been suspended, pending the outcome of present bilateral negotiations to determine the status of the Taiwanese office in SA, the finance department said it had not been notified officially of the suspension.

Shaheed Rajie, the director in charge of aid co-ordination at the finance department, said Taiwan's R32,88m aid package was still in the reconstruction and development programme fund. Most of the funds, about R25m, would go into a one-off education programme, with the rest spread in community forestry, small scale farming and water projects.

A Taiwanese official said several potential investors were adopting a "wait and see" attitude on the SA market, and those who had already placed their money were "nervous" and seriously considering pulling out because of the political situation and worries of escalating crime.

Since last year's announcement on planned reduction of diplomatic contact with Taiwan, the level of Taiwanese investments had slowed down, a Taipei official said. However, he said, the embassy was still encouraging companies to look at the SA market.

The exact effect of the SA decision to switch diplomatic recognition to mainland China would be known only later this year, after conclusion of the present negotiations and when this year's trade data is made available.

Bilateral trade slipped 5,48% last year to R1,8bn, with SA enjoying a surplus. Last year, SA bought Taiwanese goods worth R814m and sold goods worth R953m to Taipei, figures from the Taiwanese embassy show.

Foreign affairs officials reiterated government's position to continue some of form of high-level ties with Taiwan, and they hoped that trade and business contacts would expand.

One official gave an assurance that Taiwanese investments would not be discriminated against.

Get your act together, EU officials tell SA

(74) ARG 21/6/97

Brussels – South Africa has failed to come up with a detailed and acceptable answer to the European Union's offer of a free trade area after a delay of more than 15 months.

This was revealed by EU officials here yesterday as South African and European negotiators concluded a two-day meeting.

And the officials warned of a real crisis if South Africa did not get its act together before a meeting in Brussels on July 18 between Minister of Trade and Industry Alec Erwin and EU commissioner Joao de Deus Pinheiro.

The officials said they had sweated blood to win support from Europe's 15 governments for an offer that both South Africa and Europe should move to a new era of free trade.

They added that although the EU offer excluded 40% of South Africa's farm products, it was open to South Africa to challenge this and to set out areas which they would wish to see excluded.

In the run-up to the latest negotiations, EU officials warned South Africa they were running out of patience and that the favourable climate towards South Africa could not last forever.

"We were expecting a product-by-product response to our offer, but the South Africans presented us with just half a page. This is a sort of response but not what we need to get things moving," said a senior EU official.

"You really can't describe as 'detailed' what the South Africans have given us.

"The aim of our two-day meeting was to try to clarify the situation and to see whether the South Africans are serious.

"But we are virtually in the same position as we were before this latest round.

"We really can't work on this basis.

"And we hope the South Africans can get their act together before next month's ministerial meeting.

"The negotiations can't proceed without a concrete and comprehensive offer from the South African side," the official said.

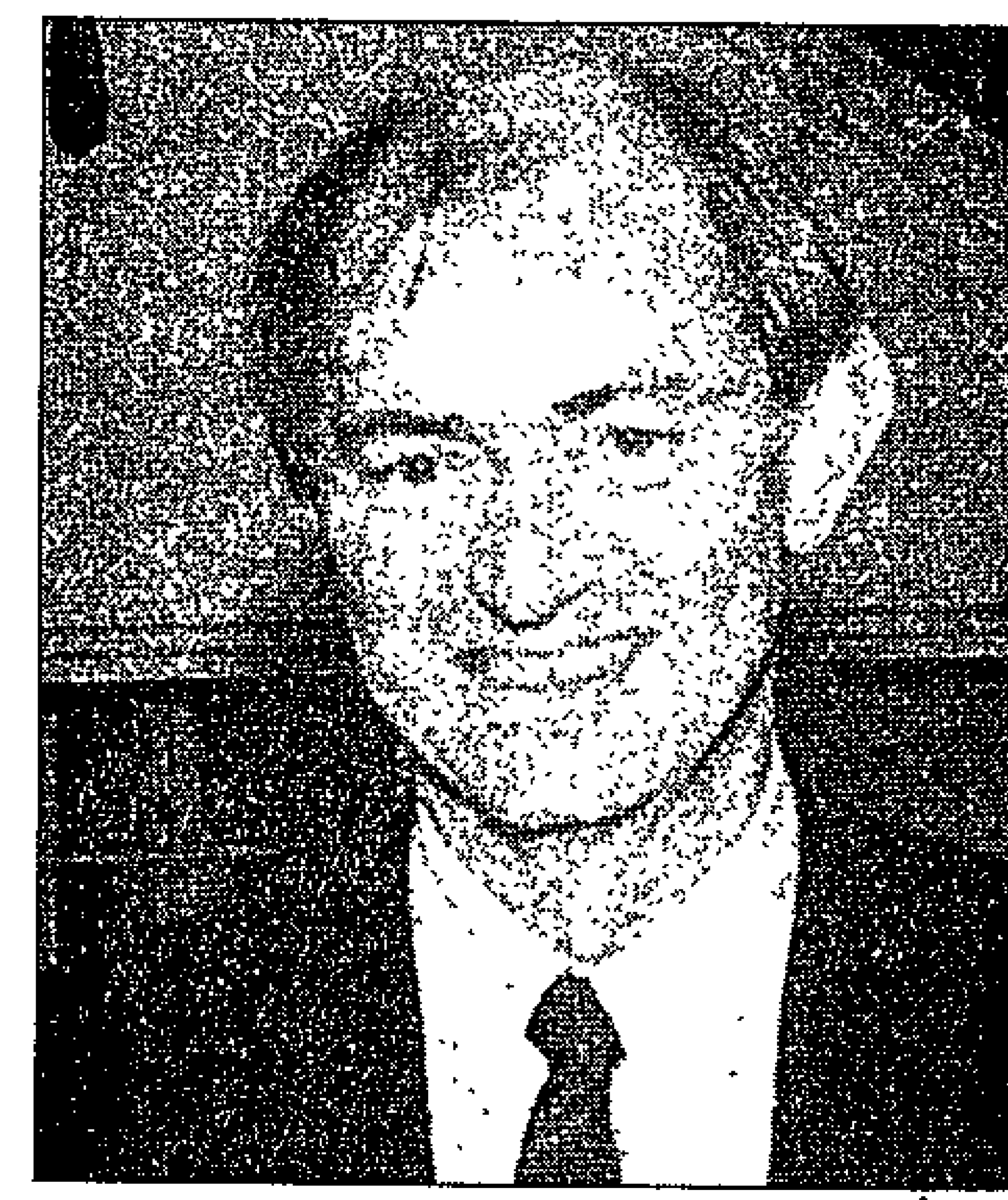
South African officials were not immediately available for detailed comment, but one diplomat described the trade offer as "significant".

The South African ambassador in Brussels, Elias Links, has in the past justified delays on the need to fully consult the country's neighbours before making commitments in Brussels.

However, EU officials note that such consultations have been taking place for some years now – and there has been a lot of time for this process.

"We had really hoped to be further down the road than this – and we believe it is in South Africa's interests as well," said a senior EU diplomat.

There is also concern in Brussels that the South African government is having great difficulty in reaching a united stance with the Foreign Affairs department trying to speed negotiations with Brussels while the Trade and Industry Department is applying the brakes. – Own Correspondent



Warned: Minister of Trade and Industry Alec Erwin

SA proposal to free 'all trade' in 12 years boosts EU talks

(74) BD 23/6/97

John Dludlu

SA NEGOTIATORS had proposed an ambitious trade accord with the European Union (EU), suggesting that "all trade" exchanges be freed within 12 years, sources close to the co-operation talks said at the weekend.

This round, the first to have tackled the controversial trade aspect of the proposed comprehensive co-operation accord, has given new impetus to the talks.

So far they have been seen by some quarters, including certain EU states, to be progressing at a "snail's pace", sources said.

In a move that has surprised EU counterparts, SA negotiators — who had expressed their intention to conclude the talks this year — provided more details on their sketchy proposals for the trade aspect of their "trade and development" accord, Brussels negotiators confirmed.

On the plan to conclude the talks this year, a Brussels official said: "We all understand that if the talks have to be concluded this year, we'll have to work harder".

Jean-Claude Boidin, an EU negotiator, said: "(Friday's round) was good and more dynamic than previous meetings".

Previously, SA negotiators have spent time seeking clarity on the EU's proposals and have failed to offer negotiating positions in a trend that has fuelled Brussels's frustration at the pace of the talks.

Erwan Fouéré, EU ambassador to SA who also attended the Brussels session, said: "We have not reached the finishing line yet. But we're moving and still on track".

None of SA's negotiators could be reached for comment at the weekend, but a joint statement on Friday's session, due out today, is expected to stress the positive outcome and the new eagerness to move ahead.

While the mooted transition for freeing up trade was close to the EU's mandate, the proposal for an accord that "covers everything" runs counter to the Brussels negotiating directives.

The EU mandate suggests that almost 39% of SA's farm exports to its markets should be excluded from preferential treatment as these are deemed "sensitive".

Trade analysts believe that the stated intention for an "all-inclusive" free trade might be Pretoria's tactical ploy to reduce the EU's list of exclusions.

Besides, analysts say, the vague free-trade provisions of the World Trade Organisation only require that "substantially all trade exchanges" between contracting parties be covered in a free trade.

SA is also understood to have indicated its desire, first signalled in its "trade and development" approach, for a link to be created between trade and industrial restructuring.

WORLD TRADE OPPORTUNI

California seeks closer SA trade ties

(74) BD 23/6/97

Patrick Wadula

CALIFORNIA, through its representative office in SA, plans to forge closer ties for the promotion of trade, investment and cultural activities.

The state's office of trade and investment aims at identifying and attracting prospective SA corporate investors to California and at the same time assisting Californian businesses find trade and investment opportunities throughout sub-Saharan Africa.

California's trade and commerce agency has an international trade and investment division with offices in London, Mexico City, Frankfurt, Jerusalem, Tokyo, Taipei, Hong Kong, Jakarta and Johannesburg.

The office director in SA, Dwayne Gathers, said: "Every SA company should consider doing business with California as it has the most diverse economy throughout the US."

California would welcome SA companies involved in the production of fruit juices or manufacturers of lifestyle products and those associated with outdoor sports, beauty and health care. The state has a population of 34-million and its $950bn economy is the seventh-largest in the world.

California exports about $100bn worth of products and services a year, with electrical and electronic products, industrial machinery, computers and transport equipment accounting for 60% of these exports. Between 1994-1995 California noted a 14,7% gain in exports to SA, following an 8,5% increase previously.

Gathers said there were always opportunities for SA companies in California. The office could make contacts and obtain information for SA companies and chambers of commerce.

He said there were 42 Californian companies in SA including Levi Strauss and computer companies Hewlett Packard, Packard Bell, Apple Computers and Intel. More than 300 other companies had expressed an interest in doing business with SA since the office opened three years ago.

The office has taken part in the SA International Trade Exhibition (Saitex) since its inception three years ago. An export development mission was in SA last month to participate in the Computer Faire & BEXA '97 exhibition in Midrand, and the office was taking part in the Soweto Enterprise exhibition this week.

The California trade and investment office, which represents mostly small and medium-sized companies, will hold its second annual trade and investment opportunities seminars in Johannesburg on October 15 and in Cape Town on October 16. Companies interested in taking part can reach the office at (011) 447-5391.

Trade agreements threaten textile industry plans

BD 23/6/97

Edward West

BY THE end of this year about R1,8bn would have been invested by SA's textile industry to restructure and become internationally competitive, but the process was at risk of being undermined by SA's bilateral and regional trade negotiations, Textile Federation president Mervyn King said at the weekend.

The industry was concerned that a spate of bilateral arrangements with a variety of countries in Africa could disrupt trade by providing a channel for illegal imports from Far East producers.

The possibility of a southern African trade bloc allowing free trade access of goods and services between up to a dozen countries, including Malawi, Tanzania, Angola, Zambia, Mauritius, Mozambique, Zimbabwe and customs union countries, opened the way to even more problems relating to poor customs control than were already being experienced, he said.

The textile industry spent R800m on new equipment in 1995 and R1,1bn last year, while the figure was expected to reach R700m this year. About R400m would be spent on training until 2002, the final year of the import tariff phase-down period. King said the industry had "right-sized", and moved from being labour to capital intensive.

He said if properly implemented the planned regional southern African trade bloc would become a vast market for SA's textiles, while SA could obtain a foothold in the Indian Ocean rim trade bloc, which was becoming a reality.

Textile exports were growing rapidly, doubling last year to R2,2bn, about 25% of the industry's annual production of R9bn.

Free trade deal with EU by year-end

CT(BR)24/6/97 (74)

JOHN FRASER

Brussels — European and South African trade negotiators, in the wake of a two-day negotiating session last week, hoped to conclude agreement on a free trade area by the end of this year, the groups said yesterday.

South Africa produced what is described as a "supplementary offer" in the talks, containing a time schedule and a framework for dismantling trade barriers. The aim is for the agreement to allow the gradual removal of trade barriers over a 12-year period.

But European Union officials were disappointed at the lack of detail in the South African position. "We are seeking specifics and details on which products the South Africans want left out, or treated in a different way.

"This was not an offer in the sense that we are used to in international negotiations, as there was no mention of products or groups of products. We need a lot more detail, and what we were given was just an outline.

"We are one step further, but we will need a lot more from the South Africans if we are to meet the stated deadline of concluding these talks by the end of this year."

But South African officials expressed surprise at the negative views expressed by EU officials and claimed they had made an important commitment to intensify the negotiations, with the aim of reaching a deal.

"We are prepared to try and reach the goal of a broad agreement around November, although there would still be some technical work after that," a South African official said.

"We plan to hold talks on this matter at least once a month, and we are willing to push ahead and to start talking turkey."

But the official said South Africa was not entirely free to conclude a deal with the EU until it had sorted out its free trade arrangements with its Southern African Development Community neighbours. — Independent Foreign Service

SA in hard export bargaining with EU

ET (BR) 20/6/97 (74)

From Reuter

Brussels — Last week, South Africa pressed for better terms for its agricultural exports in a proposed free trade agreement with the European Union, EU officials said.

Franz Fischler, the EU farm commissioner, told Derek Hanekom, the South African agriculture minister, that Brussels had to respect a mandate given by EU member states as well as preferences granted African, Caribbean and Pacific (ACP) countries under the Lomé convention, the officials said.

South Africa said a proposed free trade agreement with the EU would exclude 39 percent of its farm exports.

In reply to complaints that subsidised EU beef exports were undermining the South African market, Fischler said export refunds had been cut by 35 percent since the start of this year.

The complaints follow a surge in EU beef exports from 3 500 tons in 1992 to 41 000 tons in 1995.

The EU was awaiting more data from South Africa to prove its livestock producers had suffered losses, EU officials said.

Problems concerning South African exports of ostrich meat and wine were also raised.

South African officials could not immediately be reached for comment.

AF

Museveni's SA visit helped boost bilateral economic relations

(74)

SA strengthens Ugandan trade and investment ties

CT (BR) 30/6/97

Joe Khamisi

Dar es Salaam — Trade and investment is growing at a steady pace between South Africa and Uganda, and the recent official visit to Pretoria by Yoweri Museveni, the president of Uganda, was a significant boost towards enhancing bilateral commercial relations.

Officials in Kampala are optimistic potential investors previously reluctant to make tangible commitments would now move in.

"We have had a lot of interest from the South Africans. But follow-up has been rather slow," said an official of the Uganda Investment Centre.

"I hope with personal assurances from the president things will now change."

Museveni was in South Africa for five days late last month, during which time he met senior government officials and held discussions with various business groups, assuring them of Uganda's abundant resources and investment opportunities.

This was Museveni's second visit to South Africa in three months. He was in the country in February for a meeting with his southern African counterparts on conflicts in the continent. During that time, the Ugandan leader also met executives of Pepsi Cola International and South African Coca-Cola Bottling Company, who promised to increase their investment in the Uganda beverage industry.

During his latest visit, Museveni toured a number of industrial and commercial projects in South Africa. He visited the Groot Constantia Estate and invited the company to help Uganda develop its fledgling wine industry.

Last March, a five-member delegation from the Johannesburg Chamber of Commerce and Industry made a one-week tour of Uganda as part of a co-operation agreement.

South African investments in Uganda have risen from almost zero in 1994 to 27,7 billion Uganda shillings (about R118 million) this year. Projects range from joint ventures in manufacturing to biogas engineering, mining and television.

South African Breweries plans to move into Uganda soon, and the South African Bottling Company, which has a controlling interest in a local Coca-Cola distributorship, is scheduled to open two new plants in the country.

Ugandan entrepreneurs are also steadily penetrating the South African market. Earlier this year, International Distillers shipped its first exports of the local gin, waragi, to South Africa. — Independent Foreign Service

'Control the removal of SA's tariff protection'

(74) (180)

LLEWELLYN JONES
BUSINESS REPORTER

ARG 1/7/97

The removal of tariff protection was necessary to achieve global competitiveness but needed to be implemented in a balanced transition, John Temple, the chief executive of Plessey, said in the company's annual report.

Mr Temple said the move to freer markets had had benefits for competition and inflation, but had not been matched by a freer market in local manufacturing inputs such as labour, high interest rates and high tax levels.

"There is a need to take a holistic and perhaps more selfish approach if we are not to allow our industries, which grew originally in protected home markets, to be destroyed by international competitors," Mr Temple said.

"For example, state and parastatal purchases seem to allow for little or zero preference for local industry, while our products are dutiable in export markets.

"Incentive schemes, such as the Support Programme for Industrial Innovation, are too small and do not assist when they are most needed."

He believed that the same logic, which had given a privatised Telkom monopolistic protection to subsidise its licence obligations to provide universal telephone access, should apply in supporting "truly indigenous local suppliers" – those whose products and services were based on their own technology.

"Without such protection, which can provide a secure domestic market and customer reference base, we will never develop viable export markets for our South African technology," Mr Temple said.

The prepaid electricity meter, which was developed to meet the needs of Eskom and local authorities, was a case in point, he said.

South Africa had established world leadership in this technology, but "unbridled competition" in pricing had resulted in an unprofitable domestic market, rather than a profitable one on which exports were normally built, Mr Temple said.

"The consequence is that suppliers have either exited the market or are forming relationships with foreign controlled groups.

"This has allowed a potentially large worldwide market to essentially pass out of South African hands," Mr Temple said.

SA's trade with Africa trebles since sanctions

(74)

AUDREY D'ANGELO

CT (BR) 2/7/97

Cape Town — Trade between South Africa and the rest of the continent had almost trebled since the end of sanctions in 1992, Jan Bekker, the development manager of Grindrod International Freight Africa, said yesterday.

Trade had grown from R5,9 billion in 1992 to more than R17,5 billion last year, he said.

"The southern African belt, made up of the six neighbouring states outside the southern African customs union, gobbles up almost 70 percent of South Africa's trade with Africa. This sector of trade has grown by almost 174 percent from R4,4 billion in 1992 to R12,05 billion in 1996."

Bekker said Africa now accounted for 10 percent of South Africa's total trade. In addition, transshipped traffic using South African ports as a hub was growing at a rate of 25 percent a year.

"With the Grindrod group's agreement earlier this year with the Swiss-based multinational Danzas, this transit traffic segment is expected to grow significantly," Bekker said.

As a result, Grindrod's forwarding arm was splitting its "into Africa division" into four operational divisions, each serving its own area.

Total US-SA trade drops 6%

BD 4/7/97

(74)

Simon Barber

WASHINGTON — Total trade between the US and SA in the first four months of the year was 6% off last year's pace, reflecting reduced shipments of platinum group metals to the US, and a sharp but expected fall in SA imports of US wheat and corn.

SA chemical exports to the US continued to show strength as did certain lines of SA clothing. Shipments of organic and inorganic chemicals reached $48,3m as of April, a 31% increase from the same period last year.

US imports of SA knitted apparel jumped 138% to $12,5m. "This suggests that in selected areas of textiles, SA is capable of competing," commerce department Africa bureau director Sally Miller said.

Shipments under the tariff heading that includes platinum group metals, diamond and other precious metals, which together account for around 40% of US imports from SA, were down 17% as of April, to $250m from $303m.

US imports in the same category from Russia, America's other major supplier of platinum group metals, were off 40% to $75,5m.

Miller suggested that the downturn was cyclical, but could also reflect changes in the automotive industry, which is the major customer for platinum group metals.

Meanwhile, US imports of SA iron and steel — SA's second largest category of exports to the US — were also off 15% from last year to $88,2m, well behind the pace of the past three years.

Big drops were discernible in ferromanganese, ferrosilicon manganese and, to a lesser extent, in ferrochrome.

Total SA exports to the US as of April were $694m, down from $732m a year ago.

Total US exports to SA were $968m, down from $1,03bn.

The US trade surplus with SA narrowed to $274m.

Labour team set to review competition policy

BD 4/7/97

John Dludlu

THE labour constituency at the National Economic, Development and Labour Council (Nedlac) has set up a task team to help review the country's competition policy.

Herbert Mkhize, assistant general secretary of the SA Commercial, Catering and Allied Workers' Union, said yesterday the task team, including union representatives outside the Cosatu fold, would bring in outside expertise should the need arise.

This comes amid indications that although the review of competition policy is on hold while parliamentarians take their winter break, Trade and Industry Minister Alec Erwin intends to table a discussion paper at Nedlac next month after obtaining a mandate for his ideas from the cabinet.

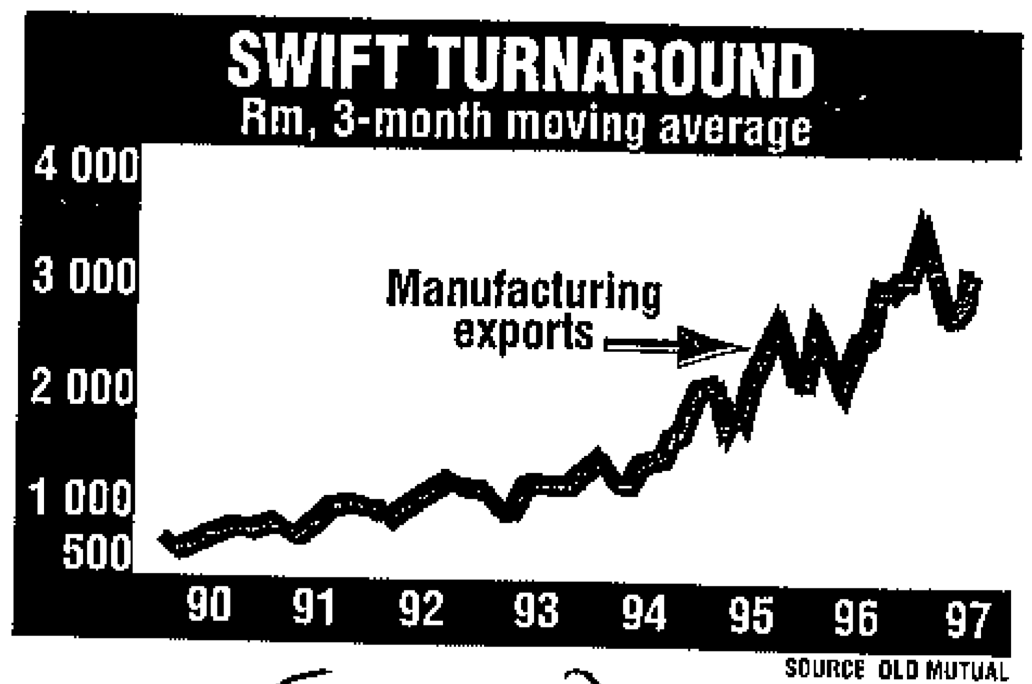
Labour and business representatives yesterday appeared less than perturbed by the delay. "We are letting him (Erwin) take his time, but we will deal with the document when it comes to Nedlac," a business source said.

Mkhize, who co-ordinated the labour element at Nedlac, supported Erwin's cautious approach.

Labour's preparation for the debate has been seen as signalling the seriousness with which it regards competition policy. Some analysts believe it indicates labour's intention to lobby for tough competition laws.

Meanwhile, sources said government representatives at Nedlac confirmed that Pretoria had proposed an ambitious "all-inclusive" accord with the European Union, which would free trade exchanges between the two sides over 12 years.

Erwin and João de Deus Pinheiro, the European commissioner for relations with SA, are to meet in a week to discuss the matter.



TRADE

(74G)
FM 4/7/97

Export revival gets under way

After disappointing start, exports at last showing signs of vibrant growth

Manufacturing exports grew by a healthy 18% during the second quarter to May The trend indicates an export revival may be under way after a disappointing start to the year.

Latest SA Revenue Service trade data show that overall exports expanded by 20% during the first five months of the year, compared with last year's level, outstripping the 14% growth in imports Imports have taken their time to respond to the adverse impact of the rand and to the slowdown in the economy.

One month's figures cannot be taken as conclusive proof, particularly since the trade account has bounced around this year. But economists are convinced the foundations have been laid for increased export capacity

The shift is in line with forecasts late last year that the sector needed time to adjust capacity and attitudes, and that the full benefits would be felt only in the middle of this year

Nedcor economist Kevin Lings says there's been a fundamental improvement in industry's export capacity over the past few years Chemicals; iron, steel and nonferrous metals; paper and pulp; food and, to a lesser extent, motor vehicles are the industries that have made the most progress.

Old Mutual Asset Managers economist Erika Prinsloo believes the latest figures highlight a trend that many expected to take place earlier She says the visible signs of better export performance have been slow in coming — and disappointing — but that the figures indicate an improvement.

Prinsloo expects the current account to record a deficit of R5bn by the end of the year, indicating a marginal improvement on last year's performance. Sharon Wood

'More chances for SA, Australia links'

Nicola Jenvey

BD 9/7/97 (74)

DURBAN — Trade between SA and Australia had grown 35% a year since 1991, but further significant economic development and investment opportunities could be explored, Australian Deputy Prime Minister and Minister for Trade Tim Fischer said yesterday.

He was in Durban ahead of the first joint ministerial commission meeting with Trade and Industry Minister Alec Erwin and other SA government officials in Pretoria today and tomorrow.

He said SA and Australia were committed to economic reforms and international competition rather than import substitution and each country had faced significant battles to transform its labour market.

Australia was now expected to achieve 3,5% gross domestic product growth in the current year, while the consumer price inflation had reached only 1% for the previous financial year.

Economic reforms had placed Australia as a highly competitive player in the lucrative Asian Pacific markets. Fischer believed Australian business wanted access to the diversified trade and investment opportunities emerging in southern Africa and the Southern African Development Community. Internationally SA and Australia should pursue co-operation via the Indian Ocean Rim initiative.

Provincial premier Ben Ngubane said KwaZulu-Natal's two ports handled "the lion's share" of dry bulk, liquid bulk and containerised cargo in SA, and with 85% of global trade during 1995 being east-west, the province was poised to establish as a transshipment hub within a decade.

Sapa reports the Australian high commission said Durban played an important role in Australian business with about 80% of its trade passing through the port city.

On the collapse in the gold price, Fischer said significant opportunities still existed for the southern hemisphere gold mining industry. China represented the world's largest gold consumer market.

France says 'oui' to boosting SA trade

(74) CTCBR) 9/7/97

FROM REUTER

Johannesburg —A campaign was launched by France yesterday to boost its meagre exports to South Africa, with a display of new technology and a pitch by Jacques Dondoux, the foreign trade minister, for French know-how in roads, ports and tourism.

Opening the France Technologies '97 exhibition at Midrand, north of Johannesburg, Dondoux said he chose South Africa as his first foreign destination since his Socialist party came to power because France was underrepresented in the region.

"With 145 exhibitors ... it is the largest technological fair ever organised by one country on South African soil. This is not pure chance. (It) reflects French aspirations in South Africa and the whole of southern Africa. Our companies have now understood the importance of South Africa," he said.

Dondoux was scheduled to hold talks today with Alec Erwin, the trade and industry minister, Jay Naidoo, the telecommunications minister, Kader Asmal, the water and forestry affairs minister and Gill Marcus, the deputy finance minister.

He was also scheduled to meet Kaire Mbuende, the executive secretary of the Southern African Development Community, and French business leaders in South Africa.

Since 1994, France has become the fourth most important Western investor in South Africa, but still lags its Western competitors in sales, Dondoux said.

"France, the fourth economic world power, is still underrepresented in this region of the world ... the efforts we still have to make are enormous," Dondoux said.

"Our companies supply under 4 percent of South African imports, an inadequate percentage compared with the results achieved by our main European partners."

SA makes EU a free trade proposal

(74) BD 10/7/97

John Dludlu

SA HAS proposed an all-inclusive free trade area with the European Union (EU) over the next 12 years and has called on Brussels to come up with an offer to address the adjustment costs resulting from the conclusion of such an ambitious accord.

Faizel Ismail, a chief director in charge of foreign relations at the trade and industry department, made the call this week.

Ismail, a key SA negotiator, also challenged the EU to join Pretoria in cobbling a deal that would ensure that SA's neighbours were not robbed of market access to the country.

Although Pretoria's supplementary proposal did not mention any product or sector exclusions, Ismail said in some sectors "development protocols" should be identified for inclusion in the free trade accord during transition.

However, an EU official last night said that Brussels, which has proposed that nearly 39% of SA's farm products be excluded from the mooted free trade area, was not in a position to change its offer.

Besides, the world did not have a single "all-inclusive" free trade area, so SA's "100% coverage" proposal was a nonstarter.

Another observer said it appeared Pretoria's offer could raise hurdles in the talks, an apparent reference to resistance by EU states to any request to limit the exclusions.

Ismail, who reiterated SA's demand for meaningful market access to the EU, described SA's latest proposal as creative.

It took on board the full meaning of free trade and SA was willing to take the "full pain" of adjustments.

Sources close to the EU said there was no reason why the EU should ignore internal sensitivity and grant full access to SA exports when it had not done so for some of the poorest African countries such as Malawi and Ethiopia in the Lomé Convention for decades.

The EU was also not expecting much to come from next week's meeting between Trade Minister Alec Erwin and commissioner in charge of relations with SA João de Deus Pinheiro, given the limited level of progress in the talks.

Ismail said it was up to the World Trade Organisation to judge whether the 40% exclusions suggested by the EU constituted the whole sector or not.

Govt tackling European Union in bid to speed up GSP system for exporters

(74 G)

ALIDE DASNOIS
BUSINESS EDITOR

ARG 11/7/97

The Department of Trade and Industry is taking steps to make it easier for exporters to Europe to benefit from tariff reductions under the Generalised System of Preferences (GSP) system.

Director of Export Promotion Piet Verwey said yesterday the department was trying to persuade the European Union to agree that the certificate of origin on goods leaving South Africa, which is the key to access to the GSP tariff cuts, could be issued by bodies other than the government.

South Africa has GSP agreements with a number of countries, but only the European Union insists that the certificates be signed by government officials. The certificates are issued on the basis of sworn declarations by exporters that the cargo for export contains a minimum South African content.

"Certificates for other countries can be issued by the Chambers of Commerce," Mr Verwey said. "But the European Union insists on us issuing the forms.

"We are tackling them to try to make them change their minds." This would ease the pressure on Department of Trade and Industry officials, Mr Verwey said.

He was responding to criticism from Cape Argus reader Brian Robertson , who has written angry letters to the department complaining that there is only one official in the department's Cape Town office handling all GSP forms for exports to the European Union.

Mr Robertson said exports crucial to economic growth could be delayed by lack of staff in the department's office.

Mr Verwey confirmed that only one official in Cape Town handled GSP forms, but denied that cargoes would ever be delayed by a lack of staff.

"We are aware of the problem, both in Cape Town and in Durban, and we are taking it seriously," Mr Verwey said. "Many people have taken voluntary severance packages and have not been replaced.

"But in an emergency exporters can always approach the Pretoria office. We have a contingent of people in Pretoria who can help out."

"This is a short term problem which we are managing to the best of our ability. In the long term, the solution is to use other bodies to issue the forms."

Nzo discusses trade in Africa

(74)

South Africa was forced to build in economic protections during the apartheid era but they are fast being dismantled

Star 14/7/97

South Africa's trade with the rest of Africa has increased by leaps and bounds since the 1994 election. Not everybody is happy with this development, however. African countries say South Africa sells manufactured goods to them but hardly buys anything from them. **Foreign Minister Alfred Nzo talks to Moeletsi Mbeki in the first of a three-part interview.**

Q: From the figures coming out now it looks as if African countries are becoming strategic trading partners in the sense that they are the major buyers of our manufactured goods. Whereas the West are buyers of raw materials, Africa is the buyer of manufactured goods. Does your ministry see this relationship as strategic, as something to be built upon and developed?

A: When we came into office we made it known that the new democratic South Africa would have as its priority contact with Africa and naturally would start to have relations with the Southern African Development Community (SADC).

One of our first acts after May 1994 was to go to Addis Ababa and formally join the Organisation of African Unity, thereby underlining our intentions to work very closely with the African continent.

Since 1994 we have set some concrete measures to prove that we are attending to questions of improving our trade and communications with these countries. I must refer here to the recently awarded Maputo Corridor contracts, whose implementation will boost the trade between this country and Mozambique.

Very soon the Cahora Bassa hydro-electric scheme will come into operation which will benefit both countries.

There has been a lot of discussion on matters of trade particularly between South Africa and Zimbabwe. I must indicate that Zimbabwe has gradually earned itself first place in our trade relations and has become our biggest trading partner in the whole of Africa. We want to maintain this relationship.

But of course there is great trade imbalance between these two SADC countries in favour of South Africa. The media in that country says the relationship is unfair, since our market is closed to Zimbabwean products. One thing they ought to understand is that during the apartheid era, especially during the days of economic sanctions, economic organisations here shut out contact with those countries for survival.

South Africa's trade with them thus became more or less a one-way traffic. Now that situation has been corrected. We are busy at this moment with discussions.

The Ministries of Trade in South Africa and Zimbabwe are in constant contact ironing out the problems that existed and that still exist between the two countries.

The SADC summit of 1996 in Maseru adopted a trade protocol according to which it is hoped that within eight years there will be a general liberalisation of trade in SADC countries and that based on that protocol we will then try and harmonise our trade positions.

Q: Zimbabweans are not the only people complaining about the imbalances. I know that Kenya has complaints about these trade imbalances and it falls outside of the SADC. What are we doing to address the concerns of African countries not in SADC?

A: I envisage undertaking a visit to Kenya soon. When we are there these issues will arise and we shall discuss them. Our visit to Kenya will create the groundwork to resolve whatever problems affect our relations. South Africa is very anxious to have those issues resolved.

Q: When Uganda's President Museveni was here recently newspapers said he was appealing to South Africa to join Comesa (Common Market for Eastern and Southern African States). The OAU conference in Harare also raised the issue of an Africa-wide common market. What is our position on this?

A: The issue of Comesa and SADC has been debated for quite some time.

I should indicate that two countries have always been outside Comesa. When we first joined SADC, Botswana was outside Comesa and we were the second country in this region outside of Comesa. The discussions are still on.

I think the trend now is to allow the two organisations to exist but improve on the possibilities of contact between the countries of SADC and Comesa with a view to expanding the markets. I do understand that some SADC countries are having a rethink now about whether they should continue to belong to Comesa or not.

In fact I heard that Mozambique was one of the SADC countries that was pulling out of Comesa. There is nobody saying that SADC must go or that Comesa must go; both must exist but they must exist in such a way that they draw up appropriate plans that will help extend the markets.

■ *Tomorrow: South Africa's role in resolving the crises in Africa.*

Exhibition helps to boost business between France and SA

(74) BD 14/7/97

EXPORT contracts worth more than R100m were concluded at France Technologies — the French industrial exhibition which ended in Midrand at the weekend — French trade and industry spokesmen said.

More business between the two countries was likely to occur due to the show.

Economic and commercial counsellor of France in SA, Marc Bouteiller, said by Friday last week his countrymen had already concluded contracts to supply more than R100m worth of goods and services to SA companies.

"Equally important are the long-term agreements made at France Technologies. Several French companies entered into partnership agreements with their SA counterparts," said Bouteiller.

"We are aware of various licensing agreements concluded last week, as well as the appointment of SA distributors for a broad range of French products and services."

Bouteiller said the agreements obviously did not amount to one-way trade, but various joint venture agreements, in particular, would lead to increased trade in both directions.

"Whereas a week ago 125 French companies were involved in SA, this figure has increased dramatically following the exhibition, and we expect that once all agreements are in place, the number of French firms in SA could exceed 200."

During the show several French companies received SABS certificates for their products.

The transfer of technological skills and knowhow from France could turn out to be the most significant benefit resulting from France Technologies, said Bouteiller.

The French trade commission also held a series of round tables between French and SA firms during the show and about 450 local firms participated in the discussions, with topics ranging from transport to medicine and packaging.

"SA delegates were very interested in our seminar on delegated management — a model we have developed to enable the outsourcing of various public functions without formally privatising state-owned organisations," said Bouteiller.

"This may well present solutions to SA at a time when privatising is a sensitive issue. I am confident that the seminar series will lead to further long-term agreements between French and SA business."

Alain Dantou, the deputy general manager of the French commission for international commercial events, said about 12 000 SA businessmen visited the five-day exhibition. — Sapa.

Radio listenership up — SABC GM

ENOCH Sithole GM of the SA Broadcasting Corporation (SABC) said on Saturday that listenership of the corporation's 16 radio stations was close to 20-million, an increase of almost six million on the 1995 figures when the SABC was operating 22 radio stations.

Speaking at the National Arts Festival in Grahamstown, Sithole said SABC television viewership had also increased by about 200 000 since the corporation made channel changes last year.

He said the increases showed that the SABC's policy of increasing local content and promoting SA culture was paying dividends.

Sithole attributed the deficit suffered by the SABC over the past financial year to the fact that changes introduced by the broadcaster through increasing local content had increased production costs. Showing canned television productions from abroad costs about R600 a minute, while producing locally increased the cost to about R2 500 a minute. — Sapa.

Forum spurns Coega zone

BD 14/7/97

Own Correspondent

PORT ELIZABETH — The Eastern Cape Citrus Forum yesterday reiterated its opposition to the construction of the Coega Industrial Development Zone and Harbour, saying the R1,5bn needed for the development should be redirected to another project.

The much talked-about project would not benefit Eastern Cape as a whole and would be detrimental to the citrus industry, it said.

The industry said economic viability studies showed Eastern Cape would earn more money, create more jobs and the taxpayer would have to invest less by combining tourism, agriculture, light industry, fishing, mariculture and casino-based industries.

The citrus industry had identified numerous serious faults in the studies relating to the Coega IDZ as they affected the citrus industry, said the forum.

In a statement from its attorneys, the forum questioned who the major beneficiaries of this investment would be. It expressed wariness that costs would have to be borne by the taxpayer if no private investor were found.

"The more successful the IDZ is in attracting heavy industries, the worse the impact on agriculture, tourism, fishing and mariculture." There was no doubt a 10 000ha industrial development zone would cause far greater pollution in the Port Elizabeth area, it said.

The investment in the Coega IDZ would exclude others. The Port Elizabeth area was characterised by an emphasis on agriculture, light industry and tourism. The development would change this and limit the development of tourism and agriculture, it said.

The Forum has called for more environmental assessment studies to be made before implementation of the project.

The Eastern Cape citrus industry employs 19 000 people and its foreign earnings for this year are estimated at R706m.

If approved, the project will create thousands of jobs.

IFP joins megacity referendum bid

Dustin Chick

THE Inkatha Freedom Party (IFP) joined the call for a referendum on the transformation of Greater Johannesburg into a "megacity", at its Gauteng regional congress held this weekend.

The IFP said the megacity concept would create inefficient local government and limit the rights of Johannesburg citizens to control their destiny.

The IFP also used the weekend congress as a platform to streamline the party in preparation for the 1999 general election. Gauteng media secretary Hennie Bekker said the party believed it could gain 10% of the vote in the Gauteng election and had decided to establish branch cells across the East and West Rands, to develop membership. Bekker said the IFP was trying to change the perception that it was a regional party with its support base in KwaZulu-Natal.

The congress was attended by almost 150 delegates from the province, and was a prelude to next weekend's national congress in Ulundi.

Among the other congress resolutions were:

- ☐ Greater provincial and local government autonomy, particularly with regard to housing, policing, education and health;
- ☐ Tougher action against illegal immigrants; and
- ☐ That the SA Schools Act be amended to allow schools to decide whether to use corporal punishment.

The congress also called for a joint demonstration involving the IFP Soweto youth, ANC Youth League and the Pan Azanian Students Organisation (Paso) against crime and drugs. Bekker said planning for the event was at an advanced stage.

Safcol

(3) FORESTRY (260)

Continued from Page 1

BD 14/7/97

Mortimer said the restructuring, and possible privatisation of Safcol would have a huge effect on the sawmilling industry, and close consideration should be given to unbundling

SA strengthens ties with South America

The announcement that SA is to establish embassies in Peru and Venezuela is a foreign relations breakthrough, writes **Greg Mills**

(74) BD 14/7/97

SA has, until now, been comparatively under-represented in the Americas with just eight SA embassies for 35 countries, including the US and Canada.

But the recent announcement that SA embassies are to be set up in Peru and Venezuela raises a number of interesting questions about why Lima and Caracas were chosen. The answers lie in a combination of the strategic benefits both offer to SA.

The cost-benefit criteria to set up missions have to take into account economic as well as other dimensions of SA's national interest, including strategic location.

This, of course, involves more than just a simple assessment of the bulk of trade and investment flows. It must also include an estimation of the nature of the partner's market — including a demographic breakdown, types of goods exported, state of infrastructure, and trends in the rates of increase in trade flows.

Any potential expansion in mission numbers will be severely tested by such criteria in an environment where belt-tightening and cost-cutting is the order of the day. In its 1996 budget, foreign affairs was given R1,146bn, just a 0,7% increase on the previous year and far below inflation and the rate of the rand's international depreciation.

The 1997 budget saw a 12,4% increase in nominal terms. The cabinet sliced about R130m off an original request for capital projects for improvements to SA's foreign mission, priced at R152m.

Already this budget has been sorely tested by the dramatic expansion in diplomatic ties. From just 30 overseas mission in 1990, SA now has relations with all bar 22 (including North Korea, Iraq, Somalia, Liberia, Haiti and Sierra Leone) of the 170 or so countries and institutions holding diplomatic status. Before the latest announcement, it had 108 residential diplomatic accreditations (75 embassies or high commissions) abroad (as opposed to 167 in SA, of which 96 are embassies/consulates) and 44 nonresidential accreditations.

To give a comparison of similar size powers, Argentina has 80 embassies, 52 consulates and five multilateral missions; and Chile 66 embassies and eight multilateral missions.

Along with this increase, since 1990 a number of missions have been closed, including Houston, the Comores, Glasgow, Istanbul, St Petersburg, Sydney, Rio, Blantyre, Zurich, Asuncion and Karachi.

But why increased representation in Latin America?

Take Venezuela, which has been characterised by extremes of growth (over 6% in the 1950s and 1960s) contrasting with decay and instability, as an example. Although oil — which accounts for more than 70% of total government revenue — brought, in the words of former Minister of Industry Moises Naim, "Venezuela to the peak of prosperity, it did not cushion the country's plunge into economic crisis".

The oil boom which had sustained industries despite decreasing productivity, went bust in the late 1970s and the economy shrank with it. By 1985 real GDP was 25% lower than it had been seven years earlier. Capital flight, escalating foreign debt (over $30bn in the 1980s) and the loss of access to international credit markets led to a severe foreign exchange shortage.

By the mid-1980s the government was devoting almost 70% of all its export revenues to service its foreign debt, while the budget deficit had grown from 3% of GDP in 1985 to 9,4% three years later.

A rampage of rioting and looting in February 1989 which flared in response to bus fare increases brought Venezuela to the brink of collapse. Following from this, President Carlos Andres Perez instituted wide-ranging "shock-tactic" macro-economic reforms known as El Gran Viraje, or "The Great Turnaround".

Determined to modernise the economy, Perez's macroeconomic stabilisation measures were to be complemented by major structural reforms: trade liberalisation; deregulation of capital, goods and labour markets; reform of the agricultural, industrial and financial sectors; foreign investment promotion; and privatisation.

Up until 1996, Venezuela successfully privatised 32 state-owned enterprises, resulting in more than $2bn in revenue.

As a result, the Venezuelan economy grew by 6,5% in 1990, and 10,4% in 1991. Although this dipped to just 1,2% in 1996, for 1997 it is predicted to pick up again at 4%.

However, the management of such wide-ranging reforms has brought with it political challenges: two failed coup attempts occurred in 1992, and Perez was removed from office in May 1993 on corruption charges.

In April 1996, the current incumbent, Dr Rafael Caldera Rodriguez, began implementing his own economic reforms — known as Agenda Venezuela — aimed at reducing inflation (running at 60%), restoring investor confidence and improving resource allocation.

In investment terms, Venezuela possesses vast mineral wealth, with large reserves of iron ore, bauxite, coal, gold, diamonds and silver

With 12 operating refineries, it is the ninth largest petroleum producer worldwide, and the largest supplier to the US.

SA mining links are growing. Gencor has signed a consortium agreement with a Venezuelan partner, Sural, to formalise a partnership in a $3bn privatisation of the state-owned aluminium firm Corporacio Venezolana de Guyana.

In 1995, Anglo American acquired a 75% stake in the Loma de Hierro nickel project, bringing its total holding to 85%.

The volume of SA's trade relations with Latin America increased substantially by 27% from a total of R4,5bn in 1995 to R5,7bn ($1,3bn) in 1996. Of the latter figure, SA exports amounted to R2,8bn, and imports R2,9bn.

There were a number of spectacular performers in this group: Venezuelan-SA trade increased by more than 186% to R188m from 1995/1996; and trade with Brazil by 20% to R2,3bn; with Peru by 60% to R203m; with Colombia by 124%; with Uruguay by 150%; and with Mexico an astounding 226%.

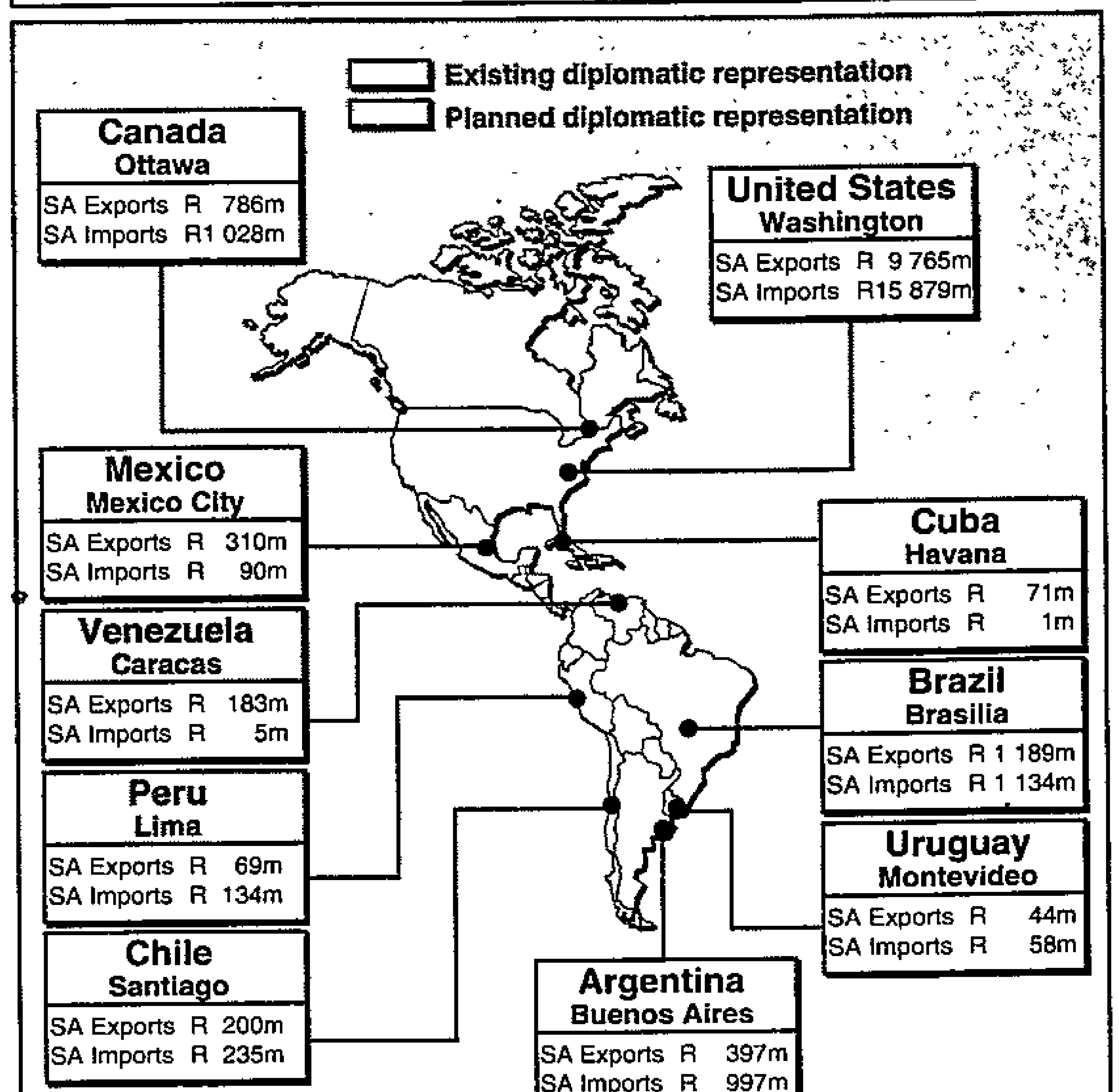
There is therefore much hope for improved ties across the South Atlantic. These are likely to strengthen with increasing trade and investment links, similar maritime security concerns, and mutual contemporary political understanding.

These interests have been fostered this decade by a common understanding and appreciation of democracy, human rights, the rule of law, market economics, and of stability and peace as a prerequisite for growth and development.

The opening of new missions can only enhance this relationship.

☐ *Dr Greg Mills is the national director of the South African Institute of International Affairs in Johannesburg.*

SA looks to the Americas



Graphic: SARAH EVANS

Africa trade growth set to benefit SA(74)

John Dludlu

BD 16/7/97

SA WAS expected to reap considerable benefits in terms of trade and investment opportunities from policy reform and the liberalisation of capital flows in Africa, Old Mutual Unit Trusts economist Erika Prinsloo said yesterday.

SA's sales to Africa, which almost doubled to \$3,7bn last year from 1993's \$2bn, would be boosted by the expected higher trade volumes in the southern African region. Also, SA could diversify exports since most products were in the manufactured category.

SA's \$3bn trade surplus with Africa provided key support for the current account, Prinsloo said.

Numbers supplied by the Industrial Development Corporation showed that SA, together with its partners in the five-nation customs union, sold R12,7bn worth of products to the Southern African Development Community (SADC) partners last year. This figure compared with 1995's R9,7bn.

SADC countries, meanwhile, concluded R2,1bn worth of sales to SA last year, an improvement from 1995's R1,5bn.

"Peace and the pragmatism of policy makers is reviving the (southern African) region. Tougher competition for capital, the conditions attached to aid, and the realisation that there are no viable policy alternatives, are driving the reform programmes."

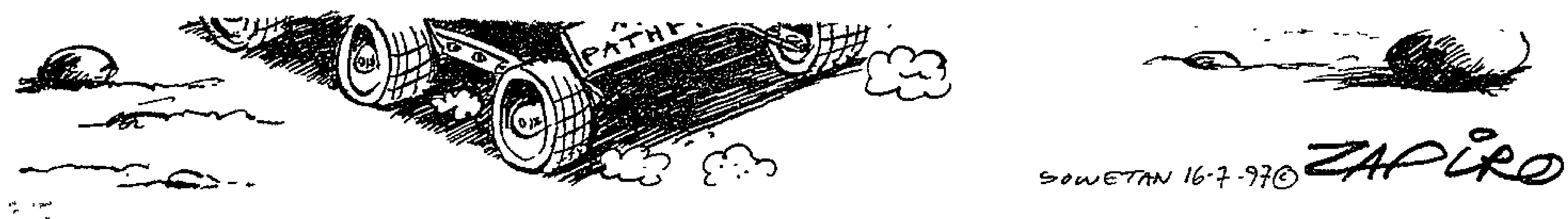
Prinsloo pointed out that the World Bank estimated that 37 out of 48 subSaharan African countries were undergoing substantial reforms.

The planned establishment of an eight-year free trade area within the SA-led SADC would bring further stimulation and improve capital flows.

SA has said it will table an offer in September which will widen market access for its SADC partners under the trade protocol framework.

"Renewal on its doorstep is lifting SA's growth potential. SA mining and exploration companies are investigating projects in Namibia, Angola, Zambia, the Democratic Republic of Congo and Mozambique."

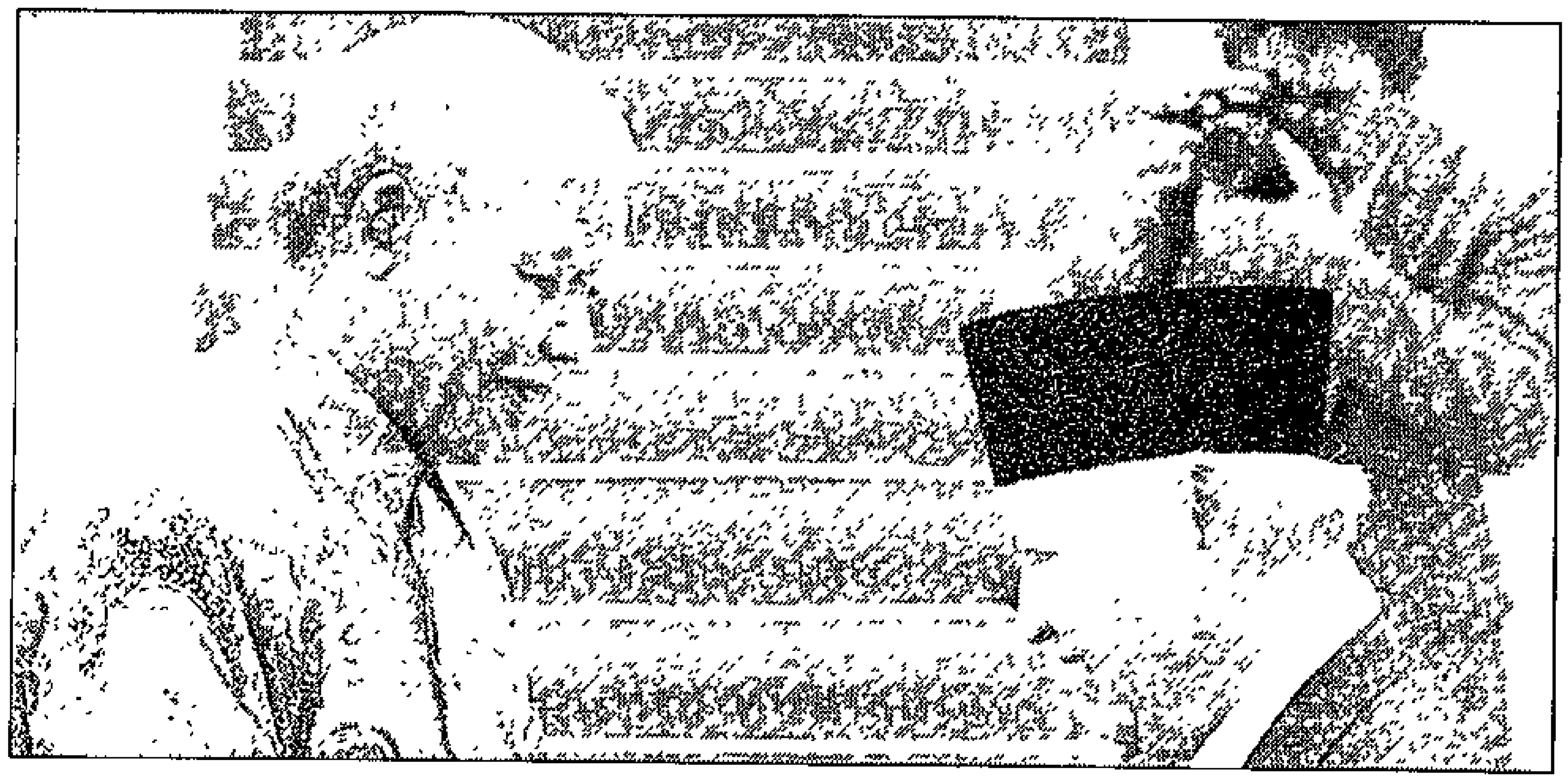
Prinsloo was also optimistic more SA firms would invest in the region, boosting existing investments, such as sugar, beer and clothing.



Asian market beckons

(74) Sowetan 16/7/97

In just three years trade between Indonesia and South Africa has grown fourfold. There is tremendous potential to consolidate this trend, says **Nelson Mandela**...



President Nelson Mandela bidding farewell yesterday to Indonesia's President Suharto in front of the steps of the presidential palace in Jakarta. PIC: AFP

I FEEL very honoured to meet with so many distinguished leaders of Indonesian business. Your economy is one of those to which South Africa looks for inspiration and example.

You and your neighbours in South-East Asia have triumphed in a most remarkable way over the colonial legacy of underdevelopment and poverty.

So today brings us a double bonus – an opportunity to share ideas with those from whom South Africa has much to learn as we follow a similar path, and a chance to discuss how two countries with a shared history of resistance and struggle can now build an effective partnership for growth and development.

Almost 50 years after Indonesia proclaimed her independence, the people of South Africa freed themselves. Our victory was also the victory of all those who supported us, among them the government and people of Indonesia.

Our people have wasted no time in using our new-found freedom. Our programme of reconstruction and development is transforming our society. In just three short years we have laid the foundation for a better life for all.

Democracy and a culture of human rights are being entrenched. Programmes to improve living conditions have already touched the lives of millions through electrification, health care, access to water, housing and education.

The political stability this has brought and these socio-economic programmes combine with our economic policies to create a climate for growth.

An economy that stagnated for years is in its fourth successive year of growth in the region of three percent. The balance of payments is improving. The budget deficit is being reduced.

Underlying these positive economic indicators, and beyond the short-term fluctuations that are inevitable in a turbulent global economy, there are signs of deep structural change.

The growth we have enjoyed has been driven by an increasing level of fixed investment by the private sector, and our increased exports have featured strong performance in manufactured goods.

We have taken advantage of our economy's underlying strength to raise our targets for the year 2000 to six percent growth and 400 000 new jobs a year.

And in order to maintain the positive trend, we have put in place a series of measures. Tax incentives and training programmes are encouraging investment in areas of strength and boosting competitiveness.

Lower tariffs, in some cases even beyond levels required by the World Trade Organisation, are part of the opening up of our economy. A new one-stop investment agency, Investment South Africa, is assisting potential foreign investors.

Fundamental to our approach is the spirit and practice of partnership. This is the principal reason for our achievements so far. It is what gives us confidence in the future – our experience has shown us that negotiated solutions can be found to even the most difficult problems.

Whether it concerns a strategy for growth and development, action to bring down levels of crime or programmes to improve living conditions, all sectors of society are working together within a broad national consensus.

Shared commitment

Naturally there are differences of emphasis and approach among social forces such as government, business and labour. But what matters is the shared commitment to resolve differences when they do arise, and the firm intention of government to maintain the policies which have brought us success thus far.

Partnership extends to the all-important area of infrastructural development. That includes transport and communications infrastructure as well as the municipal infrastructure needed to provide services to our people.

It includes also the far-reaching development of regional infrastructure that is central to building the Southern African Development Community into a thriving market of 150 million people.

What is happening in South and Southern Africa holds many opportunities for the business sector in Indonesia and for the Association of South-East Asian Nations (Asean) – just as your own economy offers many openings for our business people.

In just three years from 1993 to 1996, trade between Indonesia and South Africa grew fourfold. All of us would acknowledge that this rapid expansion was the result of the great potential and immense goodwill that exists, rather than the product of any well-planned effort by our two governments.

Our visit to your country, and this meeting, allows us to work towards a more conscious and structured approach to realising that potential, whether it is through trade, investment, technical cooperation or strategic partnerships in areas in which we have complementary strengths.

The agreement signed for the avoidance of double taxation, and further agreements under discussion, show that our two governments are earnest about creating an environment for the flourishing of our economic relationship.

Our Embassy in Indonesia will be working hard to make sure that you have all the information you need to make your decisions. I am confident that the business sectors of our two countries will rise to the challenge.

Let us join hands in a partnership for prosperity as we enter the new millennium.

(President Nelson Mandela gave this address at a lunch in Jakarta yesterday which was hosted by Kadin, the Indonesian Chamber of Commerce and Industry.)

Taiwan 'feels betrayed' by SA's new allegiance

CT(BR) 17/9/97 (74)

ADRIAN HADLAND

Taipei — Taiwanese trade and industry officials this week spoke of rapidly dwindling investment and import levels with South Africa following its withdrawal of diplomatic recognition earlier this year.

"The decision has had some negative effects. In the previous two years there were seven cases of major investments in South Africa by Taiwanese companies. This year there have been none," said Hsing-Young Chang, a deputy director in Taiwan's ministry of economic affairs.

Imports from South Africa were down almost 7 percent over last year, while corporate foreign investment had dropped to zero.

Chang said that while the economic impact of South Africa's switch of allegiance from Taipei to Beijing had had no major effect on Taiwan's economy, the psychological effect had been keenly felt.

"We feel we were betrayed. We thought South Africa was one of our best friends." Chang said a range of import incentives and a special fund created to encourage investment in South Africa had been withdrawn.

South African consulate officials in Hong Kong said earlier that the switch in recognition had been an important economic move. China and its new special administrative region of Hong Kong represented South Africa's fourth largest trading partner with great scope for expansion.

Taiwan, however, has called for a gesture by South African authorities to show that positive trade and investment ties between the two countries will be encouraged in spite of the diplomatic rift. "South Africa needs to find a programme that will benefit both sides. Maybe then some special incentives can be reintroduced," said Chang. He added that a lack of information about opportunities in South Africa was hindering potential investments.

Taiwan and the United States, meanwhile, were engaged in talks here yesterday on Taiwan's bid to join the World Trade Organisation (WTO).

Chang said Taiwan needed the WTO as a formal communications channel with other countries. Mainland China, however, which is keen to prevent any hint of Taiwanese independence, is expected to block the bid to accede to the WTO.

While China works at the territory's continued isolation, Taiwan is set to introduce a new ban on investment in the mainland, it announced yesterday. The ban is aimed at preventing Taiwanese capital being used in basic infrastructure on the mainland. The policy is part of Taiwan's general strategy of preventing over-dependence on the mainland. It feels this would give China too much economic, and therefore political, leverage.

Swift end to SA-EU talks 'unlikely'

BD 17/7/99 (74)

John Dludlu

SA AND the European Union (EU) will have to intensify their negotiations by increasing the number of technical meetings if more ground is to be covered this year, but Pretoria's desire to conclude the talks this year is unrealistically optimistic, Brussels officials say.

Speaking ahead of the ministerial summit tomorrow between Trade Minister Alec Erwin and João de Deus Pinheiro, the commissioner in charge of relations with SA, EU officials were expecting the two sides to agree on a new working programme which would cover talks over the remaining part of the year.

Although the programme — which is to be tabled for approval tomorrow — provided for at least one meeting a month, the EU commission would like to see more technical encounters to make inroads into the workload.

In spite of a lack of momentum in the talks in the six months to June, the EU hoped the ministerial meeting would give further political impetus to the talks.

The EU would be seeking more details on SA's supplementary negotiating mandate, particularly Pretoria's idea of "special protocols" to accommodate sensitive products from both sides, an EU official said.

Erwin, who has criticised the 39% farm exclusions suggested by the EU, called for a more pragmatic approach this week, and he urged Brussels to join in the search for competitiveness in wobbly sectors.

He also suggested that the EU should use the agreement with SA as an opportunity to boost economic development in Africa.

Despite Pretoria's confidence that a deal could still be concluded this year, the EU official said the timeframe was ambitious as more ground had to be covered.

No substantial talks had taken place on the fisheries agreement, which was expected to be a major sticking point.

SA has expressed its concern at the impact that the free trade deal would have on its neighbours — some of whom stand to lose substantial customs revenue while others could suffer from diversion of trade.

Erwin and his team will be seeking an assurance that the adjustment costs for the southern Africa region will be shared.

African National Congress MP Rob Davies said SA's approach was not to hold up the talks with the EU, but to raise the importance of the region in the talks.

Standard Bank EU researcher Thalitha Bertelsmann said that in terms of an EU-SA free trade area, SA's partners in the customs union would also suffer from rising joblessness.

Nor could losses be adequately compensated for by aid, because the prospective losses would be eight to 10 times the amount of EU aid to them.

President Nelson Mandela shakes hands with Thai prime minister Chaowalit Yongchaiyudh at Government House in yesterday. Mandela is on a two-day visit to Thailand to strengthen diplomatic ties and encourage bilateral trade. PIC: AFP

SA, Thailand agree to increase trade

(74)

Sowetan 17/7/97

BANGKOK – President Nelson Mandela and Thai prime minister Chaowalit Yongchaiyudh have agreed to boost bilateral trade and investment between the two countries.

After arriving in Thailand on a two-day visit aimed at boosting trade ties between the two countries yesterday, Mandela asked for Thai investment in South Africa.

He pointed to the country's highly developed infrastructure, including roads and ports, and cheap labour, all basics for investment, Thai government spokesman Mr Varathep Ratanakorn said.

Mandela is accompanied by a 10-member delegation which includes Foreign Minister Mr Alfred Nzo and Mineral and Energy Minister Mr Penuel Maduna.

For his part, Chaowalit expressed Thailand's desire to become a gateway for South African goods entering South East Asian markets, Ratanakorn added.

The two countries signed a double taxation agreement last year, and have discussed trade protection deals, the spokesman said.

According to another Thai official, details of further cooperation will be discussed when the Thai prime minister visits Pretoria next month.

Mandela also expressed confidence in Thailand's economic future following the surprise float of the baht (Thai currency) on July 2 and the threat of depreciation of other regional currencies.

Thailand also asked South Africa to support its application to join the Indian Ocean Rim Association for Regional Cooperation (IOR), formed in 1995 to boost economic cooperation in the region.

The 14-member group met in March in Mauritius.

The Thai government also agreed in principle to support the South African bid to host the 2004 Olympic Games. – *Sapa-AFP.*

Taiwan trade with SA down sharply

Investment level drops to zero

(74)

ARGT 17/7/97

ADRIAN HADLAND

Taipei – Taiwan's investment and import levels with South Africa had dropped rapidlyafter its withdrawal earlier this year of diplomatic recognition, trade and industry officials said here.

Hsing-Young Chang, a deputy director in Taiwan's ministry of economic affairs, said imports from South Africa were down almost seven percent from last year while corporate foreign investment had dropped to zero.

"The decision has had some negative effects. In the previous two years there were seven cases of major investments in South Africa by Taiwanese companies. This year there have been none."

He said that while the economic impact of South Africa's switch of allegiance from Taipei to Beijing had not been very great on Taiwan's economy, the psychological effect had been keenly felt.

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Mr Chang said a range of import incentives and a special fund created to encourage investment in South Africa had been withdrawn.

South African consulate officials in Hong Kong said earlier that the switch in recognition had been an important economic move.

China together with its new special administrative region of Hong Kong represented South Africa's fourth largest trading partner with great scope for expansion. It was a relationship South Africa could not afford to endanger, officials said.

Taiwan, however, has called for a gesture by South African authorities to show that positive trade and investment ties between the two countries will be encouraged in spite of the diplomatic rift.

"South Africa needs to find a programme that will benefit both sides. Maybe then some special incentives can be re-introduced," said Mr Chang.

He added that a lack of information about opportunities in South Africa was hindering potential investments.

"We need to be given more information. The private sector is interested but don't know enough. South Africa must present the country better. Then we can do some promotion work here."

Taiwan and the United States, meanwhile, were engaged in talks here on Taiwan's bid to join the World Trade Organisation (WTO).

Assistant US Trade Representative Robert Cassidy met Taiwanese Board of Foreign Trade officials in Taipei to discuss a range of issues.

Mr Chang said Taiwan needed the WTO as a formal communications channel with other countries.

Mainland China, however, which is keen to prevent any hint of Taiwanese independence, is expected to block the bid to accede to the WTO.

While China works at the territory's continued isolation, Taiwan is set to introduce a new ban on investment in the mainland, it was announced yesterday.

The policy is part of Taiwan's general strategy of preventing over-dependence on the mainland. It believes this would give China too much economic, and therefore political, leverage.

REE TRADE AGREEMENT (74) 18/7/97 FM.

Can Alec keep door ajar?

Determined Erwin sets off for Brussels as EU warns that window of opportunity is about to close

FM 18/7/97 (74)

It's been a long wait But, two years after the European Union first drew up proposals for a wide-ranging free trade agreement with SA, officials seem confident that negotiations on the treaty are finally due to begin in earnest

One indication that the two sides are limbering up for serious talks is that both are raising the stakes, suggesting that there is much more to be won (or lost) than a simple trade deal

EU officials are warning that the window of opportunity for a deal with SA could soon start to close while SA is arguing that a deal offers the EU a special chance to contribute to the development of Africa

The first top-level talks since SA tabled detailed proposals in June take place in Brussels this Friday

The outcome of the meeting between Trade & Industry Minister Alec Erwin and European Commissioner Joao de Deus Pinheiro is crucial

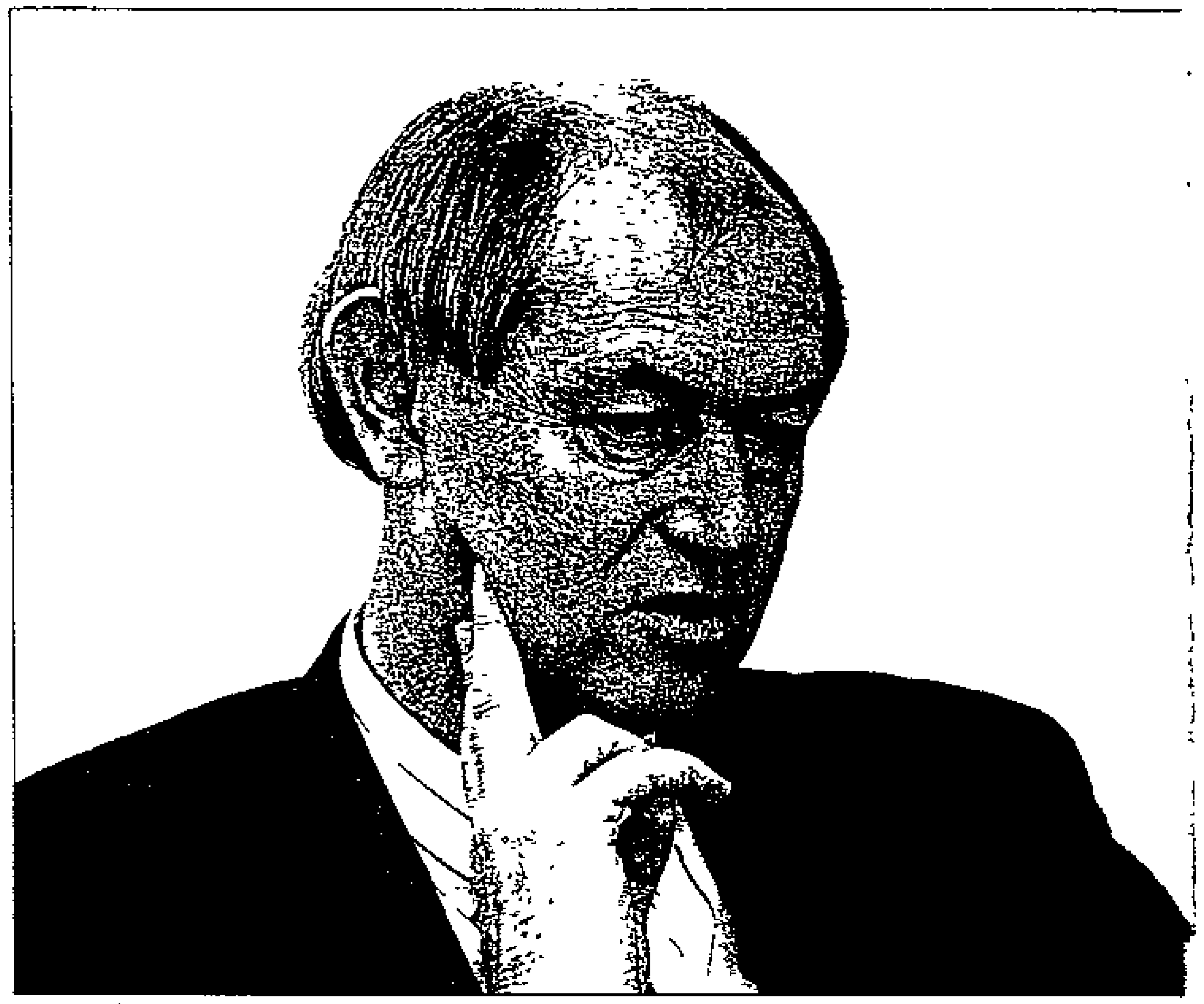
A successful conclusion will give much-needed political impetus to EU-SA relations which in turn would kick-start the free trade negotiations Failure will inevitably mean the death of the EU's proposals for a free trade agreement

EU officials are optimistic They point out that Pretoria has finally given the European Commission a list of its tariff liberalisation plans

Officials in Brussels see this as the first encouraging sign that SA is finally getting serious about clinching the pact Though EU negotiators describe the SA offer as "sketchy," they say it's a good enough starting point to get the long-awaited talks under way

SA officials are more cautious Speaking to the *FM* prior to his departure for Europe, Erwin says that "in some areas it appears we are still talking past each other The conceptual barriers between us and the EU have not yet been broken Our perception was that we would be offered an innovative deal geared to our particular circumstances This has not yet happened"

EU officials, frustrated by what they perceive as stonewalling on Pretoria's part, suggest that SA may be well advised not to delay the discussions



Robert Tshabalala

Alec Erwin . time not in SA's favour but it's not make or break with Europe

For one, EU officials warn that public support and sympathy for SA's post-apartheid government may fade over time The risk of this happening is especially strong because, as the EU sees it, the free trade deal being offered to SA is much more generous than similar pacts negotiated with Israel or Tunisia or the agreement under discussion with Mexico

Even though SA claims that up to 40% of its farm exports to the EU will be excluded from the deal, this is the first time the EU has included the agricultural sector in a free trade arrangement with any of its foreign partners

"I think we can say that this is the best negotiating mandate ever given to the European Commission by its member governments," an EU official says

Brussels claims SA is exaggerating the importance of the so-called exclusion list, pointing out that farm products represent only 4% of EU-SA trade Also, the EU says it will dismantle its tariffs and quotas faster than SA has to

The bilateral EU-SA free trade talks could also be overtaken by efforts to launch another global trade round in the Geneva-based World Trade Organisation (WTO)

European Trade Commissioner Sir Leon Brittan is already pressing for a so-called "millennium round" to give an added push to world efforts at trade liberalisation If a new round is launched, there will be less EU support for bilateral deals with foreign trading partners

Also, the proposed EU-SA treaty isn't too popular with many WTO members, including India and Pakistan, who say there's no reason for the EU to give special treatment to SA exports when their own goods have problems securing access to the European market

Europe's planned eastward enlargement could make EU countries even more careful about giving trade concessions to foreign nations

Most of the six new nations (Hungary, Poland, Czech Republic, Slovenia, Estonia and Cyprus), which are poised to start EU membership negotiations next April, will need large amounts of EU aid and trade help to meet western Europe's higher economic standards This will lead to a switch in EU focus towards eastern Europe rather than SA or even Asia

Officials in Brussels warn that a "broader EU," including nations who are poorer than their western European neighbours, will be less generous in considering market access requests put in by non-European states

Erwin concedes SA could start losing ground "We know that time is not in our favour," he says, but adds that SA will not accept a deal at any price

"This is not a make or break with Europe Achieving a trade deal with the EU is significant because it is our biggest trading partner, but it is not decisive

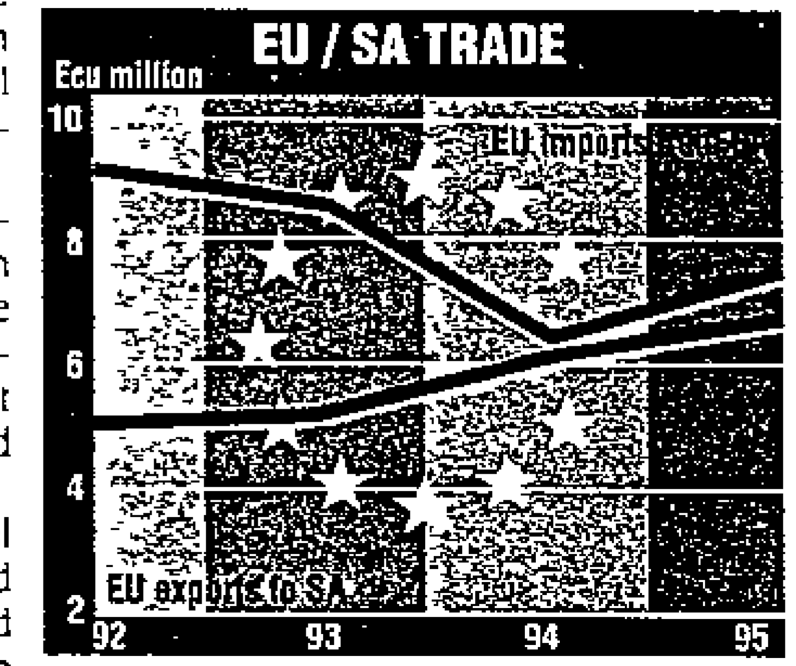
"If we don't do a deal, it won't be the end of our relations with the EU We also know that if we cannot achieve a reasonable agreement, the SA economy won't disintegrate overnight"

Erwin believes that the EU has not yet grasped the import of striking a deal with SA

"We believe the EU has made a serious error by failing to recognise SA's importance to Africa We have never sought a deal that would benefit only SA The issues at stake transcend bilateral relations

"This deal presents an important strategic choice for Europe It's the first real opportunity in nearly 50 years to generate growth in Africa, driven by the south"

For SA, the key sticking point remains its demand that the deal should contain elements which will promote development



"We are not talking aid here," Erwin emphasises "We are talking about promoting development through 'Trade and Investment"

One proposal which SA has tabled is that the EU should assist government in restructuring and refinancing debt for investment agencies in the country

Another major bone of contention remains the pace of liberalisation The EU has complicated negotiations on the issue by tabling its exclusion list

For its part, SA argues that all products in all sectors should be covered by the free trade agreement "If this is going to a genuine free trade agreement all trade in all sectors has to be covered" says Erwin

SA's proposals tabled in June set out a three-phased schedule for dismantling tariffs over 12 years But, recognising that tariff cuts will be difficult in certain sectors the proposal calls for "special protocols" for particular products to allow phased dismantling of tariff structures and built-in review periods

"We recognise that we cannot just lump all products into the same category and that some will require a different process of liberalisation

"For us these sensitive areas include the motor industry textiles and clothing as well as the sugar industry

"On the other side, we believe we cannot give free access to all EU agricultural products because they are so heavily subsidised The proposal would allow us to review the situation as the Common Agricultural Policy unfolds"

EU officials say that the fall in tariff revenues triggered by the free trade deal will be in southern Africa's long-term economic interest, involving all the nations of the region

"It will speed up the process of fiscal reform, helping governments to switch from revenue derived from customs duties to more modern taxation methods such as value-added tax and sales tax," an EU official says

Erwin says SA is prepared to make structural changes but the EU has to recognise that the most painful adjustments will be made in SA rather than in the EU

In the end, political will rather than technical questions will be the decisive factor in determining the future direction of EU-SA relations

For the EU, it's clear by accepting a free trade deal with the EU Pretoria will be signalling more than just a commitment to closer relations with Europe It will also be highlighting its readiness to accept the challenge of economic and trade modernisation and liberalisation

"We're talking about the credibility of SA's policy of economic reform," an EU official concludes

For SA, a deal on the right terms will open the door to a real African renaissance **Shada Islam, Brussels, and Caroline Southey**

SA will join Lomé in September

John Dludlu

SA IS to become a qualified member of the Lomé convention in September and will begin consultations next week to formulate a position on negotiations on the future of the convention.

The Development Bank of Southern Africa, the Foundation for Global Dialogue and the Friedrich-Ebert Stiftung have organised a seminar next Tuesday for SA's policy makers and the public. This is the first of a series intended to generate debate ahead of the start of talks between the convention's signatories: the European Union (EU) and its African, Caribbean and Pacific (ACP) partners.

The organisers of the seminar will also develop a strategy for research and consultation on the future of ACP-EU relations before the expiry of the fourth convention in 2000.

Foundation for Global Dialogue executive director Garth le Pere said the objective of the conference — with speakers from government, academia and the research community — was to lay a foundation for an SA debate that would be fed into the southern African regional position.

However, like in other negotiations, it was still unclear whether SA — which chaired the Southern African Development Community (SADC) and was a member of the five-nation Southern African Customs Union — would make its position alone or as part of the customs union.

"We want to develop conceptual pointers to inform the thinking of policy makers," Le Pere said. It was hoped that the envisaged series of workshops would be a launching pad for a serious and deeper discussion within the SADC region.

Although exploratory work on cobbling together an SADC position on the ACP-EU talks has been done, it is understood debate on the post-2000 Lomé within the "a part of the ACP" club has been perfunctory.

Heads of ACP governments are due to meet later this year to discuss, among other things, their position in the talks with the EU.

Fears have been expressed that deepening integration in the EU with the planned launch of the single currency in 1999, and its eastward expansion, will see little attention being paid to ACP states. Despite lack of a formal position, the ACP countries — which include some of the world's poorest nations — are known to favour retaining the status quo, notably the nonreciprocal tariff and quota concessions they receive under Lomé as well as the special commodity protocols on veal and beef, sugar and rum.

The EU, which will issue negotiating directives in November, has released a discussion paper, suggesting the ACP bloc might have to be divided into regions.

(74)

BD 18/7/97

See Page 11

Trade summit attempts to breathe life into slow progress on Lomé accords

Although there is a perception among some commissioners that SA is dragging its feet on certain issues, some significant milestones have been achieved, writes John Dludlu

(74) BD 18/7/97

TODAY'S ministerial summit between Trade Minister Alec Erwin and João de Deus Pinheiro, the commissioner in charge of relations between the European Union (EU) and SA, will be a significant building block in the relationship between the two partners in which both, responsible for the co-operation negotiations in their respective principals, will take stock of progress made over the past six months.

The EU has been reluctant to raise expectations about today's meeting. To some in the European Commission, the executive of the 15-nation EU, very little has been achieved in six months since serious talks began on January 24.

This assessment is, in part, due to frustrations by member states who feel "SA is not playing ball".

The impression is that despite having tabled its opening position in December-January, outlining the broader principles underlying the bilateral agreement, Pretoria was not ready to engage the EU on its March 1996 proposals. This was the case with the March round on trade-related issues (competition policy; technical standards; antidumping; state procurement) and the May session (on a fisheries accord).

These frustrations were caused by delays in SA policy formulation (such as that of competition policy) and lack of national policy (in regard to SA's fishing policy and antidumping measures).

The delays have fuelled suspicions of bad faith on SA's part among some analysts. Speculation that Pretoria was only pushing for progress in areas of interest to it (such as accession to the Lomé Convention and the science and technology accord) gained credibility among certain Brussels observers.

While it is true that progress has been slow, it would be unfair to the two sides to say there has not been any progress at all.

Since last December, when the two sides' positions were finalised, some significant milestones have been achieved. SA's firms are now in line to tender for R45bn worth of development projects financed by the European Development Fund, the kitty which supports Lomé — the French-inspired trade and aid accord between 70 African, Caribbean and Pacific (ACP) nations.

The partial accessi[illegible] — which excludes SA from the [illegible]onvention's nonreciprocal ta[illegible] and quota concessions, its structural adjustment funds and the range of special commodity protocols (such as beef and veal, bananas and sugar) — will allow SA to participate in the convention's institutions, the ministers' council and ambassadors' committee.

From September when the Lomé protocol comes into force, Pretoria will be able to contribute to the debate on the future of ACP-EU relations after 2000.

On December 5 last year, Elias Links, SA's ambassador to the EU and Edith Cresson, the commissioner responsible for science, research and development, signed a science and technology agreement, paving the way for co-operation in this field.

This accord did not make headlines, but it is important as it will see the shared use of research facilities, scientific networks, training of researchers and exchange of information.

Ice has been broken in wines talks, thanks to the inclusion of KWV executives in the Pretoria delegation, although it is not clear whether this accord will include spirits as well.

Progress has also been made in the area of development co-operation. The EU provides R600m in aid a year towards social services, regional co-operation, good governance, democratisation and private sector development.

While some critics may dismiss these developments as insignificant and having accrued to one side (Pretoria), these are important building blocks in the emerging relationship. What is needed now is consolidation.

Pinheiro and Erwin come to today's meeting with constituencies that are hungry for concessions. Pinheiro's constituency includes elements increasingly impatient with what they consider to be foot dragging by Pretoria, while Erwin's has some who believe that Brussels can easily persuade protectionist lobbyists to forget about their fears of competition in sensitive sectors.

Erwin is also carrying the real fears of SA's neighbours about the mooted deal — some of whom will lose crucial fiscal revenue — and is looking for imaginative ways to deal with them.

The two officials have to give the talks fresh political impetus. Erwin has to strengthen Pinheiro's hand among the EU's 15 nations by renewing SA's commitment to talks on other fronts.

The two politicians will also seek agreement on a working programme of meetings for the rest of the year. More regular meetings will increase mutual understanding of each other's positions.

Govt says new export marketing scheme in operation next month

BD 18/7/97 (749)

John Dludlu

GOVERNMENT has announced that its reshaped export marketing scheme, which would include investments, would come into operation in the middle of next month.

The scheme, which would also be available to small- and medium-sized firms under special terms, was part of government's package of new supply side measures announced last year.

Apart from providing assistance for primary export marketing research, outward selling trade missions, inward buying trade missions, and exhibition assistance, the scheme would also include four new facilities to enable firms "interested in exporting to undertake meaningful market research abroad", acting director-general at the trade and industry department, Alwyn Kraamwinkel, said yesterday.

The daily subsistence allowance given to exporters would be doubled to R800 and exporters would be given financial assistance to rent cars, print export brochures and register products in export markets.

The new facilities included assistance to industry specific sectors, outward investment missions, inward investment missions and foreign direct investment research.

The scheme is an improvement on the current export marketing assistance scheme, which existed side by side with the controversial general export incentive scheme — the latter is being phased out in line with SA's commitment to the World Trade Organisation.

The general export incentive scheme, which swallowed a huge chunk of the department's budgetary resources, was popular among business as it bolstered their bottom line.

"Until the new scheme becomes operational, people may continue to apply for assistance under the existing export marketing scheme," Kraamwinkel said.

SATURDAY JULY 19/20 1997

Bid for EU free-trade deal gains momentum

(74) ARG 19/7/97

Brussels – The European Union and South Africa have promised to inject new political momentum into their long-standing plans for a free trade treaty, with officials saying the new deal could be ready for signature next year.

"We have decided to give new impetus to the talks," European Development Commissioner Joao de Deus Pinheiro said yesterday. South Africa's Minister of Trade and Industry Alec Erwin said both sides had "cleared the way" for serious negotiations on the future trade deal.

The European Union first came up with its plan for a free trade agreement with South Africa in July 1995, but Pretoria balked at the proposals, arguing that the EU was focusing too much on trade and not enough on South Africa's hopes for rapid economic development – specifically, the EU was excluding 40 percent of their farm exports from the free trade deal.

Pretoria also argued that by allowing European exporters easier access to the South African market, the free-trade accord could end up harming the economic interests of other southern African countries which rely on trade with South Africa.

But, both Mr Erwin and Mr Pinheiro said such concerns had now been allayed.

"We have agreed on important principles for a far-sighted and long-ranging agreement," Mr Erwin insisted. "We have also identified processes and mechanisms to take us forward rapidly."

Mr Pinheiro said the EU was determined to ensure the deal with South Africa did not create problems for its poorer neighbours. "We want to help to promote regional integration," the commissioner stressed.

In joint conclusions released in Brussels the EU and South Africa agreed to work towards a comprehensive bilateral agreement which would cover trade, development and "a series of other aspects of cooperation". On trade, the two sides said they would strive to clinch a free trade agreement which would meet standards set by the World Trade Organisation, benefit the southern African region and respect the "sensitive interests and products" of both South Africa and the EU.

Officials said this meant while the EU was anxious to limit competition from South African farm products, South Africa too would be given more time to phase out controls on imports of textiles, cars and other "sensitive" products from Europe.

Mr Erwin said the free trade deal fitted in with South Africa's efforts at economic restructuring and trade liberalisation. – Sapa-DPA

'C tender

in the second half ...ark. That has now ...until June 1998. ...ismissed the "im... a smokescreen, ...at Telkom already ...f computing hard... incompatibility ...resolved. Telkom ...vestigate cost-cut..., he said.

...ntly wrote to ACI ...nt from other ven... ...ssessed in August ...list could be compiled. Only listed suppliers could bid for a new tender to be issued in June 1998, said tactical procurement manager Mike Midgley.

Last week Telkom admitted it had withdrawn another controversial tender that was widely believed to have been written specifically for one vendor.

Telkom said that tender, for the creation of a new network, was withdrawn because its equity partners SBC and Telekom Malaysia were reassessing their network plans.

...eral secretary Pierre Sane at a news briefing on Friday at ...he SA Police Service's conduct towards prisoners. Sane ...

Picture: ROBERT BOTHA

Negotiators agree to speed up talks

John Dludlu (74) BD 21/7/97

SA AND European Union (EU) negotiators have agreed to a series of steps to accelerate the pace of cooperation talks, but have for the first time officially admitted that the negotiations will not be concluded this year.

Working groups, formed from both sides, would meet more regularly to intensify work on trade aspects, sources close to the negotiations said.

A fresh working programme, providing for monthly plenary sessions, starting in October as most of Europe goes on holiday next month, had been agreed to, the sources said.

This came after Friday's ministerial meeting in Brussels between Trade Minister Alec Erwin and João de Deus Pinheiro, the European commissioner in charge of development and relations with SA.

Sources said the Erwin-Pinheiro meeting had given fresh political impetus to the talks, which had almost ground to a halt before June.

According to the joint conclusions of the stock-taking meeting, negotiations on a fisheries accord would resume early next year.

Crucially, the two parties said the EU-SA agreement, including a free trade area to be developed over a 12-year period, should "contain provisions to support the adjustment efforts that will be undertaken in various economic sectors".

It is still unclear, though, how far the EU is prepared to go in providing support for the mooted free trade area, which would affect SA's neighbours in the customs union.

It was agreed that in the accord the principle of "assymetry" would be upheld, providing for fast liberalisation by the EU.

While the joint conclusions say both sides agreed to pay special attention to the impact on southern Africa, the EU has previously indicated that it believes that funds available for structural adjustment from the Lomé Convention would be adequate to meet the challenge.

Both Brussels and Pretoria also acknowledged the "fact that certain sensitive sectors and products will require special treatment".

'SAPS transformation should be speeded up'

Nomavenda Mathiane BD 21/7/97

THERE was still a lot of work to be done in the SA Police Service (SAPS) to bring about an understanding of a human rights culture and the rights of prisoners, visiting Amnesty International human rights researcher Mary Rayner said at the weekend.

She said 191 deaths in police custody had been reported to the Independent Complaints Directorate since April, a fact which indicated that the SA government needed to speed up the transformation process in the SAPS.

There were reports that KwaZulu-Natal police still used coercive interrogation methods and that not many changes had taken place in the criminal justice system and legislation.

She said visits to prisons revealed poor conditions and treatment of prisoners. Reports to the directorate showed the legacy of the past had in some parts of the country been carried into the new SA.

On the question of the death penalty being revoked, Rayner said her organisation was totally opposed to capital punishment. The new SA constitution did not provide for it and there was no proof that the death penalty was a crime deterrent.

She understood South Africans' thinking that capital punishment could solve the crime problem, but research proved crime needed to be dealt with by addressing the causes.

Rayner and the organisation's general secretary Pierre Sane are in SA to prepare for the 23rd Amnesty International council meeting at the University of the Western Cape in December.

This will be the first time Amnesty International holds a conference in SA. The organisation monitors the violation of prisoners' human rights by lobbying government for their release and works with other humanitarian organisations.

A large number of SA cabinet ministers and leading government officials who were imprisoned by the National Party government were on its list. It was for this reason that the previous government banned the organisation.

London-based Rayner was first allowed into SA in 1990 and has since returned on numerous fact-finding missions.

CT (BR) 21/7/97

Horse-trading ahead over duty credit scheme

(744)

Ncaba Hlophe

Johannesburg — The review and imminent scrapping of the Duty Credit Certificate Scheme by the state is at the centre of intense horse-trading with manufacturers who claim it has been their export lifelife.

The scheme was started in 1993 as a long-term strategic plan for the restructuring of the textile and clothing industries to boost their export performance.

It has benefited some 67 participating exporters to the value of R108 million so far, Susan van der Merwe, the director of the textile, clothing and footwear department, said.

The government is assessing whether the scheme has been effective in boosting exports and if it breaches World Trade Organisation (WTO) free trade rules.

The government has budgeted about R875 000 for the scheme and is expected to decide it will remain valid until March next year.

"In our view, it has definitely assisted the manufacturers, but a study is under way to determine whether is has achieved the objectives originally specified, and it is still to be decided whether it should be terminated," Van der Merwe said.

Paul Theron, an economist for the Clothing Federation of South Africa, said scrapping the scheme will result in the "total collapse of exports in textile and clothing products" as it had been critical in boosting the industries' exports. He said the scheme is not in contravention of WTO rules as it promotes reciprocal trade and penetration of the international markets by South African products.

In terms of the scheme, exporters can earn duty credit certificates based on the export of prescribed locally produced products covered by the scheme.

SA mission in Tanzania

(74)

Maja Wallengren

BD 22/7/97

DAR ES SALAAM — More than 60 representatives from 40 SA companies opened a trade and investment seminar in the Tanzanian capital of Dar es Salaam yesterday — the biggest visit by an SA trade delegation to East Africa.

The mission was led by SA's Deputy Trade and Industry Minister Phumzile Mlambo-Ngcuka, who said Tanzania, Uganda and Kenya were priority targets for SA investment, since East Africa had much to offer SA business.

The trade mission includes major SA companies such as Bonnita, Eldon Stationery, Investec Bank, The Premier Group, Rotek Industries, Supreme Foods and Tiger Oats.

SA high commissioner to Tanzania Thandi Lujabe-Rankoe said the Tanzanian government had over the past 18 months made great improvements to create an attractive business environment for foreign investors.

SA investment in Tanzania had grown significantly over the past two years. SA companies had invested more than R200m in the country to date, with about 15 SA companies already established there, most noticeably in the rapidly growing mining industry. Other big companies included SA Breweries and Stanbic Bank.

Exports likely to lead SA's economic recovery later this year, says bureau

C 749

ARG 24/7/97

BUSINESS REPORTER

Exports and public sector fixed investment are expected to remain at the forefront of South Africa's economic growth, according to the July Manufacturing Survey of Stellenbosch University's Bureau for Economic Research.

But the Bureau for Economic Research (BER) said the more important factor remained the demand for goods in country's major trading partners, which appeared to be favourable, and likely to assist in an export-led economic recovery towards the end of the year.

This was good news for the economy which was clearly in the middle of an economic downswing as indicated by declining private consumption expenditure, the bureau said.

According to the BER, the falling expenditure had affected manufacturers which had expected much higher demand for their goods in the second quarter of the year.

"Firstly, the general situation at the retail and wholesale level could not sustain the sharp improvement in manufacturing volumes," the report said.

"Secondly, it is possible that the recent appreciation of the rand was detrimental to exports and had a sobering effect on manufacturers' export expectations."

Instead of accelerating, the growth in domestic and export sales and order volumes had slowed down, resulting in a build-up of finished goods.

"At present, finished goods stocks are unsatisfactorily high, indicating downward pressure on production and factory employment in the months ahead."

The unrealised expectations had also had a major impact on business confidence.

The BER emphasised, however, that manufacturers did not expect further sharp declines in sales and production volumes.

"Although the overall results point to a significant slowdown in the second quarter, it is still encouraging to report that the underlying improving trend remains in place. Expectations regarding the domestic market have been adjusted to more realistic levels and indicate sustained year-on-year growth."

The BER, however, did not expect business conditions to improve significantly straight away.

SADC forges on with plans to create a free trade area

Lucia Mutikani BD 28/7/97 (2791) (74)

THE Southern African Development Community (SADC) would forge ahead with plans to establish a free trade area despite criticism from some international economists, executive secretary Kaire Mbuende said at the weekend.

Last week, Jeffrey Herbst, an economist with Princeton University in the US, said the SADC should switch its focus from the free trade area to boosting infrastructure and harmonising economic policies and regulations. He said trade in the region was unlikely to play a major part in member states' economies because the market was too small.

Mbuende said: "We are saying we have to have a free trade for movement of goods freely in the region. For us it is not a question of either or." Mbuende also said it was believed the region was seen as having a small market because it had not been integrated.

The establishment of the free trade area within eight years was expected to create a huge market for the region with a population of 150-million and a combined gross domestic product of $170bn.

"If they (economists) have been following the process ... they would not come to this conclusion. The concept of a free trade area is a logical one."

CT (BR) 29/7/97

(74)

TRADE

SA 'missing out on scramble for Africa'

South African manufacturers were missing out on opportunities to trade with the rest of Africa, Herman Fouche, the senior manager for marketing and sales at SAA Cargo, said yesterday.

He warned that an economic "scramble for Africa" was in progress. Foreign companies saw South Africa as the gateway to African markets and it would be "terrible if this country just became a conduit for foreign goods in transit".

Fouche said companies "should realise that Africa was being viewed as an emerging economic region by first world economies whose domestic markets had reached saturation point".

"There is a demand for South African products. About 60 per cent of our outbound cargo to the rest of Africa consists of perishables but there is a demand for manufactured goods, machinery, agricultural implements, household appliances, technical instruments, plant, chemicals and pharmaceuticals, which could be supplied more cheaply from here than from Europe," he said. — *Audrey D'Angelo, Cape Town*

US firms urged to step up SA trade

Star 29/7/97

Tony O'Reilly writes to hundreds of influential directors appealing for support

(74)

By Rich Mkhondo

Tony O'Reilly, proprietor of Independent Newspapers and chairman of Heinz, has written to hundreds of US business leaders, urging them to support their government's legislative initiatives aimed at stimulating and promoting economic growth in southern Africa.

"I am writing about a significant initiative which deals with current US/Africa relations," O'Reilly said in the letter to business leaders such as David Rockefeller, Gerald Levin of Time Warner, and John Pepper of Procter and Gamble.

"I feel the initiative warrants our support. I ask you to encourage your respective legislators to take this opportunity in support of the legislation to send a signal to African leaders of US economic involvement in the economic changes underway in their respective countries," said O'Reilly, former Lions rugby star, and a large shareholder in some of the world's most successful companies.

The trade initiatives will extend favoured trade status to some African democracies, increasing their access to US markets, and offer them some debt relief.

Sceptics say the initiative is too little, too late. They fear it won't restore confidence in a continent where billions of dollars in foreign aid have been spent over the years with little to show for it and where many economies and governments are still fragile.

Initiatives will be voted on by Congress

However, O'Reilly said: "The proposal underscores African economic reform and encourages business development."

The idea of a bill to promote trade and development in the African continent was first proposed by a group of congressmen, Philip Crane, a Republican Party congressman from Illinois, and Democratic Party counterparts Jim McDermott of Washington State and Charles Rangel of New York, who want to make trade and investment a priority over traditional foreign aid.

Dubbed, "Partnership for Promoting Economic Growth and Opportunity in Africa", the initiatives would soon be voted into law by the US Congress.

President Clinton hopes the initiatives would increase access to US markets for African products.

Among others, the bill would pave the way for the creation of \$650-million (about R3-billion) investment funds by the Overseas Private Investment Corporation to promote business and pay for infrastructure projects with emphasis on job creation.

The bill provides for the formation of a US/Africa Economic Forum modelled on the Asia-Pacific Economic Co-operation grouping; the creation of a free trade zone with some African countries by 2020; the creation of a post of assistant US trade representative for Africa, and a requirement that one member of the board of the US Export-Import Bank has private sector experience in Africa.

There will be support for accelerated debt relief and loan guarantees to spur investment in 48 sub-Saharan nations.

Finally, the General System of Preferences programme (GSP) which allows goods from poor countries into the United States duty-free, will be expanded.

■ O'Reilly (60), was listed in the London Sunday Times as one of Britain's newest billionaires. He is the largest shareholder of Independent Newspapers PLC.

His wife, Chryss Goulandris (50), is a Greek shipping heiress who is worth more than £300-million (R2,3-billion).

The O'Reillys are in 14th position on the billionaire list, which has 16 entries, and they appear in the number two spot on the list of Ireland's richest 75. – Star Foreign Service.

Emerging SA businesses to receive help from US

By Rich Mkhondo

Washington – The Carlton Centre in downtown Johannesburg has been selected as the site for the creation of a Technical Assistance Centre (TAC), William Daley, the United States Commerce Secretary said.

Daley told a press briefing at the weekend on the eve of the US-South Africa Binational Commission (BNC) co-chaired by Deputy President Thabo Mbeki and US Vice-President Al Gore, which started yesterday and ends tomorrow, that the TAC will establish commercial links between emerging South African companies and American companies.

The BNC will be asked to identify a 10-member board of directors to run the TAC.

The TAC's programme will include the provision of services such as training, facilitating joint ventures, identifying procurement opportunities, business counselling and assisting businesses with marketing plans.

Funded by a grant from the US Agency for International Development, the TAC will focus on helping black businesses that are already operating to become competitive as suppliers and partners for US companies.

The BNC is an institutional forum in which the United States and South African government officials and business leaders guide and educate each other on policies and aspects helpful to their countries' relations, particularly business and private sector development.

The commission is designed to strengthen bilateral ties in a broad range of areas, such as environment, conservation and water affairs, science and technology, trade and business development, sustainable energy development, agriculture and human resources development and education.

The only other countries enjoying similar relations with the US are Russia, Egypt and the Ukraine. – Star Foreign Service.

Kenya urges SA government to level the playing fields

Kenyan businesses say they are losing out in the trade race with SA, writes **Louise Tunbridge** in Nairobi

(74) BD 29/7/97

AS MORE and more SA companies reach out for new markets in east Africa, Kenyan businessmen say they are being left behind.

Since the end of apartheid in 1994, the volume of trade between the two countries has increased by more than 500% to a total of about \$240m, but the balance is heavily weighted towards SA.

SA imports to Kenya grew from about R664m in 1994 to R953m last year. Kenyan exports to SA over a similar period improved from R28m to R123m.

More than 100 SA families, the majority representing SA companies, are now living in Nairobi.

According to the SA high commission, this influx has occurred during the past nine months and is a measure of the success of many companies in gaining a steady foothold in Kenya. Since its opening in 1994, the high commission has had a trade commissioner tasked with investigating potential opportunities and facilitating access for SA businesses. Kenya has no similar post at its high commission in SA.

Some of the larger firms already established in Kenya include Bell Equipment, Engen, Sappi and Multichoice, with SA Breweries due to enter the lucrative beer market towards the end of the year.

There are large amounts of money involved but most is invested in goods or services for sale. For example Winemasters, part of BP Investments, imports 24 containers of wine from the Stellenbosch vineyards every year.

So far, however, little SA money has been invested infrastructurally, although two large projects indicate a new thrust in that direction.

SA Breweries is spending \$40m on a new plant at Thika, about 100km north of Nairobi, and McCormick is investing a further \$60m constructing the Fox City shopping mall on the site of the Fox drive-in cinema on the outskirts of town.

This month 35 companies selling a wide range of goods and services from packaging, wine and glass to financial services, health equipment and furniture joined an SA trade mission to east Africa.

They included the Premier group, one of the largest blue-chip companies in SA with a turnover of about \$3,5bn, and its dairy arm, Bonnita, which operates the largest cheese and milk factories in southern Africa.

But for many Kenyans, the galloping advance from down south is seen more as a threat than an opportunity.

"The South Africans have definitely made a very aggressive entry into our market and it's very much one way at the moment," said Kenyan businessman and economist Robert Shaw.

Over the years, import tariffs and taxes have kept Kenyan coffee, tea and horticultural products out of the SA market.

SA's ongoing policy of reducing tariffs has not moved fast enough for some Kenyan exporters, who have tried to compete and have failed miserably.

According to Kenya's Chamber of Commerce chairman, Kassim Owango, SA still has a controlled economy and should do more to level the playing field.

"We appeal to SA to help us bring up the Kenyan baby at the same pace as you are growing. Right now there are too many bottle necks.

"We need your expertise and your investment. Why not invest in our tourism, manufacturing, mining and agriculture?" he urged delegates at this month's trade mission.

The Kenyan government points out the steps it has taken to liberalise its economy and provide an attractive climate for investment. Most import is that licensing requirements have been abolished, except those on certain products restricted for reasons of national security, public health or environment.

Foreign exchange controls have been removed and importers no longer have to apply to the central bank for hard currency.

A recently established export processing zone offers a package of incentives to investors, including tax holidays and duty-free importation of raw materials.

Broader investment by South Africans in Kenya may be a prospect for the future, but for the time being those leading the present trade boom say Kenyans must toughen up and make the most of it.

"Kenya is in a better position now than ever before," said an SA diplomat. "SA is four hours away, price wise it's good and also tariffs are easing. Kenyans are free to compete."

furnish remain proprietary to the official and the Minister concerned. Out of respect to the official, it would never be correct to undermine his or her probity in any way It is for this reason that I must request that this is not an issue for further discussion or questions, and

(2) I will not be making any statement on the matter

SANDF budget curbed

*30. Mr J A MARAIS asked the Minister of Finance †

What are the reasons for curbing the budget of the South African National Defence Force? N1454E

The MINISTER OF FINANCE.

I would like to reply to the hon member's question by providing the following information:

The budget request of the South African National Defence Force was considered in relation to similar requests from other departments against the background of the availability of financial resources and urgent needs such as socio-economic upliftment, crime prevention, lags of poverty, medical treatment for all, housing and borrowing limitations of the State

Although various fundamental defence capabilities are necessary, it should also be viewed in the Southern African context where peaceful co-operation between states does exist and the South African National Defence Force must move towards a defensive posture as stated in the Defence White Paper. The South African National Defence Force has also embarked on a transformation process that should bring about organisation structure changes and subsequent savings. The savings could then be redirected to those areas where significant decreases occur.

New questions:

Permit for export of Namibian manufactured clothing

*1. Mr A J LEON asked the Minister of Trade and Industry:

74

(1) Whether, with reference to the issuing of permit No 460.11 by the Namibian government providing for the export of Namibian manufactured clothing, he or his Department has been informed that the permit allows for the export of goods in excess of the capacity of the Namibian clothing industry; if so, what are the relevant details;

(2) whether he or his Department is or intends investigating the possibility of irregularities with regard to importing and re-exporting clothing from South Africa which may be allowed in terms of this permit; if not, why not; if so, what are the relevant details? N1561E

The MINISTER OF TRADE AND INDUSTRY:

(1) The Department of Trade and Industry and I are aware of permits that have been issued by the Namibian Government in terms of item 460.11 of Schedule 4 to the Customs and Excise Act. This item governs importation of certain textile and clothing products in terms of the Duty Credit Certificate Scheme (DCCS). In terms of the scheme an exporter of textile and clothing products can earn a duty credit certificate on the basis of its exports, which allows the owner of such certificate credit, to the value of the certificate, on customs duties payable on prescribed textile and clothing products. The DTI was notified by the Office of the Commissioner for Customs and Excise of 460 11 permits/certificates which were issued by the Namibian authorities in terms of which goods were entering South Africa. The DTI has its concerns about the magnitude of the permits/certificates applicable.

(2) Yes. The matter is being taken up with the Namibian Government with the view to discussion and exchange of information pertaining to the administration of the Duty Credit Certificate Scheme for exporters of textiles and clothing, and verification of certificates issued by Namibia.

The DTI will meet with the Namibian authorities on this matter soon.

Training of police detectives for criminal investigations

*2. Mr W L FOURIE asked the Minister for Safety and Security:

(1) How many active police detectives have not yet been adequately trained to carry out criminal investigations;

(2) whether he or the South African Police Service has any plans to improve the training of police detectives, if not, what is the position in this regard; if so, (a) when will such plans be put into effect and (b) what do these plans entail;

(3) whether he will make a statement on the matter? N1562E

The MINISTER FOR SAFETY AND SECURITY:

(1) 6 052

(2) Yes

(a) During 1997/1998.

(b) The detective and specialised units training programmes are currently being revised These training programmes are being developed to enhance the investigative skills of the investigators This is done by developing these training programmes according to competence- and outcomes based training as prescribed by South African Qualifications Authority and in line with the priorities of the South African Police Service.

(3) No.

Task team appointed to investigate Sarfu

*3. Mr A J LEON asked the Minister of Sport and Recreation:

(1) Whether, with reference to his reply to Question No 22 on 26 March 1997, the task team that was appointed to investigate the South African Rugby Football Union has completed its task; if not, what is the position in this regard; if so, (a) what were its findings and (b) what action has been taken as a result;

(2) whether Sarfu has co-operated fully with the task team; if not, what action has been taken as a result;

(3) whether he intends to take any other action in regard to South African rugby; if not, what is the position in this regard; if so, what action? N1563E

The MINISTER OF SPORT AND RECREATION·

(1) No.

The Task Team had indicated that their task would be completed by the end of September 1997 but SARFU urged its provincial affiliates not to co-operate with the Task Team toward the end of July 1997, and gave the Task Team an ultimatum to provide them with specific allegations by 15 August 1997, failing which they would seek a High Court order to obtain same

(a) The Task Team has not yet completed its task

(b) None.

(2) No Arrangements will be made to initiate a Commission of Inquiry in this regard.

(3) A written application for the institution of a Commission of Inquiry has to be submitted to the President.

*4. Mr M J ELLIS – Education. [Withdrawn.]

Crime Prevention Strategy: powers extended

*5. Mr D H M GIBSON asked the Minister for Safety and Security.

(1) Whether the Government intends strengthening political management over and increasing the role of the Presidency and the Cabinet in respect of the National Crime Prevention Strategy; if not, what is the position in this regard; if so, (a) what form will these measures take, (b) when will they be introduced, and (c) why are they considered necessary;

(2) whether these measures have been discussed with the South African Police Service; if not, what is the position in this regard; if so, what was the response thereto? N1565E

The MINISTER FOR SAFETY AND SECURITY

(1) Yes.

(a) The National Crime Prevention Strategy (NCPS) is currently managed by the Cabinet Committee for Security and

- In the Northern Cape a current programme of assistance has been extended to provide for remedial measures suggested in the report.
- Gauteng and Western Cape have the capacity to address the issues identified in the report independently.
- A request for assistance was received from the Director-General of KwaZulu-Natal only yesterday (16 September 1997). My department will be processing this request shortly.

(3) No

Reapplications for pensions: procedure facilitated

*52. Mr P C MCKENZIE asked the Minister for Welfare and Population Development:

(1) Whether any steps will be taken to facilitate the proposed procedure regarding reapplications for pensions, especially in respect of the elderly and infirm, if not, why not; if so, what are the relevant details;

(2) whether he will make a statement on the matter? N2096E

The MINISTER FOR WELFARE AND POPULATION DEVELOPMENT:

(1) Yes, steps will be taken to facilitate the process of re-registration for the elderly and infirm. Each province has to present a plan for this purpose and this includes a communication plan.

The Eastern Cape province has provided for re-registration at old age homes, radio broad casts requested that the elderly must contact the Department if there is a problem in getting to the facility for re-registration; re-registration forms will be given to individuals and then they may be taken to the local police station; and the re-registration team will either go to the pay point, or if necessary, to the individual. For the other provinces, it is premature to comment on the details at present;

(2) no.

74

Trade negotiations between SA/European Union

*53. Mr D DE V GRAAFF asked the Minister of Trade and Industry:

(1) Whether the present trade negotiations between South Africa and the European Union are progressing; if not, why not, if so, what are the relevant details;

(2) whether he will make a statement on the matter? N2097E

The MINISTER OF TRADE AND INDUSTRY:

(1) The Minister of Trade and Industry and the European Commissioner, Pinheiro, who is responsible for negotiations with SA, last met on 18 July 1997 and issued a document entitled *Joint conclusions on the state of play of EU/SA negotiations.* A copy is enclosed. The intention is to have a draft text on the table for consideration by the parties in January 1998. This will hopefully allow enough time for an elaborate ratification procedure on both sides, especially in the EU, with a view to implementing the agreement with effect from 1 January 1999.

(2) Statements have already been and will be issued from time to time.

Joint conclusions on state of play of EU/SA negotiations

On 18 July 1997 European Commissioner João de Deus Pinheiro and South African Minister Alec Erwin met in Brussels to discuss the state of play of the ongoing negotiation process between the European Union and the Republic of South Africa The two parties agreed that the following conclusions are an accurate reflection of the current situation.

(1) Parties are committed to work towards a *comprehensive bilateral agreement* between the government of South Africa and the European Union, which will cover *Trade Development* and a series of other aspects of *Co-operation.*

(2) As regards the *trade chapter* of the bilateral agreement both parties confirmed their intention to negotiate a text which will provide for progressive and reciprocal liberalisation of trade with a view to establishing a *Free Trade Area* between the European Union and South Africa. The FTA will be based on three principles:

(a) Full WTO compatibility

- Establishment of a Free Trade Area in *all sectors;*
- Covering *substantially all trade,*
- With a transitional period of maximum *ten years* (for certain products possibly twelve years) at the EU side and *twelve years* at the SA side.

(b) Respect for sensitive interests and products

- EU will eliminate its tariffs for SA faster than SA will eliminate its tariffs for the EU ("*principle of asymmetry*");
- Both EU and SA acknowledge the fact that certain sensitive sectors and products will require *special treatment;*

(c) Benefits for the Southern African region

- Both parties agree that SADC countries will have *equal or better access* to the SA market than the EU;
- Appropriate *rules of origin* under the FTA will stimulate intra-regional trade in Southern Africa;
- Both parties agree to pay special attention to the impact an FTA would have on the economies of the BLNS and SADC and other ACP countries.

(3) The bilateral agreement should contain provisions to support the *adjustment* efforts that will be undertaken in various economic sectors. The agreement should contribute towards regional integration and balanced development in Southern Africa and should facilitate trade, investment and economic growth in South Africa and, indirectly, the region as a whole.

(4) Parties also confirm that the bilateral agreement will include undertakings in a series of other areas which both Parties consider essential. These include, *inter alia*

(a) *Political dialogue* and Human Rights,

(b) *Trade related issues,* including the right of establishment and supply of services, movement of capital, competition policy, government procurement, intellectual property, standardisation and conformity assessment, customs co-operation;

(c) *Economic co-operation* on Industrial issues, Investment promotion and protection, trade development, SMEs, Information Society, Telecommunications and Information Technology, Energy, Mining and Minerals, Transport, Tourism, Agriculture, Fisheries, Services, Consumer Policy;

(d) *Development co-operation;*

(e) *Co-operation in other areas,* including Science and Technology, Environment, Culture, Social Issues, Information, Press and Audiovisual, Huamn Resources, Fight against Drugs and money laundering, (possibly) Judicial and law enforcement co-operation and fight against serious crime, Health,

(f) *Financial aspects of co-operation*

(5) Parties reconfirm their readiness to negotiate separate sectoral agreements on issues of mutual interest, such as co-operation in the area of *Wines and Spirits* and on *Fisheries* Whereas discussions on the first subject are at an advanced stage, negotiations on a Fisheries agreement will resume early in 1998

(6) Parties are committed to an intense and dynamic timeframe of negotiations and aim to conclude the technical discussions on the bilateral agreement in the course of 1998.

Brussels, 18 July 1997

SADC summit: political situation in member states discussed

*54. Mr D DE V GRAAFF asked the Minister of Trade and Industry:

Whether the political situation in member states of the Southern African Development Community is to be discussed at the forthcoming SADC summit; if not, why not; if so, what are the relevant details? N2098E

The MINISTER OF TRADE AND INDUSTRY:

Since the question refers to the political situation in member states of SADC, it is suggested that the question be referred to the relevant Department, i.e. the Department of Foreign Affairs.

care such as foster care or a children's home

- they should be prepared for independent living

Outreach Programme

A programme currently used, which has proved to be very successful, is outreach work on the streets, undertaken by welfare organisations. This programme is implemented:

During the day, and also after hours, the outreach worker works on the streets with the aim of becoming known to the street children.

When the outreach worker has obtained their trust and acceptance, he or she will be informed about new children on the street. The outreach worker is then able to link these children to the nearest resource centre in that area which might be a soup kitchen, night shelter or a shelter.

If a child can be identified soon after he first appears on the street and before he gets too "streetwise", the chances of returning him to his family and community are more successful. Outreach work is done by volunteers who receive the necessary training through a welfare organisation

(2) yes, there is a considerable number of programmes in provinces to deal with street children. Street children normally experience behavioural problems due to the circumstances which they had been subject to such as poverty, uncontrolled discipline, violence at home, abuse and neglect and alcohol abuse of parents. If a child reveals such behaviour the social worker involves him in a programme to enable him to address his problems effectively. These might include behavioural modification and life skills such as conflict management. The social workers are also sensitised to address the child's needs according to his developmental needs.

Expected annual demand for diesel by year 2000

48. Mr S SIMMONS asked the Minister of Minerals and Energy †

(1) What will be the expected annual demand for diesel by the year 2000;

(2) whether South Africa will have the capacity to refine the required amount of diesel by the year 2000 to meet this demand; if not, (a) why not and (b) what are the further relevant details? N2092E

The MINISTER OF MINERALS AND ENERGY

(1) Approximately 7 400 million litres (including Botswana, Lesotho, Swaziland and Namibia)

(2) At the current total crude oil and synthetic refinery capacity of 650 000 barrels per day and based on indications from the liquid fuels industry about refinery capacity expansion, adequate refinery capacity should be available to meet the demand for diesel in 2000

State expenditure incurred to date in current financial year

*49. Dr T G ALANT asked the Minister of Finance:†

(1) Whether he will furnish details of State expenditure incurred to date in the current financial year;

(2) whether the (a) Central Government and (b) various provinces are expected to remain within their respective budgets of expenditure; if not, why not, if so, what are the relevant details? N2093E

The MINISTER OF FINANCE:

(1) No. Details of State expenditure are kept by the individual departments and not by the Ministry of Finance. The Ministry of Finance publishes receipts and drawings on the Exchequer every month.

(2) (a) Central Government departments submit reports on their expenditure during September and January each year. The September reports are now under evaluation. Indications at this early stage do not raise undue concern.

(b) This is a provincial matter. The question must please be submitted to the provincial legislatures for response from the responsible Members of the Executive Committees.

Hansard

Parliament: SA's accession to the Lomé Convention ratified 74

*50. Mr P I BIKITSHA asked the Minister of Trade and Industry:

(1) Whether Parliament is to ratify South Africa's accession to the Lomé Convention; if not, why not; if so, what are the relevant details;

(2) whether he will make a statement on the matter? N2094E

The MINISTER OF TRADE AND INDUSTRY:

(1) The matter was discussed on 2 September by the Joint Committees of the Portfolio Committees responsible for Foreign Affairs, Trade and Industry, Water Affairs and Agriculture. They decided to postpone the matter until there was more clarity about the accumulation provision in the Lomé Convention. In the meantime, an explanatory statement has been received from the EU which will allow the committees to revisit the matter on 16 September. The matter has also been discussed by the Select Committee of the National Council of Provinces.

(2) The Minister of Foreign Affairs will make a statement.

Maladministration/corruption at provincial level: measures

*51. Mr S J DE BEER asked the Minister for the Public Service and Administration

(1) Whether there is any national co-ordination of measures to address the problem of maladministration and corruption at provincial level, as exposed in the Provincial Review Report; if not,

(2) whether he or his Department intends taking any measures in this regard; if not, what is the position in this regard; if so, what measures;

(3) whether he will make a statement on the matter? N2095E

The MINISTER FOR THE PUBLIC SERVICE AND ADMINISTRATION.

(1) A suggestion was put forward at a Cabinet meeting, 20 August 1997, that all national departments second two of their best members of staff to form a special team to go to the provinces and assist provincial departments with the implementation of the recommendations of the Report. This would have availed approximately 62 members to undertake remedial programmes in the Provinces over a nine month period. Cabinet was of the view that this recommendation would not be practical given the capacity constraints already experienced by national departments. To this end, the said Cabinet meeting urged Ministers to address problems related to their line functions along with their colleagues in Provincial Administrations, and to submit recommendations to the Minister for the Public Service and Administration on how they plan to deal with these.

(2) The Department of Public Service and Administration acknowledges that some of the provinces do not have the capacity to implement the remedial measures suggested in the report. The matter has now been left to the national Ministers and Departments, together with their provincial colleagues, to address those problems related to their line functions and to submit recommendations on how they plan to deal with these to the Minister for the Public Service and Administration. The Minister for the Public Service and Administration is also in the process of negotiating donor assistance to support the provinces in the implementation of corrective measures.

- In Mpumalanga a programme of assistance is being funded by the German Technical Co-operation (GTZ).
- In the Free State Province the British Department for International Development has provided assistance.
- SIDA is providing assistance in the Eastern Cape. Negotiations are underway with GTZ to provide assistance in building financial management capacity

(iii) 0

(c)(i) 4

(ii) 7

Parliamentary attendance register: Mr M V Moosa

January 1997:

Attended	No Parliamentary activities	0
Not attended		0

February 1997:

Attended	6,7,11,12,13,18,19,20,21	9
Not attended		0

March 1997:

Attended	11,12,25,26,27	5
Not attended	13	1

April 1997:

Attended	15,16,21,23,24	5
Not attended	17,18,22,25	4

May 1997:

Attended	5,6,7,9,13,14,15,16,20,21,22,23,28	13
Not attended	8,12,19,27,29	5

June 1997:

Attended	3,4,5,11,12,17,18,19	8
Not attended	10	1

July 1997

Attended	Recess	0
Not attended		0

Hansard

QUESTIONS

†Indicates translated version.

For written reply:

Primary school nutrition programme: budget

232. Mr M J ELLIS asked the Minister of Health:

(a) What amount was budgeted in the 1996 - 97 financial year for each child to be fed under the primary school nutrition programme and (b) what is the actual cost of feeding each child under this programme? N373E

The MINISTER OF HEALTH.

For an accurate and reliable reply, the hon member is urged to table this question in the different provincial legislatures.

Bi-national trade agreements: increase in trade/technology 74

739. Mr M F CASSIM asked the Minister of Trade and Industry:

Whether bi-national trade agreements concluded with foreign countries have resulted in (a) a sizeable trade increase between such countries and South Africa and/or (b) the latest technology being transferred to South Africa; if not, why not; if so, (a) what was the (i) nature and (ii) extent of such trade and (b) what technology has been transferred to South Africa? N1283E

The MINISTER OF TRADE AND INDUSTRY:

(a) The nature of bilateral trade agreements are such that they do not directly increase trade flows upon signature, but instead help to create and maintain a long-term environment which is conducive to trade and investment between the countries concerned. In particular, these agreements re-affirm both country's commitment to Most Favoured Nation status, and provide for a formal mechanism to address trade barriers and resolve trade disputes as they may arise. In certain agreements, such as those signed with Australia, India, Germany, France and the USA, more elaborate Joint Ministerial Commissions or Bi-National Commissions have been established to further enhance collaborative efforts between the two countries.

In the case of the European Union, South Africa is currently negotiating a Development Trade Agreement (DTA) to gain preferential access to the EU market. This DTA will serve to forge stronger links between the South African and EU economies, and will be tailored to increase strategic investment and technology flows to SA in the medium to long term Trade agreements with Zimbabwe, Malawi and Mozambique have on the other hand been designed to address current trade imbalances between South Africa and SADC member states, and are expected to increase total trade flows within the region over the medium to long term Such agreements therefore serve as a critical component of South Africa's economic commitment to the region.

Therefore, considering the nature of these agreements, and the fact that almost half of South Africa's total armoury of trade agreements have been signed over the last four years, it is not yet possible to evaluate the impact that such agreements have had on South Africa's trade patterns Changes in the volume of trade and investment flows are however being monitored by the DTI on an ongoing basis, but are only likely to reflect the possible benefits of these bilateral trade agreements over the medium to long term

(b) Similarly, considering that trade agreements are not designed to address issues relating to either investment or technology transfers, it is impossible to attribute any increase in investment or technology flows to the signing and implementation of bilateral trade agreements. However, these agreements have certainly helped to formalise and strengthen South Africa's economic relations in the post-sanctions global trading environment, and should in the longer term serve to generate significant national benefits in terms of trade, investment and economic co-operation.

(a) (i) Please find attached a copy of Customs and Excise 1996 trade statistics from which one can evaluate the current nature of South Africa's trade by country, region and sector.

(a) (ii) Please find attached a list of all bilateral agreements signed to date, in addition to a record of South Africa's current trade status with all of these countries.

(b) The South African Government does not regulate technology transfers to South Africa, and is therefore not in a position to provide an accurate evaluation as to the extent or nature of such technology flows.

RSA Trade Agreement Counterparts

1996	Total Trade (1) + (2)		RSA Exports (1)		RSA Imports (2)	
	R m	Rank	R'm	Rank	R m	Rank
Angola	1 785	26	1,524	20	261	38
Canada	1 760	27	791	28	969	25
Cuba	73	81	72	71	1	135
India	2,162	22	1,056	22	1,106	22
Iran	5 735	11	460	37	5,275	6
Israel	2,420	20	1,685	16	735	28
Malawi	1,257	33	962	23	295	36
Malaysia	1,794	25	714	30	1 080	23
Mozambique	2,452	19	2,377	14	75	56
Paraguay	50	91	44	79	6	100
Phillippines	358	50	249	46	109	52
ROC	6 792	6	3,178	8	3,614	8
Spain	3,848	16	2,739	11	1,109	21
Turkey	803	41	584	34	219	41

Justice: state advocates leaving/appointed

837 Mr D H M GIBSON asked the Minister of Justice:

(1) (a) How many State advocates have left the service of his Department since 1 January 1996 and (b) (i) how many new State advocates have been appointed to his Department since that date and (ii) how many of these appointments were made in accordance with the affirmative action policy,

(2) with reference to his reply to Question No 164 on 20 March 1996, (a) when did the interview with the Association of State Advocates take place, (b) what was discussed and (c) what conclusions were arrived at;

(3) whether any action has been taken as a result of this meeting; if not, why not; if so, (a) what action and (b) with what result? N1479E

The MINISTER OF JUSTICE:

On 1 July 1997 the information was as follows:

(1) (a) 17 *Senior State Advocates* resigned

20 *State Advocates* resigned.

(b) (i) *Senior State Advocate*: 20

State Advocate: 46 66

An exposition of the race and gender of the state advocates appointed is as follows:

(ii) *Senior State Advocate:*

Black		White		Coloured		Indian		
Male	Female	Male	Female	Male	Female	Male	Female	
4	2	4	5	3	1	1		20

State Advocate:

Black		White		Coloured		Indian		
Male	Female	Male	Female	Male	Female	Male	Female	
13	4	11	10	1	3	3	2	46

(2) (a) and (b) Several interviews took place since March 1996 between the Minister and the Association of State Advocates during which the following were discussed:

(i) De-linkage of the prosecution from the Public Service.

(ii) The filling of posts of 46 Senior State Prosecutors.

(iii) The creation of a post class: Chief State Prosecutor.

(iv) Overtime remuneration.

(v) The implementation of the second and third notches of the salary grading system

(vi) The non-market related salaries of State Prosecutors and State Advocates.

(c) In general the Department indicated that it was addressing these matters.

(3) (a) and (b) The filling of posts of Senior State Prosecutor and the payment of overtime remuneration have been finalized. The other matters which do not fall within the authority of the Department, have been taken up with the relevant authorities. Although discussions with the authorities are taking place on a continuous basis the matters have not been finalized as yet.

At the same time steps have been taken to finalize a draft National Prosecuting Authority Bill. This is presently awaiting Cabinet's approval

Portnet: exclusive haulage rights

897. Mr J A JORDAAN asked the Minister for Public Enterprises:

(1) Whether Portnet currently has exclusive haulage rights in any areas of the Republic; if not, what is the position in this regard; if so, in which areas;

(2) whether any restrictions currently apply to private hauliers in any areas of the Republic; if not, what is the position in this regard; if so, (a) what are the details of these restrictions and (b) in which areas,

(3) whether these restrictions are to be lifted, if not, what is the position in this regard; if so, when? N1547E

The MINISTER FOR PUBLIC ENTERPRISES:

Transnet Limited furnished the following reply to the hon member's question.

(1) Yes. Portnet has exclusive haulage rights in all the Ports and within a radius of 110 km, except in the Port of Durban where private hauliers are utilised in the Breakbulk side.

(2) Transnet can only comment on the Ports.

(a) and (b) Fall away.

(3) A court case is in progress in this regard and Portnet regards this matter as being *sub judice*. Portnet has, in any event, set up a task team to look at the matter and to engage in discussions with the Freight Associations with a view to lifting the restrictions in an orderly manner

Visas issued/refused in 1996

932. Mr F J VAN DEVENTER asked the Minister of Home Affairs.

(1) How many visas were (a) issued and (b) refused in 1996;

(2) whether this figure represents an increase as compared to the figure for 1995; if not, what was the percentage decrease; if so, what was the percentage increase? N1634E

The MINISTER OF HOME AFFAIRS:

(1) (a) 676 835 – This figure includes visitors', re-entry and transit visas.

(b) 28 071

(2) (a) 18% increase

(b) 81% increase

Permission granted/refused to assume another surname

934 Mr I J PRETORIUS asked the Minister of Home Affairs:

How many persons under the age of 21 years, were (a) granted and (b) refused permission to assume another surname in 1995 and 1996, respectively? N1636E

The MINISTER OF HOME AFFAIRS:

	1995	1996
(a)	5 528	6 969
(b)	21	23

Certificates issued: marriages/deaths/births

945. Mr I J PRETORIUS asked the Minister of Home Affairs:

How many (a) (i) birth certificates, (ii) death certificates and (iii) driver's licences were issued, (b) marriages were recorded and (c) marriage officers were appointed, in South Africa in 1995 and 1996, respectively? N1647E

Govt may back regional automated trade protocols

Lucia Mutikani

GOVERNMENT was looking at the possibility of automated trade protocols for motor trade in the southern African region, Motor Industry Forum head Anthony Black said at the weekend.

News last week that Namibia's General Motors assembly plant was expected to be operational by November sparked calls for a review of the motor trade protocols.

The plant has an initial order from the Namibian government of 800 trucks, but its long-term plans are unclear.

Black said automated protocols were the sensible way to go to avoid the problem of some countries in the region trying to establish small assembly plants.

"It would also ensure that neighbouring countries have a share of the investment," he said.

Although no figures were immediately available, it is understood that Zimbabwe has the highest tariffs, followed by SA. The tariffs vary according to engine size.

Calls have also been made for the reduction of tariffs by SA because of the high rate of illegal car imports.

Conservative estimates put the number of used cars illegally entering SA — mostly from Japan and South Korea through neighbouring countries — at 1 000 a month.

"Government is trying to clamp down on the smuggling of cars and where possible, legal action has been taken.

"I do not think that the appropriate response would be to reduce tariffs, because the problem is being addressed," said Black.

"Solving this problem is a question of administration of borders and (obtaining) co-operation from some of our neighbours, Black said."

He said although he could not challenge figures being put forward by the organisations representing car dealers, smuggled used cars were not flooding the market.

The Motor Industries Federation and the National Automotive Dealers Association would meet today to discuss the issue of illegal car imports which members said were threatening their continued existence, Gary McCraw, director of the dealers' body, said.

"We will identify what government has in place to control the problem.

"We will sit down with them (government) and see how we can improve on whatever system that is (presently) in place and come up with a plan of action to follow," McCraw said.

BD 4/8/97 (74)

Zimbabwe, SA to advance most favoured nation pact

(74) BD 6/8/97

Michael Hartnack

HARARE — Zimbabwe and SA had agreed on mechanisms to advance their 1964 "most favoured nation" trade pact, Trade and Industry Minister Alec Erwin said yesterday.

Erwin told a congress of Zimbabwe's Commercial Farmers' Union that yesterday morning's talks with his Zimbabwean counterpart, Nathan Shamuyarira, had finalised the agricultural products sector agreement, and some of the other products covered by the long-moribund 1964 pact.

"But I think even more important was our agreement on how we can take these processes forward," Erwin said. "We have agreed to take back to our cabinets detailed proposals about setting up a permanent structure to review liberalisation of markets and encourage increased investment into Zimbabwe from all areas, not just SA."

Erwin's announcement was welcomed by union delegates, whose 4 500 members hoped to achieve exports worth R200m a year to help offset the current R2bn-a-year trade imbalance in favour of SA. An SA high commission spokesman said a statement would be released early today.

"We have reached an agreement that we are very happy with," said Erwin, who faced talk of a "trade war" in past confrontations with private sector leaders in Zimbabwe.

"It will give significant new access to the SA market for Zimbabwean producers, both clothing and textiles, certain other products, and after today's discussions, agriculture," Erwin said.

He said the talks should create an intense dialogue not only between governments but between the private sectors of the two neighbours.

Detailed negotiations might be "tortuous and difficult" but SA had concluded its economy could only grow if its southern African development community neighbours' economies grew "even faster".

Zimbabwe's retail sector has complained of subsidised SA exports flooding the market, undermining local produce and industrial investment.

Erwin said neither SA nor any of its neighbours could hope to compete alone in a world context, and would be relegated to second class status if "regional thinking" did not develop. "The alternative is that we will end up being marginalised," he predicted.

Welcoming Erwin's announcement, union president Nick Swanepoel noted that 25% agricultural sector growth had made a major contribution to the 4,5%-5% overall economic growth forecast this year. Increased burdens of taxation of agriculture were reducing export competitiveness, he warned.

Swanepoel, whose members are 75% white, announced a new initiative on the vexed resettlement issue. He said proposals would be put to the government for a "mechanism" to provide the finance and administration for successful settlement of peasant families.

EU trade pact 'to divert R350m from union'

John Dludlu (74) BD 6/8/97

SA's partners in the customs union could lose up to R350m if the free trade area proposed by SA and the European Union (EU) is implemented, the final report on the effect of the deal says.

An earlier report, which the EU said grossly underestimated the severity of revenue loss, put the figure at R1bn.

The countries, Botswana, Lesotho, Namibia and Swaziland, share external tariffs with SA and are heavily reliant on income from the customs union pool.

The report, compiled by Harare-based consultancy Imani Development, said if Botswana was to stay out of the free trade area, the total reduction in revenue would amount to R115m; R70m for Lesotho; R110m for Namibia and R50m for Swaziland.

An EU official in Brussels said the study was "one of several inputs" to the talks, but refused to comment further.

The final report, which has been ap-

Continued on Page 2

Trade pact (74)

Continued from Page 1

BD 6/8/97

proved by Botswana, Lesotho, Namibia and Swaziland, suggests that they should seek compensation for revenue loss if they join the agreement, or seek assistance to erect border controls if they stay out of the accord.

The report's findings strengthen Pretoria's argument that free trade with the EU would result in huge adjustment costs for its neighbours.

SA's customs union partners have called for the deal to be struck with the customs union rather than with SA alone, a move that would uphold the union's integrity. They are also concerned about the inclusion of subsidised EU farm products.

Safto gets 207 new members

(74)

Sowetan 7/8/97

By Sowetan Business Reporter

A TOTAL of 207 companies have joined the South African Foreign Trade Organisation (Safto) since its relaunch last September.

Of this number, about 140 are small and medium enterprises (SMEs), mainly emerging black businesses, Safto's chief executive Johan Scheepers told *Sowetan Business* yesterday.

Scheepers said the foreign trade organisation underwent a major transformation last year.

The organisation shifted its focus from being an export promotion agency to providing services to individual companies.

These services include the provision of research information, consultancy and helping the SMEs to access export markets.

"We have not reached the SMEs as we would like to. However, we embarked on moves to bring more black business to join the organisation. The problem is that there is a large number of black representative business organisations," said Scheepers.

Black business

He said Safto would, in the next few months, be looking at engaging black business organisations with the aim of assisting them to enter the export industry.

According to Scheepers, the move to assist small enterprises was enhanced by a meeting between the organisation and the National Federated Chamber of Commerce (Nafcoc) about two weeks ago.

Education and training form part of Safto's strategy, he said.

"We are training 30 trainers who in turn will train other trainers from their respective organisations," he said.

Safto, together with the Geneva-based International Trade Centre (ITC), also developed a training programme early this year to help personnel from developing countries in export and other trade issues.

Scheepers said 25 people chosen from South Africa, Lesotho, Namibia, Swaziland and Botswana – all member-states of the Southern African Customs Union – have already benefited from the training programme.

"Our role now is to concentrate on providing services to individual companies and also encouraging joint venture initiatives," Scheepers said.

Call for detailed study on effect of EU trade deal

BD 7/8/97 (74)

John Dludlu

REGIONAL trade analysts have called for further research to be done on assessing the effect of the proposed free trade deal between SA and the European Union (EU) on Pretoria's neighbours.

This emerged yesterday after a consultants' report, showing that the proposed agreement would see SA's partners in the customs union — Botswana, Lesotho, Namibia and Swaziland — lose about R345m in customs revenue when the deal was implemented.

Several sources felt the report grossly underestimated the potential revenue loss and was substantially lower than previous indications which put the impact at more than R1,5bn.

EU ambassador to SA Erwan Fouéré was also unhappy with the outcome of the study, due, in part, to the static nature of the report's findings.

He said while the study, conducted by Imani Development, was an important contribution to the debate, it did not fully reflect the effect of the EU's proposed free trade deal with Pretoria.

"We believe the agreement will have a trade-creating effect on the (southern Africa) region", he said, adding that improved trade co-operation in the region would soften the blow of revenue loss to the customs union partners.

He called for a study that assessed the dynamic effect of the suggested deal with Pretoria. "It is not a report that gives a true picture of where the region is going."

Previously, the EU criticised an interim report, saying it underestimated the effect on the customs union partners.

It is understood that the partner states have agreed that further work would have to be done, this time also looking at the dynamic impact on their economies which are reliant on income from the customs union.

The long-awaited study recommended that the countries should seek alternative ways of generating revenue and should request assistance from the EU in industrial restructuring given the possible investment diversion to SA.

The study says the EU agreement should be with the customs union and not SA.

Federations oppose Zambian trade deal

BD 8/8/97 (74)

John Dludlu

SA's clothing and textile federations — Clofed and Texfed — are refusing to back a trade deal granting better market access for Zambia in domestic markets, a week before Pretoria is due to make a new offer to Lusaka.

Government sources indicate the state might have to table the offer, regardless of the two bodies' support.

"The process of negotiations will not be stalled because of their intransigence," a trade and industry department official said. However government would be sensitive to local industries' legitimate concerns.

Texfed executive director Brian Brink said: "We reject it ... we are totally opposed to it. We are saying 'let us stay focused on the SADC (Southern African Development Community) trade protocol'." The SADC is seeking to free trade exchanges among its 12 states over the next eight years.

Clothing and textile workers' union

Continued on Page 2

Zambia

Continued from Page 1

(74)

Sactwu is seeking a meeting with Trade and Industry Minister Alec Erwin to discuss the offer.

Clofed's Paul Theron said a proliferation of bilateral trade agreements in the region would only complicate looming multilateral liberalisation.

The two federations are also worried that a deal between the Southern African Customs Union and Zambia will open a floodgate of similar requests from other countries, undermining the SADC free trade protocol.

SA and its partners in the customs union — Botswana, Lesotho, Namibia and Swaziland — have agreed to open their markets more generously to products from Zambia.

The trade department official said the federations were not even prepared to discuss details of the offer, including safeguards against damaging import penetration from Zambia.

It was expected Erwin would unveil a draft proposal, as a final deal had to be ratified by Parliament, to Zambia next week during the SADC's ministerial meeting.

The department official said the proposed accord, containing import quotas like the accord with Zimbabwe, would be scrapped once the SADC free trade deal kicked in.

BD 8/8/97

SA 'will not be rushed in ratifying trade protocol'

(74) BD 12/8/97

John Dludlu

SA's offer granting better market access to its partners in the Southern African Development Community (SADC), under the proposed SADC plan to free trade exchanges among its partners, would be finalised within the next two months, trade and industry department officials said yesterday.

SA and its partners in the customs union — Botswana, Lesotho, Namibia and Swaziland — plan to make a joint offer to the SADC partners, which trade officials say will be in October or November.

A department official said SA, which still had to ratify the SADC's free trade protocol, would not be rushed into a decision by the organisation's secretariat nor Tanzanian officials charged with co-ordinating the SADC's trade and industry sector.

Hopes had been raised that the SADC's commerce and industry ministers would make tariff offers or ratify the offer at next week's meeting in Dar-es-Salaam, Tanzania.

SADC spokesman Kgosi Moesi said next week's ministerial meeting would examine implementation of the protocol, including impact studies on tariff reduction. Only Mauritius and Tanzania have ratified the protocol to date.

Deputy auditor-general Prof Bertie Loots at a news briefing in Pretoria yesterday on the auditor-general's report on the Strategic Fuel Fund Association which was also tabled in Parliament. Picture: CATHY PINNOCK

Swaziland challenges report on EU trade pact

(74) BD 12/8/97

John Dludlu

SWAZILAND, which is co-ordinating efforts by SA's neighbours in the customs union to formulate their positions on negotiations between Pretoria and the European Union (EU), believes it could lose about R150m when the proposed EU-SA accord is concluded.

Swaziland Finance Minister Themba Masuku said the figure — three times higher than in a recent consultants' report — had come out of investigations by Mbabane officials.

An EU-funded study recently found SA's customs union partners — Botswana, Lesotho, Namibia and Swaziland — would lose about R345m when the free trade accord was implemented.

Masuku said the report's estimates on likely changes in the volume and pattern of trade were based on "weak assumptions".

The report, by consultants Imani Development, said one of the subregion's major concerns was that free trade with the EU should be with the customs union rather than with SA alone.

EU ambassador to SA Erwan Fouéré also believed the report had failed to consider the dynamic impact of the proposed accord.

Zambian deal lands in Nedlac's lap

John Dludlu (74) BD 13/8/97

THE dispute between government and the clothing and textile industries over the state's intention to grant trade concessions to Zambia has been taken to the National Economic, Development and Labour Council (Nedlac).

Labour and business constituencies at the statutory negotiating forum have expressed "serious concern" at the proliferation of bilateral trade arrangements in southern Africa, prompted by what some see as "political expedience" on the part of government.

Business sources who attended last Friday's meeting at Nedlac say the matter will be raised with Trade and Industry Minister Alec Erwin at a meeting planned for next month.

SA and its customs union partners Botswana, Lesotho, Namibia and Swaziland have agreed to grant better access to their markets for Zambian products, but Pretoria is having problems selling the deal to industry federations Clofed and Texfed, as well as the SA Clothing and Textile Workers' Union (Sactwu).

A source close to the process said Nedlac had not been properly informed by government on its approach to bilateral trade deals in the region. Sactwu general secretary Jabu Ngcobo confirmed this yesterday, saying the union had "a problem with bilaterals".

At the heart of industry and union opposition to the mooted deal lies concern that bilaterals would complicate the move towards a multilateral liberalisation pact under the SA-led Southern African Development Community. The community wants to free all trade exchanges within the next eight years.

"It appears that very little thought went into the proposal (to the Zambians)," a source said yesterday after concerns from business that the deal would also harm local electrical cable manufacturers. SA trade negotiators, who are expecting Erwin to unveil draft proposals to the Zambians next week, have said this might have to be done regardless of industry opposition.

There was some confusion yesterday as to whether Sactwu had sought a meeting with Erwin, and whether he would meet them. But at a recent meeting with government, the union walked out without considering the department's offer, which is understood to have contained import quotas.

Tariffs policy remains undecided

BD 13/8/97

(74) (6)

Louise Cook

THE fate of a policy proposal by government 18 months ago on appropriate tariffs on agricultural products was still undecided, sources said yesterday.

This followed a recent report in the agricultural media by agricultural economist Johan Willemse (also a member of the National Agricultural Marketing Council) warning that agricultural industries were being threatened by government's policy on tariffs and poor border controls.

"A serious crisis is again building up in the agricultural sector due to an unco-ordinated and unsuccessful tariff policy coupled with poor border controls. This is costing SA farmers millions of rands in lost production, the state is losing money, the local economy is losing job opportunities and consumers often receive the minimum advantage (of cheap imports)."

Willemse said it was pointless to deregulate agricultural markets and scrap control boards if tariffs on farm products remained "totally unacceptable". The worst-hit industries were poultry, dairy, meat and wheat.

Board on Tariffs and Trade spokesman Aalwyn Kraamwinkel said the board was still awaiting a formal response from the agriculture department on tariff policy proposals, set out in a green paper on agricultural tariffs, submitted in February last year.

The document, drawn up by the board, acknowledged that international trade was fraught with distortions — especially in developed countries — and sought to transform SA's 50-year-old customs tariff policy.

The agriculture department presented the document to the various farming sectors at its annual agricultural economics conference last year to canvass interest in the proposals.

However, agriculture department acting director Gerda van Dyk said on Monday the extent to which the board's proposals had been accepted or rejected would be known only at the end of next month.

"The department is in the process of revising its policies on various fronts, including trade."

The document proposed that protection of agricultural industries should be determined by the difference between the landed cost of the imported product and the price of the product produced in the custom unions of SA, Swaziland, Namibia, Lesotho and Botswana.

This would ensure protection was justified and at the same time encourage the agricultural sector to use its natural, human and financial resources optimally and in a sustainable manner, the document said.

Willemse warned that farmers and the agriculture minister would have to "rectify the situation urgently". He called for the control of tariffs on farm products to be shifted from the trade and industries department to the agriculture ministry.

"I believe the time has come for producer organisations and local processors to sort out the mess. The ministers of trade and industry and of agriculture should be confronted once and for all," Willemse said.

SA trade will have small effect on EU, says study

(74) BD 18/8/97

John Dludlu

SA's trade with the European Union is so small in relation to EU economic activity that rapid growth of Pretoria's trade as a result of the mooted EU-SA free trade area will have a small effect on Brussels' 15-nation economy, says a recent study.

The study, to assess the effect of the proposed EU-SA free trade accord, was conducted by a research team led by Sussex University's academic Christopher Stevens for the European Commission, the EU executive, which is representing the EU members in talks with Pretoria.

The study says market opportunities and adjustment costs that will affect EU economic operators as a result of any free trade area will be small by comparison with those they will have to face.

However, the study, aimed at assisting commission negotiators in the talks, will have no material effect on the list of "extremely sensitive" items, products which the EU ministers' council wishes to exclude from the deal with SA.

The study combines data on tariff rates and the value of EU imports to indicate relative market impact of agricultural products as well as the degree of sensitivity. This exercise identifies 12 items — including grapes, summer avocados, summer clementines, frozen hake and squid, plums and pears, pineapple juice and preserved fruit mixtures — as "most likely to be of concern EU policy-makers".

Pressure on the EU's farm policy, CAP, for fresh and processed fruits from SA exports is mainly confined to the "extremely sensitive" category of products.

The model identifies wool, men's denim trousers, polyester yarn and pneumatic tyres as being among nonfarm items that are likely to be of concern to EU policy-makers.

The study is one of the most thoroughgoing to have been done yet assessing the effect of the free trade talks.

It says that the creation of a free trade area might have a symbolic effect, encouraging investment by reaffirming the stability of an open trade policy.

"It may also offset the current trend in which Europe's importance for SA as a trading partner is declining."

(74) CT (BR) 19/8/97

INVESTMENT AND IMPORTS

SA is Australia's economic 'gateway to Africa'

Australian exports to southern Africa could almost double by the turn of the century, the Australian Trade Commission (Austrade) said yesterday.

Gerard Lanzarone, Austrade's executive general manager for the Middle East and Indian Ocean region, told a seminar South Africa, as a "gateway to the region", was a particularly attractive investment and export destination in industries such as automobiles, education and regional development of downstream processing of minerals.

Ian Porter, Australian high commissioner to South Africa, said Australia had a good profile and that a high similarity between Australian and South African legal systems, business environments and lifestyles presented a distinct advantage to Australian business looking to expand in the region. — *AP-Dow Jones, Perth, Australia*

(74)

SA-EU trade talks uncertain

Sowetan 20/8/97

Govt's option is to reach an agreement on aid and cooperation

By Talitha Bertelsmann and Greg Mills

FOR the past two years, South Africa has been busy negotiating a trade and cooperation agreement with its principal trading entity, the European Union (EU).

Since little progress has been made on the trade aspect of the relationship, it is feared that no agreement will be reached. Even South African Government sources now say the window of opportunity for this agreement is closing rapidly.

On the one hand, the EU has a host of pressing internal issues which demand exclusive attention, such as the impending deadline for a common currency in January 1999 as well as the potential expansion of the union eastwards.

These issues as well as the renegotiation of the Lomé Agreement with the 71 Afro-Caribbean-Pacific countries will dominate the European agenda after June 1998.

On the other hand, South Africa may at the same time be losing some of the glamour of its transition and, in the words of long-time South Africa-watcher and analyst, Professor Jack Spence, becoming just "another country" which will have to compete for attention and about which hard-nosed business rather than sympathetic political decisions will be made.

What stands in the way of reaching an agreement?

In an attempt to increase the probability of reaching an agreement, Pretoria this July announced a renewed proposal for future trade relations between the two parties.

In contrast with the EU, which proposes the exclusion of 39 percent of South African agricultural products from the agreement (roughly just four percent of total trade value) and an implementation period of 10 years, South Africa is proposing that all trade be included in an agreement to be implemented over a 12-year period.

This proposal and the accompanying commitment by the South African Minister of Trade and Industry Alec Erwin to a free trade area with Europe, seemingly took the European negotiators by surprise.

Even more surprising was the prediction by the South African Government that a deal will be in place by January 1998

In the past, the main reason offered by South Africa for dragging its feet on trade issues has been that it first needed to finalise the trade protocol with its neighbours in the Southern African Development Community (SADC) before it could make a detailed proposal to Europe.

Trade negotiations

However, the South African proposal to SADC is only expected by October and the completion of the SADC trade negotiations will only come much later.

This brings South Africa's commitment to the EU timetable, as set out by both parties, into doubt.

In accordance with the proposed timetable in July this year, mutually acceptable trade data were exchanged.

The EU is preparing documentation on what has so far been discussed for presentation in mid-August, which will then be edited by South Africa during the following two weeks.

The finalisation of these documents will contribute to the negotiations around sensitive products, due to start in September.

Small technical teams are set to lead these discussions well into October, at which point a report-back session will be held in South Africa.

> **'South Africa's role as SADC president places the onus on Pretoria to give the community direction'**

By January 1998, the trade aspect of the agreement should have been finalised and the decision reached on what is to be excluded from the agreement.

The EU will then take this "agreement" to the European Council, which still has the final say in accepting or rejecting it.

The September discussions can, however, not proceed without South Africa having clarity on its regional position.

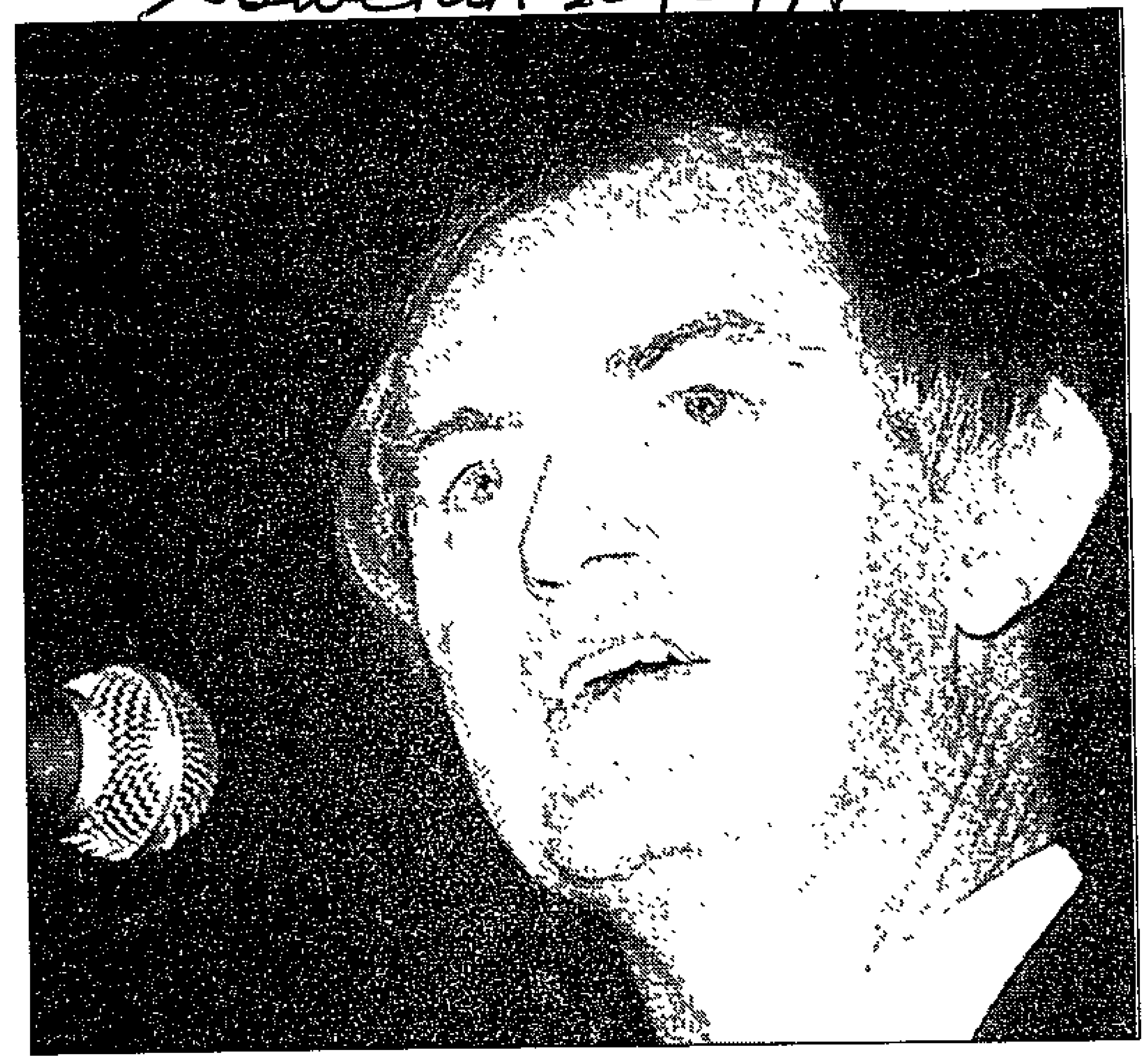
To protect the region, it needs to know which products are sensitive to its neighbours.

Unfortunately, the region has been slow in responding to South African requests for this information.

SADC's own tariff-dismantlement schedule, which was due some months ago, is still also under negotiation. Despite its own efforts to reform, SADC appears to lack both capacity and direction.

In the circumstances, South Africa's role as SADC president places the onus on Pretoria to give the community direction.

Although proceeding without SADC's input might seem fair after the long period granted for its participation, it could prove fatal to the region of which South Africa forms an integral part.



Trade and Industry Minister Alec Erwin ... he is committed to a free trade area with Europe.

But if SADC brings South Africa's dedication to the timetable into doubt, so does its own negotiating capacity.

It has been evident from the start of the EU process that South Africa is very new to international trade negotiations, struggling to finalise its position document and negotiating mandate.

Too few people have the necessary expertise and time to dedicate themselves wholeheartedly to these negotiations.

If it is clear by December that no real progress has been made and that the timetable is not strictly being followed, the EU-SA trade negotiations will probably have to be abandoned.

If that occurs, it is envisaged that trade issues will then be excluded from the overall talks, with a focus instead on the aid and cooperative aspects.

For in spite of all the negative press surrounding the free trade area, substantial progress has been made in other areas of cooperation.

South Africa will, it is hoped, in these circumstances be able to continue with its Generalised Scheme of Preferences (GSP) with the EU.

An arrangement similar to the Russian-European agreement might then be the only short- to medium-term option left to the two parties, excluding trade from the relationship.

Then it will be up to South Africa to go back to Europe, cap in hand, when Pretoria is ready to talk trade.

(Talitha Bertelsmann and Dr Greg Mills are, respectively, EU researcher and national director at the South African Institute of International Affairs, Johannesburg.)

SADC inches closer to ratifying free trade pact

John Dludlu

BD 20/8/97 (74)

TRADE ministers from the Southern African Development Community (SADC) inched closer towards ratifying a regional free trade accord this week, agreeing to a series of steps to implement the deal.

This emerged after a special meeting in Dar-es-Salaam, Tanzania, called by regional trade ministers to discuss implementation of a plan to free all trade exchanges in the 12-nation body within eight years.

The ministers, including SA's Alec Erwin, agreed on details of tariff reduction, time scales for ratifying the protocol as well as the date for the submission of a list of sensitive items.

A linear approach would be followed in scaling back the level of tariff protection as it was more predictable, simple and transparent than other methods.

This would pave the way for the ratification of the protocol by the SADC governments, they said in a joint statement.

Only two countries so far have ratified the protocol, although all have approved it.

The ministers have agreed to submit a list of sensitive products by October to Tanzania, the SADC's trade and industry sector co-ordinating unit.

Mfundo Nkuhlu, the director in charge of southern African trade relations at the trade and industry department, said the understanding among member states was that no products would be excluded arbitrarily from the deal. "Any exclusions will have to be the result of negotiations," he said.

In its talks with the European Union, SA has criticised exclusions. It has urged that sensitive items be dealt with in special protocols and be integrated slowly into the free trade deal.

Nkuhlu said SA, which had offered to liberalise faster than other SADC partners, was in the final stages of preparing its offer to other signatories.

"We are on course," he said.

Plan to assist retrenched workers revised

John Dludlu

BD 20/8/97

THE labour constituency at the National Economic, Development and Labour Council (Nedlac) is to table fresh proposals on a plan to assist workers who are laid off as a result of the present industrial restructuring process, Nedlac media liaison officer Lomin Saayman said yesterday.

An initial labour proposal, calling for the establishment of an employer-financed fund to retrain retrenched workers, has been on the agenda of Nedlac's trade and industry chamber for more than a year, with no apparent progress.

While the process initially focused on legislation, the emphasis was now on "services and mechanisms" to soften the blow of industrial restructuring to affected workers and regions.

When the original proposals were tabled, business raised concerns that they would raise employment costs. Criticism was also levelled at the suggestion to make the plan compulsory and to have it applied at national level rather than at industry level.

UK experts to help overhaul chaotic customs

CT (BR) 25/8/97 (74)

Shirley Jones
KwaZulu Natal Editor

Durban — Antiquated and chaotic customs warehouses countrywide would be overhauled in the wake of the arrival of a second UK customs delegation, Christo Henning, a spokesman for the South African Revenue Service (SARS), said on Friday.

He said the delegation would mastermind a review of procedures governing warehousing, border crossings, special investigations, processing of bills of entry, valuations and training.

This would be regarded as an interim second project following UK customs experts' successes during their first project, which lasted until June this year.

It would act as a bridge with the longer-term strategic restructuring process, expected to last between three and five years and affect all SARS business and corporate activities, he said.

Details of this second, national short-term package had been presented to Thabo Mbeki, the deputy president. It was scheduled for completion by the end of February next year.

Five UK customs experts will be based in Durban, Cape Town and Johannesburg, and one at head office in Pretoria. They will work with local staff to redesign business processes and work practice levels.

Three UK customs officials would be assigned to each of the customs investigation offices in Pretoria, Durban and Cape Town with the same aims. Another would be stationed in the directorate for customs union and border crossing to help implement the border-crossing initiative to place resources within 17 designated Southern African Customs Union border posts.

Similarly, a UK customs expert would carry out a policy and operational review of the customs warehouse system.

He would examine existing legislation, approvals procedures, bonds and securities, inter-warehouse removals and exports, security movement and control procedures.

Henning emphasised that the overall interim initiative would be managed to ensure maximum capacity building within South African customs.

New measures to contend with antidumping activity

(74) BD 25/8/97

John Dludlu

GOVERNMENT has implemented a number of measures, including training and hiring of new staff, to bolster SA's antidumping laws amid a surge in cases.

However, the Board on Tariffs and Trade, the government agency responsible for antidumping, has yet to publicly release proposals aimed at overhauling the institutional infrastructure.

Board deputy chairman Leora Blumberg said at the weekend the board was preparing "formal recommendations for draft legislation on institutional restructuring. The proposals will also address streamlining of the current system to ensure the speedier completion and implementation of decisions.

"This process is still ongoing and preliminary proposals are still being discussed internally in the trade and industry department with other affected departments and within the Southern African Customs Union."

The board is a key institution in the customs union's functioning. Renegotiations to modernise the trading arrangement, which have not occurred in months, have yet to agree on a new institutional framework to govern a revamped customs union.

Amendments to the board's act as well as the customs and excise act had been passed, allowing for promulgation of regulations to ensure compliance with World Trade Organisation requirements in the interim period, she said.

Blumberg, a lawyer, was appointed more than a year ago to assist government in the restructuring of its antidumping capacity. Her term has been extended by another year.

Improvements in the system had included the appointment of new staff and training. A New Zealand investigator was appointed as part of government-level co-operation and a forensic accountant from the trade department was hired.

Blumberg said staff from the department's sectoral directorates and business economic investigations had been trained. These could now be used by the board, which had seen antidumping activity doubling to 19 cases last year.

Blumberg noted that investigations now took less time, although their complexity had increased in terms of the number of parties involved and the product lines.

However, the board was optimistic that investigations this year would meet its target of 30 days for merit assessment, 120 days for preliminary determinations and 120 days for final determinations.

The board was also working with the customs and excise department on a system that would assist industries in the early detection of dumping.

Greg Mills

Hopes fade for EU trade pact

(74)

Little progress has been made in talks about co-operation with Europe, write Greg Mills and Talitha Bertelsmann

Star 25/8/97

For the past two years, South Africa has been negotiating a trade and co-operation agreement with the European Union (EU) and, since little progress has been made on the trade aspect of the relationship, it is feared that no agreement will be reached.

On the one hand, the EU has internal issues which demand exclusive attention, such as the impending deadline for a common currency in January 1999 as well as the potential expansion of the Community eastwards. These issues will dominate the European agenda after June 1998.

On the other hand, South Africa may at the same time be losing some of the glamour of its transition and may have to compete for attention in a situation where hard-nosed business decisions rather than sympathetic political decisions will be made.

What stands in the way of reaching an agreement?

In an attempt to increase the probability of reaching an agreement, Pretoria announced a renewed proposal for future trade relations between the two parties in July. In contrast with the EU, which proposes the exclusion of 39% of South African agricultural products from the agreement and an implementation period of 10 years, South Africa is proposing that all trade be included in an agreement to be implemented over a 12-year period.

This proposal and the accompanying commitment by the South African Minister of Trade and Industry, Alec Erwin, to a free trade area with Europe, seemingly took the European negotiators by surprise.

Even more surprising was the prediction by the SA Government that a deal will be in place by January 1998. In the past, the main reason offered by South Africa for dragging its feet on trade issues has been that it first needed to finalise the trade protocol with its neighbours in the Southern African Development Community (SADC), before it could make a detailed proposal to Europe.

But the South African proposal to SADC is only expected by October and the completion of the SADC trade negotiations will come much later. This brings South Africa's commitment to the EU timetable, as set out by both parties, into doubt.

In accordance with the proposed timetable, in July this year mutually acceptable trade data was exchanged. The EU is preparing documentation on what has so far been discussed for presentation in mid-August, which will then be edited by South Africa during the following two weeks.

The finalisation of these documents will contribute to the negotiations around sensitive products, due to start in September. Small technical teams are set to lead these discussions well into October, at which point a report-back session will be held in South Africa. By January 1998, the trade aspect of the agreement should have been finalised.

The EU will then take this "agreement" to the European Council.

The September discussions cannot proceed without South Africa having clarity on its regional position. To protect the region, it needs to know which products are sensitive to its neighbours.

SADC's own tariff-dismantlement schedule, which was due some months ago, is also still under negotiation.

Despite its own efforts to reform, moreover, SADC appears to lack both capacity and direction.

Proceeding without SADC's input might seem fair after the long period granted for its participation, but it could be fatal to the region. But if SADC brings South Africa's dedication to the timetable into doubt, so does its own negotiating capacity.

If it is clear by December that no progress has been made and that the timetable is not being followed, the EU-SA trade negotiations will probably have to be abandoned.

An arrangement similar to the Russian-European agreement might then be the only short- to medium-term option left to the two parties, excluding trade from the relationship. Then it will be up to South Africa to go back to Europe when Pretoria is ready to talk trade. – Star Foreign Service

■ *Talitha Bertelsmann and Dr Greg Mills are respectively Standard Bank EU researcher and national director at the South African Institute of International Affairs (SAIIA)*

Official denies protectionist policy charges

(74)

THABO MABASO
BUSINESS REPORTER

ARG 27/8/97

Allegations by neighbouring countries that South Africa is hiding behind high tariff walls are unfounded, says the Department of Trade and Industry's (DTI) director for Africa Trade Relations, Mfundo Nkuhlu.

Addressing a joint sitting of Parliament's committees on trade and industry, foreign affairs and agriculture yesterday, he said South Africa's tariff levels were significantly lower than its Southern African Development Community (SADC) partners.

'Current evidence on average levels is that they are lower than most of the SADC countries'

"Since 1995 we have been implementing a tariff liberalisation programme and current evidence on average levels is that they are lower than most of the SADC countries."

Mr Nkuhlu said 40% of South Africa's tariffs lines were at 0%, meaning no duties were payable, while 52% were between 0% and 10% and 69% between 0% and 20%.

The only industries where importers had to pay duties of more than 30% and more were the textile, clothing and leather industries.

Mr Nkuhlu said reasons for the high duties were that these industries had been battered by cheap imports from South East Asia.

"Another reason why this is so is that our own sectors are undergoing restructuring and shedding jobs, as a consequence," he said.

South Africa's neighbours, especially Zimbabwe, have accused the Government of adopting protectionist policies against them, contributing to a balance of trade which is heavily stacked in South Africa's favour.

Trade dept says priority is jobs, not environment

BD 28/8/97 (74)

John Dludlu

GOVERNMENT did not have the capacity or the resources to formulate a national policy on trade and environment, trade and industry department officials said at a recent conference held to discuss the subject.

According to a report prepared by the Foundation for Global Dialogue on the way forward, trade department officials told the seminar — jointly organised with the Friedrich Ebert Stiftung — that the department was mandated, firstly, "to create employment, and not to protect the environment".

The issue of a link between trade and the environment is now beginning to gain immense prominence in international forums, almost in the same way as the subject of trade and labour standards.

However, as in the latter case, developing nations are concerned about its use as a tool to deny them market access amid the general fall in tariff barriers.

The conference recommended that the department, co-operating with other state departments, should initiate the process of formulating a policy on trade and the environment.

The department would be assisted by the Braamfontein-based Trade and Industry Policy Secretariat.

The summary of recommendations said: "It is essential that a government department initiates and leads the process, despite bureaucratic and resource constraints. International funding and skills-building support can be accessed with the assistance of the environmental community".

Industrial Environmental Forum of Southern Africa representative Di Soutter told the workshop that the "real problem is a lack of political will and understanding of environmental issues in the trade department".

The SA foreign affairs department's Cornelis van der Lugt said the subject of trade and environment had an essential character and therefore should be handled by his department.

Magda Shahin, an official of the Egyptian foreign ministry, called on developing nations to set their own standards and that negotiations in the World Trade Organisation (WTO) should be based on mutual recognition.

SA, UK sign agreement on customs laws

(74)

CAPE TOWN — SA and the UK yesterday signed a formal agreement to co-operate on the enforcement of their respective customs laws.

The two undertook to exchange information and intelligence, as well as to conduct investigations and surveillance on each others' behalf.

The agreement was signed by Deputy Finance Minister Gill Marcus and chairman of Her Majesty's Customs and Excise, Valerie Strachan.

The agreement also provides for the exchange of information on new customs law enforcement techniques and ways to combat customs fraud.

Twelve UK customs officials were in SA working with the SA Revenue Service (SARS).

SARS commissioner Trevor van Heerden said the accord allowed SA into a UK computer network. — Sapa.

BD 28/8/97

SA upset by Lomé clause

(74) ET(BE) 3/9/97

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — Parliament yesterday refused to ratify South Africa's limited accession to the Lomé IV Convention until the European Union (EU) spelled out what it meant by a clause "sneaked in" at the last minute and which could affect investment in southern Africa.

The clause covers one of the few economic benefits South Africa is likely to get from the Lomé Convention and is tied up with the free trade area negotiations under way between South Africa and the EU.

In terms of the Lomé Agreement, the African-Caribbean-Pacific (ACP) group of countries that form part of the Lomé Convention with the EU can co-produce manufactured goods with specified countries and still benefit from preferential access to the EU market, usually at zero import tariffs. This is called cumulation of rules of origin.

But Willem Bosman, the department of foreign affairs' director of regional economic organisations, told a meeting of the parliamentary trade and industry, agriculture and foreign affairs committees that a last-minute change by the EU effectively hobbled South Africa's ability to become involved in investments in other ACP states in Africa.

In terms of the change, African ACP states can cumulate rules of origin with non-ACP states such as Algeria, Egypt and Libya, but can only do so on an ad hoc basis with South Africa.

Bosman said this meant that, for example, Botswana could not get parts from South Africa to make bicycles and then export them to the EU at lower ACP tariffs, which were usually zero. "That would have enhanced their exports and would make investments into their countries so much more attractive, but with this ad hoc we cannot motivate any form of investment."

SADC states had also objected to this amendment, which was discovered by chance last year. But despite strenuous lobbying from South Africa and its neighbours, there had been no response from the EU. Bosman said this was probably because any firm definition of "ad hoc" could affect the current negotiations between South Africa and the EU on a free trade area.

The next round of negotiations on the free trade area is due to start in October and be completed by February next year.

Bosman urged the committee to delay the ratification of the convention and send a strong message to the EU that it expected explanations before the end of November.

SADC at odds over trade pact

(74)

ANDERSON FUMULANI

CT (BR) 3/9/97

Blantyre — Four Southern African Development Community member states have declined to ratify a trade protocol which would pave the way for the creation of a regional free trade agreement, an SADC official said yesterday.

Abraham Pallangyo, the sector co-ordinator for industry and trade, said although the protocol was accepted, South Africa, Botswana, Namibia and Swaziland had not ratified the protocol pending a decision on the reduction of their own tariffs.

Only Tanzania and Mauritius have ratified the protocol. Malawi, Zambia, Zimbabwe and Mozambique were on the process of ratifying it, said Pallangyo.

Kaire Mbuende, the SADC's secretary-general, said this year's heads of state summit, which starts on Thursday, would push for a multilateral trade pact aimed at creating a free trade area by 2004.

Some member states have liberalised their economy but have complained about the trade imbalances which favour South Africa, the region's economic powerhouse. — Reuter

Parliament set to avoid ratification of Lomé accession

(74)

Wyndham Hartley

BD 3/9/97

CAPE TOWN — Parliament is poised to avoid ratifying SA's accession to the Lomé Convention until the European Union (EU) has clarified a key clause which could harm trade, investment and relations between SA and its neighbours.

A meeting of Parliament's foreign affairs, trade and industry and agriculture committees agreed unanimously that an explanation be sought from the EU on the clause which stipulates that "cumulation" for SA would be on an ad hoc basis. Other developing nations do not have restrictions. The accession is a "qualified" one which excludes SA from direct trade benefits in Lomé.

The fear is that the EU has deliberately given itself a way of stopping SA inputs to its Lomé Convention neighbours if this harms any European interest or is in conflict with its mandate to SA for a free trade agreement.

What it means is that items produced in neighbouring countries could lose their preferential tariff on exports to Europe if the ad hoc nature of the clause is used to exclude SA inputs.

Willem Bosman, foreign affairs director of regional economic organisations, said he was certain there would be no resistance from anyone at foreign affairs to the committees taking a hard line with the EU. He said he would like it if this opportunity was used to embarrass the EU because an explanation had been requested with no reply.

The committees also unanimously agreed that SA's accession to the Georgetown agreement — which created the African, Caribbean and Pacific grouping — should be approved.

John Dludlu reports that Elias Links, SA's chief negotiator in talks with the EU, said last night although the ad hoc stipulation was not the subject of negotiations with Brussels, the Pretoria team had sought clarity on it.

Links, who is SA's ambassador to the EU, said the clause was agreed to in Mauritius during the mid-term review of the fourth convention. Negotiations with SA could not hope to change the wording of the agreement.

SA NEWS DIGEST

☐ LOMÉ CONVENTION

(74)

EU officials say SA stands no chance of being admitted before next year

European Union (EU) officials said yesterday there was no chance of South Africa's admission to the Lomé Convention before next year, because of delays by EU and African nations in themselves ratifying the accord. The officials explained that this means there can be a long breathing space in which to resolve the detailed problem concerning rules of origin. However, they warned the issue was likely to be linked by protectionist EU governments to the wider trade negotiations between the EU and South Africa, which were still under way.

"What we are talking about is opening up markets," said a senior Eurocrat, who asked not to be named. "If we show our hand in the Lomé negotiations, that could compromise our negotiating hand in the trade talks." He said the South African government signed up to the Lomé agreement earlier this year — in the full knowledge that there still needed to be clarification about rules of origin. "We always sought to have this clarified, as we foresaw the possibility of this sort of problem," said the European Commission official. — *Independent Foreign Service, Brussels*

CT(BR) 4/9/97

Value of trade with US down 3%

BD 5/9/97 (74)

Simon Barber

WASHINGTON — The value of trade between the US and SA was down 3% in the first half of this year compared with figures for the same period last year, reflecting lower SA imports of US capital goods and cereals and slack growth in SA exports to the US, according to the latest commerce department figures.

Overall, SA exports to the US were up 1% to $1,12bn, despite a 21% decline in deliveries of iron and steel from $163m between January and June a year ago to $130m this year.

Healthy

Recent years' steady growth in SA chemical sales to the US appeared to be continuing, with exports up 32% in the first half of the year to $68,5m.

Also showing healthy growth, although from a low base, were US imports of SA aluminium, which nearly doubled to $18m during the period.

The figures for SA clothing exports continued to show a rising trend, although again from a low level, reaching $38,4m at the end of June compared with $29,3m posted a year earlier.

SA exports under the tariff heading that includes platinum group metals, gold and diamonds were, at $432m, virtually unchanged from figures for the first half of 1996.

Period on period, US exports were down 5% to $1,48bn, bringing the trade surplus in the US's favour down to $349m.

SA's imports from the US — dominated by industrial machinery — were down 8% in the first half of the year to $485m.

However, US vehicle exports to SA were up by 14% to $116m.

Predictably, given SA's recent good harvests, imports of grains were off markedly at $55m from $95m a year ago.

EU statement opens door for SA's accession to Lomé

BD 11/9/97 (94)

Wyndham Hartley

CAPE TOWN — An unofficial statement from the European Union in response to Parliament's demand for clarity on a controversial clause has opened the door for the ratification of SA's qualified accession to the Lomé convention and access for local investors to EU contracts in developing countries.

Willem Bosman, foreign affairs director for regional economic organisations, told the select committee for economic and foreign affairs yesterday that the decision of its sister committee last week to withhold ratification until there was clarity on the "ad hoc" rules of the cumulation clause had elicited an almost immediate response from the EU.

The EU's response, a "nonpaper" which has the status of a working document and is not official, confirmed that the European Commission was concerned about SA using its neighbours to gain beneficial access to EU markets without providing for any growth in those countries.

It said that while it could mean growth for African, Caribbean and Pacific (ACP) neighbours of SA, "the risk of trade deflection should not be ignored as it could seriously harm certain ACP and or EU economies and undermine ACP preferences".

The ad hoc clause provides for treatment on a case-by-case basis by the EU of SA inputs into a product manufactured in an ACP neighbouring country.

The EU gave an undertaking that the precise meaning of "ad hoc" would be clarified as soon as possible. It stressed that the most effective way to get full clarity on the ad hoc issue was to make progress in the trade negotiations between SA and the EU.

It said that the lack of progress in the free trade agreement negotiations would make it difficult to reach a final solution rapidly.

Bosman said that in the light of the EU document which indicated that the definition of ad hoc would be expedited, he felt it was now correct for the qualified accession to Lomé to be ratified as soon as possible.

He told the committee that there was substantial interest from SA companies in tendering for the work in the European Development Fund Eight projects and delays could harm their chances.

He said the fear that SA would take advantage of its ACP neighbours to enrich itself and then flood the European market with SA products was real and suggested that the Europeans should not be blamed for trying to protect their economies. He said the EU was not trying to sideline SA and had in fact been very supportive.

SA agrees to sign Lomé deal as EC gives vital assurance

CT(BR) 11/9/97 (74)

Lynda Loxton

Parliamentary Correspondent

Cape Town — Parliament will ratify the Lomé Conventon within weeks following an assurance from the European Commission (EC) that it will act soon to clarify a contentious clause seen to inhibit industrial co-operation with South Africa's neighbours.

Willem Bosman, director of regional economic organisation for the foreign affairs department, told a National Council of Provinces committee yesterday that the EC had responded to the threat last week by the trade and industry portfolio committee not to ratify the convention unless the clause was clarified urgently.

The clause, allegedly inserted at the last minute and without the knowledge of most of the members of the African-Caribbean-Pacific states that benefit from the Lomé Convention, effectively prevents South Africa from providing inputs to other African states to produce items for preferential access to the European market without specific EU approval.

The portfolio committee had objected to the fact that the clause said this approval would be "ad hoc" without specifying what criteria would be used. It claimed this would deter investment in South Africa's neighbours.

SA refuses to scrap individual trade pacts

(74)

BD 12/9/97

John Dludlu

PRETORIA — SA has strongly defended the string of trade arrangements with its neighbours, saying these accords will remain until an effective multilateral deal is in place in the region.

Mfundo Nkuhlu, director of Africa trade relations at the trade and industry department, said scrapping existing pacts before a multinational deal was in place was asking SA's neighbours to give up a bird in hand for one in the bush.

Agreements came under fire recently when Kaire Mbunde, the executive secretary of the SA Southern African Development Community (SADC), urged the body's members to scrap them as they perpetuated inequities.

Mbunde's call marked a shift in the SADC's official line which has so far tolerated the deals. It came amid internal criticism in SA of government's bid to negotiate a preferential trade deal with its customs union partners on the one hand, and Zambia on the other.

The SADC, which this week admitted two new members — Seychelles and the Democratic Republic of Congo — is planning to free all trade exchanges by 2004.

Nkuhlu said that if the SADC free trade protocol was comprehensive enough by 2004, there would be no need for bilateral agreements.

However, he foresaw situations where economic interaction, going beyond preferential market access, would justify bilateral relationships or where countries co-operated on a project in which they had a direct interest. He cited the trans-Kalahari highway project and the Maputo corridor development project.

Nkuhlu also said talks to grant improved market access for Zimbabwean farm and certain manufacturing items, were under way. The clothing and textile preferential access arrangement with Harare was being implemented.

SA and customs union signatories Botswana, Lesotho, Namibia and Swaziland would soon hold talks with Zambia to respond to the latter's request for concessionary market access on a range of products. Lusaka lacks a trade agreement with Pretoria.

Nkuhlu said Pretoria would offer its SADC partners duty-free access within five years. However, SA's customs union partners — who share the same external tariffs system — would be allowed to seek reciprocity from other SADC partners. The arrangement would benefit SA's relatively weaker partners in the union, who could then guarantee potential investors duty-free access to the rest of the SADC.

Trade department seeks new advisers

(74) BD 16|9|97

John Dludlu

THE trade and industry department launched a recruitment drive this week aimed at beefing up its Africa and export promotion arms.

Ten trade and industry advisers are being recruited to strengthen government's capacity in administering financial assistance schemes.

According to advertisements placed in weekend newspapers, eight adviser positions — with packages ranging between an annual R73 352 and R123 381 — are available.

Successful applicants will join task groups working on various export trade promotion schemes which are closely linked to industrial sector strategies.

Mfundo Nkuhlu, the director in charge of Africa trade relations at the trade and industry department, said last night the impending appointments sought to increase government's capacity in light of its focus on Africa.

"The focus of policy has to be complemented by (an increase in) resources," he said.

Africa is a centrepiece of the department's so-called butterfly trade strategy which reflects the new focus on non-traditional markets. The policy also symbolises the consolidation of traditional relations.

At a multilateral level, SA trade negotiators are preparing an offer to other partners in the Southern African Development Community on the creation of a free trade area in 2004.

Bilaterally, government is putting finishing touches on talks to grant better access to certain farm and manufacturing items from Zimbabwe, while talks are under way to negotiate a preferential access agreement with Zambia.

The imminent appointments come a month after the introduction of the state's reshaped export marketing and investment assistance scheme.

Recently, trade and industry department director-general Zavareh Rustomjee said the department's staff complement had declined almost 20% in the past budget year.

Ratification of SA's accession to Lomé urged

(74)

BD 17/9/97

Wyndham Hartley

CAPE TOWN — SA should ratify its qualified accession to the Lomé Convention as soon as possible to avoid lost opportunities for SA companies in tendering for European Union (EU) contracts in developing countries, three parliamentary committees decided yesterday.

The foreign affairs, trade and industry and agriculture committees of the National Assembly recommended speedy accession to the convention. They also expressed concern, in a strongly worded declaration, over the "still strong protectionist sentiments in the EU".

The committees said EU fears of a strong diversion of SA products through ACP (African, Pacific and Caribbean countries) channels in a way that could disrupt EU or ACP markets could lead to a more restrictive attitude towards SA. This would continue the current uncertainty.

It was stressed that the protectionist attitude of the EU towards highly subsidised European agricultural products competing with those from developing countries was based on the unfounded fear that EU markets would be disrupted.

The committees welcomed the "non-paper" submitted to the foreign affairs department last week as a result of the decision to delay ratification of Lomé accession. They applauded the indication that the issue of SA inputs being eligible for the cumulation procedure would be discussed by the EU-ACP customs co-operation committee and by the ACP-EU ambassadors committee in the near future.

"In the light of this clarification, the committees are of the view that no point would be served in further delaying a decision on ratification. Since we are of the view that SA's entry into the Lomé Convention, even on a qualified basis, will be beneficial both to ourselves and other Lomé members, we are happy to recommend that Parliament ratify the revised Lomé IV convention as soon as possible."

Trade and industry committee chairman Rob Davies (ANC) said that little further good could be achieved by delaying ratification, and there could be a "downside" if additional delays prevented SA companies from tendering for the contracts in the European Development Fund's Schedule 8.

National Party MP Manie Schoeman said he had extreme reservations about signing when the benefits to SA agriculture would be minimal.

He said premature ratification of Lomé would be a mistake if this was done before the best possible deal was negotiated.

The deputy director-general of multilateral relations in foreign affairs, Abdul Minty, said that ratification would not harm any national interest. Indeed, it would help the momentum which had been established by the original delay for clarification.

EU trade talks on back burner

ET (BR) 17/9/97 (74)

John Fraser

Brussels — Trade talks between South Africa and the European Union (EU) had been postponed until October, officials said yesterday, casting doubt on pledges by both sides to inject new momentum into the negotiations.

It had been planned that the chief negotiators would meet this month. However, the EU team has been unable to find time for a meeting before October, and it is now planned that Philippe Soubestre, Europe's chief negotiator, would travel to South Africa for an October session.

The negotiations have been complicated by a demand by the South Africa parliament for clarification of the trade benefits that would result from South Africa's membership of the Lomé Convention, expected to become a reality in the new year. The convention links the EU to 70 former colonies in Africa, the Caribbean and the Pacific.

The main trade elements of the EU-SA negotiations continue to present the biggest challenge, as South Africa is unhappy with Europe's attempts to maintain protective measures against about 40 percent of South African agricultural exports. A more pragmatic approach to the issue was agreed in July, when Alec Erwin, the trade and industry minister, met Joao de Deus Pinheiro, the EU commissioner.

Lynda Loxton reports from Cape Town that two parliamentary committees recommended yesterday that South Africa's limited accession to the convention should be ratified, but the EU should be warned not to use protectionist measures to curb regional economic co-operation.

After a debate on whether this would leave agriculture in the lurch, a joint sitting of the parliamentary foreign affairs, trade and industry and agriculture committees said parliament should agree to accede to the convention.

The committees expressed concern about EU fears that any move to allow South African inputs to be used to make products in other African countries could affect "sensitive" EU industries and products. Such fears were unfounded and reflected strong protectionist sentiments in the EU, they said. — Independent Foreign Service

Hanekom hits out at EU producer subsidies

(74) BD 22/9/97

Louise Cook

LAND Affairs and Agriculture Minister Derek Hanekom hit out at the weekend at the "ridiculous policies" of the European Union (EU) on producer subsidies, saying SA and other southern African countries were losing farm markets as a result.

Addressing the first congress of emerging meat producers in SA, Hanekom said the EU requested another round of "logical arguments and increased statistics" from SA on damage caused to local meat markets, but "one did not have to be a rocket scientist to see that it has at least some negative impact".

Research earlier this year showed subsidies paid to EU exporters were creating unfair competition and "crushing" beef industries in SA, Namibia and Zimbabwe.

Namibia and Zimbabwe relied on SA for the bulk of their beef exports, but heavily subsidised EU beef flooded domestic markets, causing imported beef to increase to 46 000 tons a year from 7 000 tons four years ago.

Preliminary findings in a report by a ministerial task team on future SA farm trade policies also suggested in May that government negotiate special arrangements with trade partners for SA's emerging farmers. However, the report said this should not be done to the detriment of commercial farmers.

The team was headed by agriculture department director Tracey Simbi and was expected to submit a further report to Hanekom this month. Hanekom told the congress that where there was a case for protection against dumping, SA "should be ready for it".

This followed a decision last week by Trade and Industry Minister Alec Erwin, backed by Hanekom, to raise the tariff on imported frozen chicken cuts following complaints by poultry producers. SA poultry producers lobbied for a raised tariff, saying imported frozen chicken legs and thighs by the US threatened local producers.

But Erwin warned the congress that SA was also a manufacturing country, and that the agricultural sector had to sharpen its efficiency.

Government support towards improved trade in the farming sector would lie in research development and information networking.

Hanekom said that subsidised beef was a priority in government's talks with the EU.

See Page 20

New publication aims to boost foreign trade

Sowetan 23/9/97 (74)

Maxwell Pirikisi

SOUTH Africa will seek to work with its partners in respective economic blocks in order to generate the much-needed economic cooperation and increased trade and investment in the region, Trade and Industry Minister Alec Erwin has said.

In his preface to the Absa Group's new economic publication released last week, called *South Africa Within the Indian Ocean Rim*, Erwin says foreign trade between South Africa and the other countries in the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) is on the rise.

However, he says, IOR-ARC states have no official forum where issues of regional interests can be addressed, and that Absa's publication, written by Absa economist Jacques du Toit, provides the first step towards such a forum for regional economic development negotiations.

Erwin says: "The timeliness of this publication cannot be overemphasised. A wide spectrum of key features and statistics on various social and economic aspects is presented in an easily digestible format on a group of 24 countries washed by the Indian Ocean."

He hails the information contained in Absa's publication and the potential economic debates it will stimulate as invaluable to governments, policy makers and business people focused on areas of cooperation, business and investment opportunities, as well as becoming aware of circumstances and conditions prevailing in the countries within the region.

Du Toit says in his book the Indian Ocean region had a rich history of trade, dating back several centuries, with countries in Africa, the Middle East, Asia and also Europe in commodities such as silk, spices, jewels and gold.

"However," he says, "cooperation within the region seems difficult in the light of religious and ethnic disputes and division but the commercial past and present economic strength of the Indian Ocean region cannot be either ignored or underestimated."

IOR member states include Australia, Maldives, Bangladesh, Comoros, Djibouti, India, Indonesia, Iran, Kenya, Madagascar, Malaysia, Mauritius, Mozambique, Oman, Pakistan, Seychelles, Singapore, Somalia, South Africa, Sri Lanka, Tanzania, Thailand, Yemen and Myanmar.

Wide-ranging defence package to boost trade

BD 26/9/97 (74)

A STRATEGIC alliance of German arms manufacturers, led by German steel conglomerate Thyssen and Daimler-Benz Aerospace (Dasa), has submitted a multibillion-rand package proposal to supply SA with corvettes, submarines, jet trainers and helicopters.

The package, unveiled last month, is designed to meet the SA National Defence Force's equipment needs set out in the recent Defence Review. It includes a significant counter-trade and investment component. This is aimed at boosting SA's aircraft and shipbuilding industries and generating thousands of jobs.

The package includes specially-designed MEKO corvettes from Thyssen's Blohm+ Voss shipyards and state-of-the-art conventional submarines from the Preussag group, all of which will be extensively equipped by SA naval suppliers.

Dasa's proposal concentrates on a joint advanced trainer programme to replace the SAAF's ageing Impalas. These would be assembled and equipped entirely in SA and marketed worldwide, thereby creating long-term jobs and strengthening SA's aerospace industry, says Dasa.

Also included are new generation light-transport helicopters built by Eurocopter, a German/French co-operative venture, which would be developed and assembled in SA to replace the SAAF's Alouette fleet, the reactivation of SAAF's C160 Transall as long-time maritime patrol aircraft and a medium/short range maritime patrol craft from Fairchild-Dornier.

Recover

The proposal's overall counter-trade commitment would more than recover its entire cost and would focus on black empowerment and the promotion of small, medium and micro enterprises (SMMEs). In addition to sourcing materials and equipment locally, it guarantees export markets for SA goods — especially automotive parts — and makes provision for direct investment, technology transfer and extensive training and education across a range of SA industries.

Programmes directed specifically to meet RDP objectives include the creation of commercial parks to provide basic services in urban areas, as well as a low-cost housing scheme capable of generating 2 000 jobs and 20 000 specially designed prefabricated units in the first year alone.

"With our consortium partners we have put together the most advanced, cost-effective package of military equipment to meet the SANDF's needs well into the next century," says Thyssen director Christoph Hoenings.

Aloysius Rauen, president of Dasa's military aircraft division says: "Germany is one of SA's largest investment and trading partners.

"With this deal we are looking to broaden the close ties that already exist, stimulate the economy with new industries and jobs, provide access to world-leading technology, and open new markets for SA products within the European Community and beyond," he says.

Thyssen has been in SA since 1974 under the name of Marathon Steel (Pty) Ltd. Today the company manufactures die sets and auxiliary products from its plant in Heriotdale. Thyssen also imports tool and die steel from Germany. In addition, it has a formal association in the forwarding company Eagle Freight.

Thyssen also sources SA raw materials and minerals to its smelting operations in Germany and supplies steel products and expertise to SA industries.

BUSINESS DAY survey

Trade with Germany

SA businesses can do far more to gain a greater share of the German market by a better showing at trade fairs and increasing the export of niche products, report ***David Jackson and Melanie Sergeant.***

(74)

Bilateral relations are on the crest of a wave

BD 26/9/97

GERMANY at a glance

Head of government: Chancellor Helmut Kohl.
Type of government: Federal structure with 16 states.
Largest industrial centre: Berlin (home of Siemens and AEG).
Prominent industrial sectors: automotive, electrical, engineering, aerospace, energy, chemicals, telecommunications, building, pharmaceutical, steel, machinery.
Biggest industrial firms: Daimler-Benz, Volkswagen, Siemens, Bundespost, Telekom, Hoechst, BASF, Bayer, Thyssen, Bosch.
Principal seaport: Hamburg.
Other large ports: Bremen, Wilhelmshaven, Lubeck, Rostock.
Germany hosts the world's leading trade fair at Hanover.

Area: 357 000 sq km
Population: 81-million
Capital city: Berlin
Languages: German (with regional dialects)
Currency: Deutsche Mark (DM)
Exchange rate: R2,67 to 1DM
Central bank: Bundesbank (German Federal Bank)
Total GDP: DM3 023bn
GDP per capita: DM37 097
Inflation rate: ±3%

Graphic: KAREN MOOLMAN

IN THE wake of the historic first visit to SA by German Chancellor Helmut Kohl in 1995 and President Mandela's reciprocal state visit last year, relations between Germany and SA are on the crest of a wave.

Germany and SA enjoy long-established economic ties.

SA is Germany's biggest trade and investment partner in Africa. In turn, Germany is one of SA's top trio of global trading partners, with total two-way trade topping more than R22bn last year.

At least 370 German companies have established a presence in SA, providing more than 65 000 jobs.

German investments in SA to date have already reached about R9bn.

A flurry of top-level reciprocal exchanges between the countries will precede the seventh anniversary of German unification on October 3, Germany's national day.

SA deputy president Thabo Mbeki will head an SA delegation to the first session of the binational commission between the two governments to be held in Bonn on October 1.

Germany's ambassador to SA, Uwe Kaestner, says: "The exchanges between our countries will have to go beyond bilateral relations to face the challenges in Africa and Europe, as well as our responsibilities in the international community."

This will be one of the focal points of the first meeting of the German-SA binational commission, apart from bilateral co-operation.

The opening on October 1 in Bonn will be co-chaired by SA deputy president Thabo Mbeki and German vice-chancellor and foreign minister Klaus Kinkel.

"SA business could and should do more to conquer a greater share of the European market, and exports are the key.

"There is room for improvement in this area. In 1997 there was no SA participation at the Hanover Industrial Fair, which is the biggest in the world. We can only appeal to our SA friends not to miss such chances," says Kaestner.

"I am still convinced that SA will participate in Expo 2000, the World Exposition to be held in the year 2000."

Peter Fischer, the minister of economic affairs for the German state of Lower Saxony, will be in SA with 40 businessmen from September 22 to 26.

In October, the minister of environmental affairs of the Free State of Saxonia in the former East Germany will arrive with a delegation to coincide with the Made In Germany exhibition at Saitex.

They are due to meet SA government ministers on environmental matters.

The focus on potential investment by German firms in SA was given further impetus in June following a major investment conference held in Bonn, which was organised by SA's department of trade and industry.

An industry spokesman says the infrastructure is already in place in SA for German investments.

"Germany did not disinvest as many of the other traditional trading partners did during the sanctions years, so they probably have a competitive advantage in the sense that they kept track on site during this period.

"In addition, their existing plants have received a further influx of capital, which means that their tooling is up to date, enabling them to use SA as a base for exports and to keep abreast of what is going on in the marketplace worldwide."

German motor manufacturers have also begun global sourcing and have convinced several of their German suppliers to invest in SA.

They have now identified several local suppliers who are being commissioned to provide various vehicle parts that are exported to the manufacturing and assembly factories in Germany.

According to SA customs and excise statistics, SA exports to Germany in 1996 were almost R5bn. SA imported goods to the value of about R17bn.

Paresh Pandya, research and information manager at Reed Business Information, says the established trade between the two countries has been sustained to a large degree by German efficiency.

"Germany is a sophisticated country that provides a wide range of hi-tech equipment. SA, on the other hand, is still perceived as a developing country and is still essentially a supplier of raw materials to Germany.

Multinationals

"But this does not mean that there are no niche markets for developed products in Germany."

Pandya says that as an increasing number of multinationals use SA as a base into Africa, more German companies are initially establishing representative offices, which in turn develop into fully-fledged branches, country offices and then regional offices from where they promote their interests in sub-Saharan Africa.

Barriers to further German investment are the crime rate and the fact that, according to German sources, the implementation of the growth, employment and redistribution programme (Gear) has not yet gathered the pace required to attract additional investment.

SA-FRENCH RELATIONS

French trade revolution

Paris bids to 'modernise' its presence in Africa — and sell a few guns

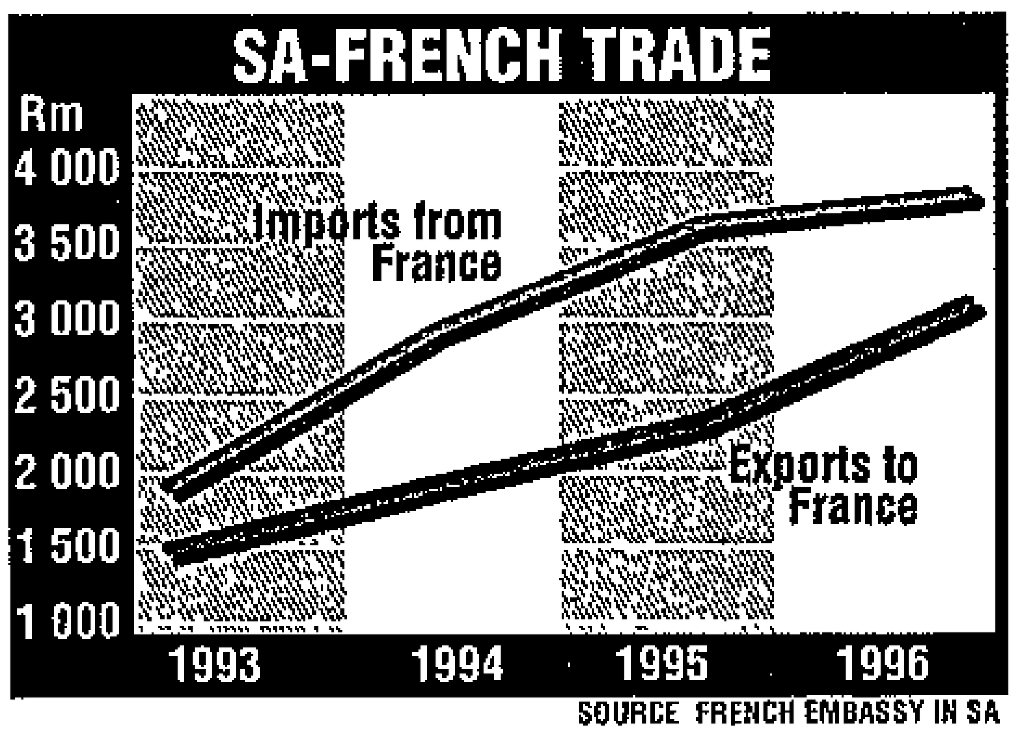
French Foreign Minister Hubert Vedrine arrives in SA next month to pursue his government's quest to "modernise" France's presence in Africa.

The Minister's visit comes while France prepares to enter the bidding to sell an arms package to SA that could include naval corvettes, fighter-trainer aircraft and attack helicopters The bid, weighted with counter-trade offers, will pit France against Britain and Germany for the deal.

Paris also wants to formalise its relations with SA on the basis of initiatives made about four years ago in cultural, scientific, public administration and, above all, business spheres.

Both countries want to improve relations in the context of a "new global vision for Africa," say the SA Department of Foreign Affairs and the French embassy in a joint communiqué.

Vedrine hopes to "boost political dialogue" during his visit on October 9 He will also visit Côte d'Ivoire and Ethiopia as part of a process of "adapting every facet of France's Africa policy to the new realities," he told *Le Monde* recently.



SOURCE FRENCH EMBASSY IN SA

Vedrine said he did not believe that French influence was on the wane. Rather, "because of globalisation, the influence of various players is being felt throughout the world, including Africa The game is opening up. Consequently, in southern and eastern Africa, France is gaining new opportunities You see the position, previously non-existent, it has achieved in SA."

Last week, French Foreign Ministry secretary-general Bertrand Dufourcq met Deputy Foreign Minister Aziz Pahad, his counterpart Rusty Evans and President's Office director-general Jakes Gerwel

Vedrine's visit should be seen in the context of France's changing role in Africa, and as a departure from the old Gaullist approach to the continent, says SA Institute of International Affairs director Greg Mills

"They are trying to develop a new Africa policy away from patronage and dependency towards one of securing French economic interests without the type of security and political ties of the past," he says.

SA is pivotal in France's bid to forge a new role and new relationships with Africa, Mills adds, not only because of SA's leading place in southern Africa, but in view of President Nelson Mandela's growing diplomatic role on the continent.

There are about 200 French companies and banks and 8 000 French troops in Africa. Mills says this means "Paris still calls the shots in many of its former colonies, and SA is going to have to deal with it — increasingly in partnership with France."

France, too, will have to transform its relationships, partly by viewing Anglophone African countries as partners rather than as rivals, and "recasting its view of African sovereignty."

Since 1994 a number of French companies which disinvested have returned to SA There are now about 125 subsidiaries of French firms in SA, compared with about 60 in 1990. Before sanctions the number was close to 90, according to the French Trade Commission in Johannesburg The commission says that in 1996, France was SA's sixth-largest supplier, with a market share of about 3,6% (less than 2% in 1990), while France was SA's 17th-largest customer, representing 1,2% of SA exports.

In the first six months of this year, however, French exports recovered and bilateral trade increased by 19%, with exports to SA up 20% and imports from SA up 18% (see graph).

Total investment by French firms in SA is estimated at US$2bn (about R9bn) French development assistance to SA, including its participation in European Union funding, rose from R79,4m in 1993 to R265,3m in 1994 and was R425,3m in 1995.

Last month, President Jacques Chirac spelled out two "rules of behaviour to which France must adhere strictly, at the risk of something being initially misunderstood." First, he said, "rule out any interference, whatever kind it may be — political, military or other" Second, "encourage our African partners, according to the ways and rhythms of their choice, to reinforce a state of law and good government.

"France is and will remain the primary partner of sub-Saharan Africa," Chirac said.

Amarnath Singh

Safto cuts staff numbers in bid to reshape itself

BD 29/9/97 (74)

John Dludlu

THE SA Foreign Trade Organisation (Safto), owned by the Industrial Development Corporation (IDC), has cut its staff by almost half and disposed of all its noncore activities in a bid to reshape itself to become a "one-stop export service provider".

Safto CE Johan Scheepers said in an interview that the organisation, once reliant on a state grant, now employed only 58 people, compared with 140 before its restructuring in 1995.

Most staff took voluntary severance packages amid uncertainty over the organisation's future, while about 20 officials left to join the publishing division which was sold off during restructuring.

Safto is no longer organising trade missions, and instead has tied up with specialist organisations. It is now focusing on coaching small and medium-sized firms into export markets, providing training and education, and assists international businesses in the SA market with research.

Safto has also rationalised its various complex membership system — only one type of membership is now available at a huge discount to the pre-1995 days. Membership now stands at around 900 organisations.

Training

The education and training unit's business is booming. The export management diploma course has attracted a record 300 students and Safto has arranged bursaries for many of them. Talks are under way with other educational institutions to make Safto's management courses available to a wider audience. Scheepers said he believed Safto should go into "wholesale training".

Although some of Safto's divisions are profitable, the organisation is still in the red. However, the IDC board has reaffirmed its support for the organisation.

The performance of Safto's international business centre, which seeks to assist foreigners eyeing the SA market, has been disappointing. Scheepers said this was due, in part, to perceptions that Safto was a government agency. It also suffered from a lack of foreign exposure, he said.

Another slow starter had been the research and consulting division, which had perhaps pitched its consulting fees too high, he said. However, the implementation of the government's export marketing and investment scheme, which assists exporters with primary market research, should alleviate the problem.

Safto's new toll-free hotline was proving popular, with about 70% of callers receiving immediate assistance, and the body's relationship with the trade and industry department has been improving "rapidly", Scheepers said.

BUSINESS

SA and Kenya to weed out thorny trade issues

(74) CT (BR) 29/9/97

JOE KHAMISI

Dar es Salaam — South Africa and Kenya would hold talks "quite soon" to discuss some thorny trade issues blamed for hindering the growth of commercial ties between the two countries, said a member of the South African high commission in Nairobi last week.

The talks would hinge on areas of concern to the two countries: tariffs, subsidies and market access, and two draft agreements relating to double taxation and investment protection, said W Obermeyer, a spokesman for the high commission.

The talks became necessary after Kenya complained in July of an uneven playing ground in trade matters. They claimed South Africa was restricting Kenyan goods from entering the country and that subsidies given to South African manufacturers were pricing Kenyan goods out of the local market.

'Kenya complained of an uneven playing ground in trade matters.'

Obermeyer said a bilateral mechanism was being worked out to provide a forum for ironing out the differences through talks, to be held either in Nairobi or Pretoria.

"We have sent South African tariff scales to Kenyan trade authorities to study because we do not believe they have the correct tariff percentages, a factor that may be causing a misunderstanding," he said.

Two standard agreements on double taxation and investment protection were also supplied to Nairobi two months ago for study and comment.

South Africa has a strong trade advantage over Kenya, even though exports from the east African country grew by 300 percent last year. South Africa exported to Kenya goods worth 12 billion Kenyan shillings (R907 million), while Kenyan sales to South Africa amounted to only 2,5 billion Kenyan shillings. — Independent Foreign Service

INSIDE PARLIAMENT

Trade pacts dominate the regional agenda

CT(BA)29|9|97 (74)

LYNDA LOXTON

The pros and cons of trade agreements are dominating the agendas of several parliamentary committees. Trade plans are also being closely monitored by South Africa's neighbours, some of whom accuse it of being protectionist and wanting to sell more than it buys in the region.

Undoubtedly the most important of these negotiations are on a proposed free trade agreement (FTA) with the European Union (EU). South Africa is linking this negotiations to its trade talks with its neighbouring states in the Southern African Development Community (SADC).

Although South Africa is accused of being protectionist by some SADC members, studies point to the contrary. The stigma of being a big bully on the trade block nonetheless persists.

Given all this, a key word in both negotiations is the term be "asymmetry", or arrangements that take into account the strengths and weaknesses of the partners negotiating the trade agreements.

In the SADC negotiations, for example, South Africa is proposing it should immediately reduce or remove tariffs on products originating in the SADC, while non-South African Customs Union states would have eight years to phase down tariffs on intra-SADC trade. This would be accompanied by outward investment in SADC states by South Africa and would allow foreign and domestic investment to establish itself, with preferential access to the South African market, before the gradual removal of protective barriers.

In turn, South Africa would benefit from increased demand by its neighbours for its exports, increased opportunities for profitable cross-border investment and, in the longer run, the creation of jobs in the region, which should reduce the inflow of cross-border job seekers.

Smaller SADC members would benefit from the increased access of the exports to the South African market, with the potential for improving economies of scale in domestic production. Exposure to South African competition would inevitably eliminate some industries, but more efficient firms would improve productivity and output. Diversification to products for the comparatively large South African market could be expected.

In addition, exposure to South African competition would help prepare smaller countries for greater integration into the world economy by enhancing both quality and productivity and thereby add to competitiveness.

Benefits to South Africa should include some market expansion, particularly for manufactured output, although the SADC market adds only 25 percent to the size of South Africa's total formal domestic market. Market penetration by South African exporters would probably take place anyway even without an FTA.

South Africa is also renegotiating the customs union agreement linking it to Botswana, Lesotho, Namibia and Swaziland. These states claim they are not receiving a fair share of the customs revenue pool and are unhappy that some incentives to industry in South Africa are rendering their own industries uncompetitive.

Real power is economic

(74)

Labour, business key to trade talks

Sowetan (Bus.) 30/9/97

Talks between Zimbabwe and SA on tariff hikes have been unsuccessful

By Maxwell Pirikisi

A ZIMBABWEAN financial expert has said the results of protracted trade talks between Zimbabwe and South Africa would be determined by the strength of labour and business interests in the two neighbouring states.

Researcher Rudo Chitiga, who conducted a case study of trade negotiations between Harare and Pretoria, said in a weekend report that labour and business interests in South Africa heavily influenced its negotiating position with Zimbabwe in trade talks.

South Africa is believed to be home to southern Africa's most powerful labour and business communities. According to Chitiga, the two sectors wielded a lot of influence on the South African Government's ability to negotiate and discuss economic matters with its neighbour.

Zimbabwean president Robert Mugabe still hopes that his government will clinch a favourable trade deal with South Africa.

Report fell short

However, the report fell short of charging local business and labour of stalling the re-negotiation of the 1964 free trade agreement between the two countries.

The trade agreement expired a few years ago and has not been renewed following concerns raised by South African business and labour which fear job losses and product dumping.

The 1964 agreement allowed duty-free allowances and tariff preferences based on quotas for specified goods from both countries. In 1992, South Africa, seeking to protect its textile and clothing industries from cheap imports, hiked its tariffs, surprising the Zimbabwean government which was already hoping to renew the old pact.

South Africa's decision adversely affected the Zimbabwean textile and clothing industry, resulting in industries closing down and massive job losses.

Trade and Industry Minister Alec Erwin has met his Zimbabwean counterpart Nathan Shamuyarira on several occasions to discuss tariff hikes and the need to review their old bilateral trade agreement with little success.

Chitiga charged that the negotiations were one-sided with Zimbabwe seeking preferences while South Africa was already enjoying access to its neighbour's market which had already been liberalised under economic reforms.

There was also an urgent need for governments in Southern Africa to build negotiating capacities and broaden stakeholder participation in the formulation of trade protocols, she said.

Chitiga said multilateral frameworks such as the Southern African Development Community (SADC) should guide industrial relations among their members.

Her call comes in the wake of reported clashes between presidents Nelson Mandela and Robert Mugabe over a senior position within the regional trade bloc, which threatened to affect the trade talks between them.

Sisulu urges UK's Labour to support SA in EU trade talks

Tim Cohen (74) BD 1/10/97

LONDON — African National Congress (ANC) chief whip Max Sisulu lobbied Britain's Labour Party yesterday for support in SA-European Union (EU) trade negotiations, saying a real opportunity was developing to achieve a long overdue trade deal.

Speaking at a function at the Labour Party conference, Sisulu suggested that when Britain takes over the leadership of the EU next year, the opportunity for a major push forward in the trade talks would present itself.

In an effort to develop political momentum necessary to ensure that the trade deal was not sidelined by other pressing European issues, Sisulu called on the Labour government to champion SA's trade with Europe.

"We appeal to the Labour government to champion our cause in Europe when you assume the EU presidency in January and we urge you to put trade with SA and southern African high on your list of priorities," he said.

He said the ANC still needed the support of the Labour Party, a long-time ANC ally, especially now that it was in government, to help build the new SA.

Sisulu also highlighted SA's remaining concerns about the EU trade negotiations and also SA's talks with the EU on qualified entry into the Lomé convention.

On the Lomé convention, which will also be up for renegotiation during Britain's presidency of the EU, Sisulu said the terms of entry were extremely restrictive because the EU retained sweeping powers to exclude SA inputs into products produced in countries covered by the convention. This was particularly so for agricultural exports, which were precisely the sector which stood to benefit most from increased access to EU markets.

"We in SA think the EU fears our agricultural exports will disrupt European markets are unfounded and they reflect strong projectionist sentiments inside the EU, particularly by highly subsidised agricultural producers.

"If Europe is truly committed to assisting us to rebuild our economy and our society then it must develop fairer, freer trade with SA and with southern Africa," he said.

Sowetan 1/10/97

EU clauses 'block SA's progress'

(74)

British Labour government urged to champion Third World economies

By Rafiq Rohan
Political Correspondent

AFRICAN National Congress chief whip Mr Max Sisulu appealed to prime minister Tony Blair's Labour government in Britain yesterday to champion South Africa's trade with the European Union.

Sisulu spoke at the Labour Party's annual conference in Brighton at a fringe meeting called Action for Southern Africa. He urged Britain to use its clout when it assumes the EU presidency at the beginning of next year to put trade with South Africa and Southern Africa high on the list of priorities.

"The British Labour Party was an unflinching ally in the struggle against apartheid but we still need the support of the Labour Party now it is in government, through its ministers, to help build the new South Africa," he told the gathering attended by Mrs Glenys Kinnock and former secretary of the British Anti-Apartheid Movement Lord Hughes.

Sisulu pointed out that winning the war against apartheid did not mean that the struggle in South Africa had ended.

The battle that needed winning now was for peace and that could come about by developing a strong economy which would attract investment, create jobs and pay the costs of transformation.

"The success of South Africa's economy is not only vital to our country but, as the leading economy in Southern Africa, to the region as a whole To develop and strengthen our economies we need greater access to world markets and particularly to the huge European market," he said.

Sweeping powers

He pointed out that South Africa was currently negotiating entry into the Lome Convention but the terms of entry are extremely restrictive because the EU retains sweeping powers to exclude South African inputs into African, Caribbean and Pacific products, especially agricultural exports. This, when sectors like agriculture stand to benefit most from increased access to EU markets.

SA bids for better deal at Lomé

ST(BT) 5/10/97

(74)

TRADE TALKS

By MARK ASHURST

AS EUROPE's trading partners in Africa, the Caribbean and the Pacific begin discussing the future of the Lomé Convention, its newest recruit is trying to repair its image as a thorn in the side of the European Union.

Lomé III, the current version of the 22-year-old treaty governing trade between the EU and some of the world's poorest countries, expires in 2000. Recent talks to establish common interests among the APC countries have coincided with SA's imminent admission as the 71st member.

South Africa is expected to accept "qualified" membership of Lomé later this year after almost three years of fraught negotiations between SA and Brussels.

Admission would mark the end of the first phase between the EU and post-apartheid SA, which one European diplomat recently described as "one of the most troublesome bilateral (trade) deals ever negotiated".

FORBIDDEN FRUIT.... SA exports are seen as a threat by southern European producers

The problem has been a clause stating that any South African-made materials included in exports from other Lome members will be exempt from European import tariffs on an ad hoc basis only. A precise definition of the restriction — which in theory means every EU import containing SA produce must be assessed on a case-by-case basis — will be decided by a bilateral committee expected to begin work soon.

But after three years of lobbying for more generous concessions from the EU, South African officials doubt the committee is a sympathetic forum to resolve their grievances.

"The ad hoc clause is a glaring discrimination against South Africa, and it has landed our neighbouring countries in an unenviable position," said William Bosman, a director in SA's department of foreign affairs.

Although most sub-Saharan countries have already approved SA's entry to Lomé, many of its neighbours hope closer ties with the continent's biggest economy will herald new investment from Johannesburg.

These aspirations afford Pretoria a last opportunity to bid for more favourable trading terms from the EU.

In the eyes of the EU, South Africa does not qualify for preferential trading conditions and European aid. Southern European countries, led by Spain, are understood to be hostile to the threat South African exports would pose to their own agriculture and fisheries.

However, South African companies benefit from a concession allowing their products to be included in goods exported to Europe by other Lomé countries. This is intended to encourage SA investment in export industries in neighbouring countries.

There is some evidence that this is already taking place in Botswana and Zimbabwe, but officials say regional investment could be stymied be the ad hoc clause.

Bosman predicts that if South Africa wins the support of its neighbours in the Southern African Development Community the EU could be "embarrassed" into further concessions . "If SA does not join, it would be a betrayal of the developing world on technicalities."

But time is not on SA's side. The enthusiasm of EU commissioners to help rebuild SA industry has waned.

But Brussels has already promised to help SA companies "adjust" to a more competitive environment, and Pretoria is wary of forfeiting that. "Now we have the milk," says Bosman, "we must be careful not to spill it." — *Financial Times.*

SA and India sign a bilateral trade accord

BD 7/10/97 (74)

Shareen Singh and Vuyo Mvoko

THE governments of SA and India signed a commercial alliance agreement yesterday aimed at strengthening bilateral trade and economic co-operation between the two countries.

The India SA Commercial Alliance would be made up of government and private-sector representatives from sectors with synergies for bilateral trade and investment. Jointly chairing the alliance would be trade and industry director-general Zav Rustomjee and the Indian commerce secretary. Sectoral forums would strengthen linkages and work out co-operative programmes.

Trade and Industry Minister Alec Erwin said the alliance, especially the sectoral forums, would facilitate co-operation at an operational level. The partnership with India was based on economic, political and historical ties. There were problems, such as access to work and business permits, but government was addressing them.

Indian Prime Minister IK Gujral said the volume of business between the two countries was constantly rising. In the past year bilateral trade exceeded R600m.

Gujral said the India-SA joint commission had "identified a target of $2bn for our bilateral trade by 2000".

President Nelson Mandela and Gujral will sign bilateral co-operation agreements in tourism and mining, and a programme of co-operation in science and technology. He will also meet Deputy President Thabo Mbeki today.

Deborah Fine reports that Gujral said the Old Fort jail, soon to be converted into the new headquarters of the Constitutional Court and a human rights museum, symbolised the historic bonds between SA and India and their struggles for political freedom.

He spoke at a ceremony at the fort, where he presented greater Johannesburg mayor Isaac Mogase with original photographs of Mohandas Gandhi, who was twice imprisoned at the fort in 1908 for refusing to register under the former Asiatic Registration Act.

Indian Prime Minister Shri Inder Kumar Gujral visited the Old Fort jail in Johannesburg yesterday to donat original photographs of late Indian leader Mahatma Gandhi to a human rights museum planned for the site Gandhi was incarcerated in the fort in 1908. Gujral was accompanied by his wife Shiela, right, and Indian higl commissioner Gopal Krishna Gandhi, left.

Picture: TYRONE ARTHU

New EU negotiator with SA on the way

(74) CT(BR) 9/10/97

JOHN FRASER

Brussels — The European Union (EU) is expected to appoint a new chief negotiator for the concluding stages of negotiations with South Africa for a free trade area.

He is likely to be British EU official Philip Lowe, who is to take over the EU's Development Directorate in Brussels from December. He is being appointed over the acting development boss, Philippe Soubestre, a Frenchman who is the EU's chief negotiator with Pretoria.

It is likely that Lowe, who is the top adviser to Neil Kinnock, the EU transport commissioner, will take charge of the negotiations with South Africa from the new year.

Officials say there will be no major delay to the negotiations because of the change of personalities, and they stress that the officials who do most of the real work will stay in place.

South Africa itself has changed negotiators, with the departure from Brussels of veteran diplomat Neil van Heerden and his replacement by Elias (LT) Links, the present South African ambassador.

Meanwhile, a shake-up is also expected in the EU's embassy in Pretoria with the departure of Erwan Fouere, the ambassador, who is Irish. His successor is expected to be another EU ambassador stationed in southern Africa, probably from Zimbabwe.

The next round of full trade talks takes place in Pretoria at the beginning of next month. This will be more than three months after both sides promised to inject "momentum" into the process — which is now certain to extend into next year.

South Africa is fighting protectionist EU demands for curbs on farm exports once a so-called Free Trade Accord comes into force.

And South Africa itself has been guilty of foot-dragging, while it has focused first on sorting out trade relations with its Southern African Development Community partners. — Independent Foreign Service

NEWS

Trade will come to replace aid to SA, says US envoy

(74) CT(BR) 9/10/97

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — US aid flows to South Africa were expected to decline as trade flows accelerated, James Joseph, the US ambassador to South Africa, said yesterday.

"We made a commitment to provide support to South African transformation through aid and trade and we assume that the time will come when the relationship with South Africa will be primarily through trade," he said after he and Gill Marcus, the South African deputy finance minister, had signed a R220 million US Agency for International Development (USAid) agreement.

He said this amount was likely to be slightly less next year, but would be accompanied by a significant increase in the amount of trade between the two countries.

TRADING OFF *James Joseph, the US ambassador, and Gill Marcus, the deputy finance minister, agree yesterday that US aid to SA must decline in favour of investment* PHOTO ANDREW BROWN

"The trade is accelerating and particularly in American investment," he said. "Since 1994, when the bi-national commission was first talked about, American investment in South Africa has been double that for all other countries combined. Last year American investors came into South Africa at the rate of one a week and, since the beginning of this year, that has been about six a month."

These include the investment by SBC Corporation, in alliance with a Malaysian company, of more than $1 million, creating 50 000 jobs. By the end of last year US investment in South Africa totalled $8 billion.

At the same time several treaties had been signed, including a double taxation agreement which provided greater certainty to US investors, Marcus said.

The R220 million grant brings to R4,6 billion the US aid provided to South Africa since the mid-1980s. Initially this was channelled through non-governmental organisations but it is now distributed through the central government as well.

The funds will be used to support housing, urban infrastructure, water, education, health and justice programmes under the supervision of the USAid staff in Pretoria.

BINATIONAL COMMISSION

(74)

Drive to regain top spot as SA's trading partner

No window-dressing as Germans make all-out bid to stay ahead in investment and trade stakes

FM 10/10/97

The SA/German Binational Commission, launched in Bonn last week by German Vice-Chancellor Klaus Kinkel and Deputy President Thabo Mbeki, is not just an official flourish of high-level signatures.

It underlines Germany's slipping position as number one trading partner and largest investor in SA.

And it marks an intensification of German-SA business and political efforts to right the problem.

During SA's years of isolation, German companies, none of whom left, were dominant. Now, with increased international competition for direct investment, the US and the UK are challenging the Germans.

Last year, of the 174 new foreign companies entering SA, only four were German, compared with 66 from the UK.

And Germany has difficulty wooing new investors in the form of small and medium-sized businesses into SA.

While most of the 320-odd German companies in SA are large firms which have been here for decades, smaller businesses have no tradition of trade with Africa. They still see it as a lost continent and look rather to Asia or Latin America for investment opportunities.

But small business investment in southern Africa is crucial to German economic plans.

Struggling to maintain its grip on global markets, Germany needs to find new initiatives for the small and medium-sized businesses, which form the backbone of its economy.

Small businesses, which tend to transfer jobs, skills and technology quicker than larger concerns, are seen as crucial in developing the southern African market.

The commission is just one of a number of concerted political and business moves to promote closer co-operation between the countries.

For example, a series of bilateral agreements, ranging from investment protection and promotion to air services and nature conservation have either been concluded or are in various stages of being negotiated.

And German government-sponsored business delegations to SA have attracted, says Werner Hachmeier, Director Sub-Saharan Africa in the Bonn Ministry of Economics, "surprisingly large support."

The most significant initiative came from German business itself. Initiated by Chancellor Helmut Kohl and President Nelson Mandela when they met last year, the Southern African Initiative of German Business (Safri) aims to promote small and medium-sized business investment in SA.

A measure of its support by German business giants, Safri's president is Jürgen Schrempp, who heads Daimler-Benz in Germany.

Josef Gorgels, who runs Safri from Daimler-Benz's head office, says: "We cannot look at SA alone. We need the regional integration of the Southern African Development Community (SADC) to form a larger market to give us sufficient volume for potential investors."

AP/Hermann J Knippertz

Kinkel (right) and Mbeki . . . firm grip on future relations

Next week Safri will take 50 German business delegates to a SADC conference in Namibia.

Most small and medium-sized businesses don't have the resources to research new markets and that is where Safri is facilitating. "We want to draw attention to this so-called lost continent and show it is not lost at all."

The problem is, as Gorgels himself admits, the greatest hurdle to attracting new investment is security. "People in Germany believe that the whole of Africa is like Johannesburg and that operating in Africa is a threat to their personal safety."

As Hachmeier says: "We can make as much effort (as politicians) as we can to support new investment, but in the end businessmen have to make the decision."

It seems not even Germany's special relationship with SA can help to overcome the worst deterrent to investing in the country — crime. Is anybody out there listening?

Vicki Sussens in Bonn

Southeast Asia to boost trade with SA

Sowetan 14/10/97 (74)

THE Association of Southeast Asian Nations (Asean) will open new trade and investment frontiers as the Southern African Development Community (SADC) joins this week's annual meeting of economic ministers for the first time.

Following inaugural talks between Asean and SADC ministers at last year's meeting of the World Trade Organisation in Singapore, a second meeting is scheduled for this Friday, chaired by Malaysian international trade and industry minister Rafidah Aziz and her Tanzanian counterpart Andrew Shija.

"The Kuala Lumpur economic talks are a follow-through of the Singapore meeting where a lot of ideas will be exchanged," Asean general secretary Ajit Singh told *AFP* ahead of the annual meeting opening on Thursday.

Promoting trade

"The potential of promoting cooperation between the two groupings is there in principle," Ajit said.

Apart from measures to promote trade and investment between the two regions, Ajit said the talks would also cover cooperation in the fields of technical assistance, education and human resource development.

During his first trip to Southeast Asia in March, President Nelson Mandela called for closer cooperation between the two regional groups.

South Africa, which is sending Trade and Industry Minister Alec Erwin to Friday's meeting, is a major recipient of direct investment from Malaysia which has poured an estimated three billion dollars into the country, making it the second largest foreign investor in South Africa. *–Sapa-AFP.*

FOREIGN TRADE

Erwin follows a familiar trail in his east Asian road show

CT (BR) 16/10/97 (74)

PETER KENNY

There's an air of electric excitement over the visit of the largest South African trade delegation yet to visit east Asia under Trade and Industry Minister Alec Erwin.

When Erwin told journalists in Tokyo on Tuesday: "We're electrifying 300 000 houses a year in South Africa," there were even some signs of interest from normally blasé Japanese reporters.

He raised their eyebrows when he went on: "Millions of people are getting electricity that previously didn't have it. We will probably build one million houses by the end of 1999."

Japan has not seen development of that sort since it rebuilt itself from the ashes after World War 2.

Words like that are interest-grabbers for global electronic manufacturing giants like Japan and South Korea.

In the home of such household names as Sony, Toshiba, National, Samsung, Goldstar, not to mention Toyota, Nissan and Hyundai, the word electrification is indeed a magnet. The South African delegation has expressed delight at the attention they are getting on this visit to the region.

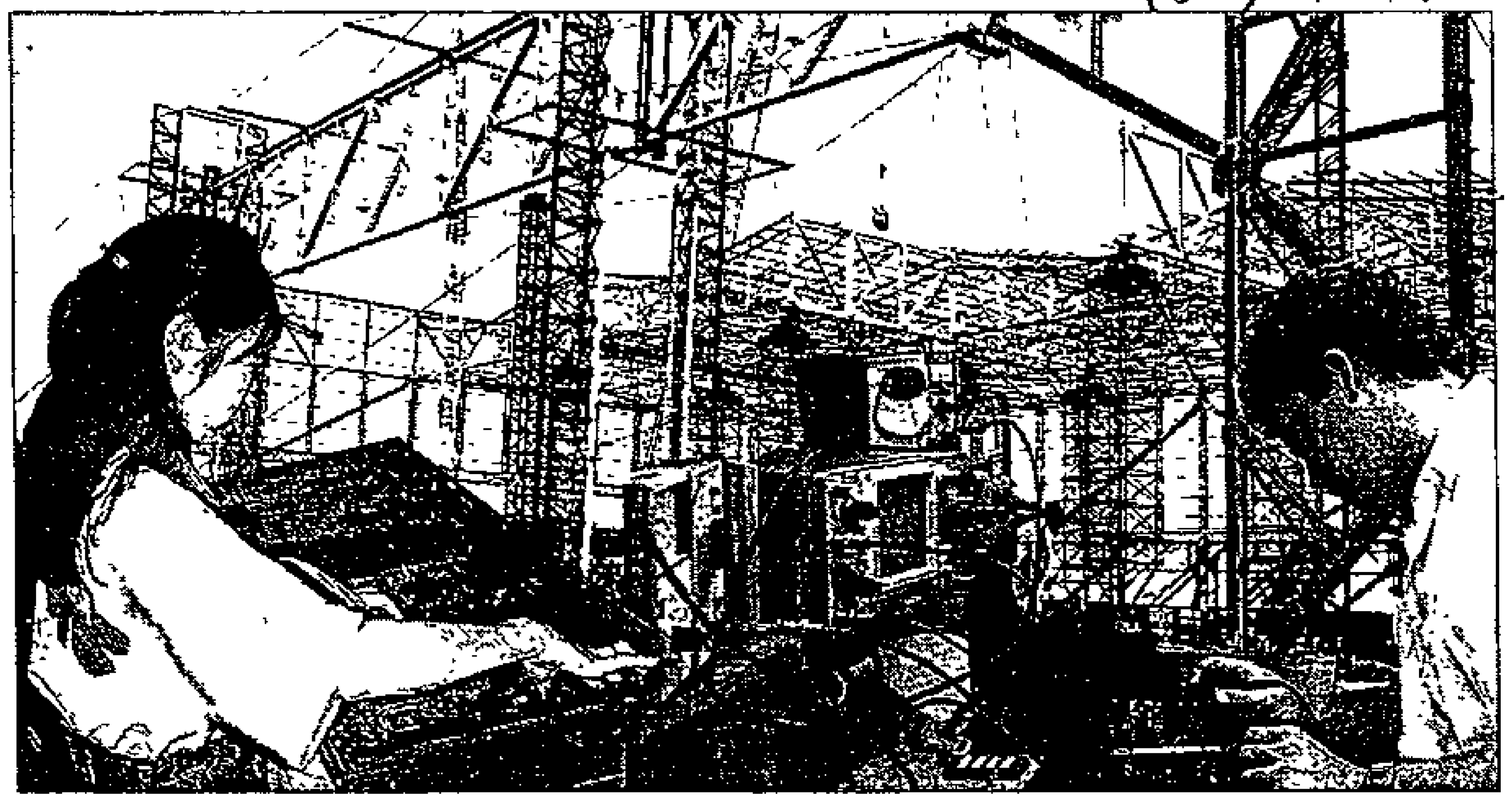
Only one week ago Japanese electronic conglomerate Toshiba, maker of locomotives, medical equipment, computers and flat panel tubes, announced it had opened a representative office in Johannesburg for the first time.

Kanichi Ito, who heads international affairs at Toshiba, said: "Our exports to South Africa are growing. South Africa is on an economic upswing that is giving a boost to the wider region."

In 1996 Toshiba recorded sales of R100 million. The company aims to double that over the next few years.

Representatives of South African embassies in both Tokyo and Seoul said interest in South Africa had shot up since President Nelson Mandela led the first major trade delegation to the two countries in 1995.

Adno Boshoff, the economic counsellor at the South African embassy in Seoul, said: "Bilateral trade between South Africa and South Korea has soared by an average of 46 percent in the last two years. Since President Mandela laid the groundwork two years ago trade is leaping ahead."



After meeting his South Korean counterpart Lim Chang-yuel and other senior officials, Erwin opened a South African food and cultural festival in Seoul. He also signed a trade and industry agreement with the South Koreans.

Accompanying Erwin are Brigitte Mbandla, deputy minister of arts, culture, science and technology, and Enoch Godongwana, the provincial minister for economic affairs in the Eastern Cape as well as other senior South African officials.

Their visit started in South Korea and has made its way across the Sea of Japan to Tokyo.

Top leaders from the automotive, electronic, chemical and metal sectors of South African industries are included in the South African Investment Tour '97.

They have held packed investment seminars in both Seoul and Tokyo, where delegates have also been introduced to South Africa's foods and wine.

"At the Shilla Hotel, one of Seoul's top hotels, there is a South Africa week where we are introducing Koreans to the delights of South African ostrich meat, fish products and, of course, our wine," said Boshoff.

Erwin told the mass-circulation newspaper Junng-Ang Ilbo in Seoul: "Since Korea and South Africa established official diplomatic ties in 1993, the two-way trade between our countries has increased 400 percent."

South Korea, with a population of 45 million, is now South Africa's 12th largest trading partner, coming from virtually nowhere a few years ago.

Erwin noted that both its and Japan's economies were complementary.

"South Africa is a competitive supplier of steel and non-ferrous metals," Erwin said, stressing the bargain basement price of South African electricity at two US cents a unit.

Underlining that South Africa was the springboard to southern Africa and indeed the rest of the continent, Erwin told Japanese investors: "We would really like you to take part in a strategic relationship to bring about the renaissance, the new birth, of Africa."

The South Africans arrived in Tokyo on Sunday and leave tomorrow.

Erwin was to meet his Japanese counterpart, Mitsuo Horiuchi, and senior members of Japan's foreign ministry.

Erwin said Japan and Korea had been identified as key sources of direct foreign investment in east Asia.

Japan had been slow to start investing in South Africa and was at one time being outstripped by investment from Malaysia and South Korea.

But since 1994 Japan has started catching up, having ploughed $550 million worth of investment into South Africa.

The bulk of this sum had come in direct investments from Japan's top motoring manufacturer Toyota, followed by its competitor Nissan and the Bridgestone tyre company.

"We are looking for technical partners from Japan," said Erwin, who has stressed the importance of the 180 million people in the 14 countries making up the Southern African Development Community.

As other Asian countries have seen, Japanese companies are often cautious to invest heavily in a country, carefully feeling out the water, but going in big if the conditions look right. — Independent Foreign Service

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Robert Tshabalala

Alec Erwin . . . once more unto the breach

FREE TRADE AREA

Truculent tortoise tactics must end

As Pretoria dawdles, blinds are being drawn on a window of opportunity into Europe

(74) FM 17/10/97

For a nation familiar with the miracle of speedy and successful negotiations, talks to establish a Free Trade Area (FTA) as part of a bilateral agreement between SA and the European Union (EU) have been a slow and ponderous affair.

Though many in Pretoria favoured full membership to the Lomé Convention in line with an apparent belief that SA "deserved" to be accorded status as a developing rather than developed state, a dual track (Lomé and FTA) solution was instead offered by Brussels in March 1996.

Pretoria was invited to join Lomé as a qualified member, able to participate in Lomé institutions and to have access to tendering for R45bn worth of European Development Fund (EDF) projects, though it would not be eligible for the trade preferences.

"As an advanced developing nation," one EU official has put it, "SA could not morally expect to receive Lomé trade preferences." This offer of membership was endorsed by the EU Commission in March this year.

The second track involves, after a transition period, the establishment of an FTA, along with sectoral agreements on fisheries and wine and spirits, as well as co-operation on broader trade-related, economic and political matters such as competition policy, investment promotion and protection, and judicial-criminal issues

However, these talks have stalled, purportedly because of the length of the list of sensitive products to be excluded from the FTA in the EU's mandate This list amounts to about 39% of SA agricultural exports to the EU, representing around 4% of total EU imports from SA.

Yet it has become clear that Pretoria has used objections to this list as a means of delaying the negotiations until it is ready with its own mandate Hence the process has thus far "been big on rhetoric and low on progress " But the future of the talks has also been complicated by a number of short- and longer-term developments. These include·

- The future of the Lomé Convention The fourth round of this agreement is due to expire in 2000, and it is unclear what might come from the negotiations due to start in September 1998. The jury is out on whether the current mix of trade concessions and aid is in line with global developments and has actually brought long-term benefit to African, Caribbean and Pacific (ACP) member countries

Not only is there a debate over the World Trade Organisation (WTO) compatibility of an agreement which is limited to this economically heterogeneous grouping (to the exclusion of other least-developed countries), but ACP countries appear to have gone backwards in global terms despite these preferences. During the course of the four Lomé Conventions, the ACP countries have failed to increase or even maintain their slice of the EU market, "while less

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EUROPEAN UNION

Commerce is bon in any language

The 15-nation European Union is the world's largest trade grouping, accounting for around 25% of global trade in goods, more than the US (18%) and Japan (10%). It is also SA's largest trading partner, with two-way trade exceeding R93bn in 1996. Trade is the lifeblood of the European economies, with one job in 10 dependent on exports.

It should not be surprising that Brussels has a long-standing commitment to promoting trade. Trade concessions are a central part of its links with the 71 African, Caribbean and Pacific (ACP) countries through the Lomé Convention, with the new democracies of central and eastern Europe, and also with North Africa and Latin America.

These arrangements are not just based on economic altruism, though development aid accounts for around 6% of the EU's budget Given that 80% of the world's population live outside OECD countries and given high rates of economic growth in emerging markets, in the EU's own words "it is not hard to see where the best opportunities lie."

Greg Mills

NOBEL PRIZE

Economic rewards

US economists Robert Merton of Harvard University and Myron Scholes of Stanford University will share the 1997 Nobel Prize for Economics (US$992 000) for their ground-breaking work on stock options and other derivatives that helped fuel the Nineties' bull market.

Reuters reports that together with the late Fischer Black, Scholes published what became known as the Black-Scholes formula, which is used by thousands of investors daily to value stock options. Merton devised another method to derive the formula.

"If you ask what idea in the past 50 or 60 years coming from economic research has had the biggest impact on the world, this is it," says Avainash Dixit, economics professor at Princeton. "It's changed the way the financial markets allocate risks among different types of investors." ■

preferred exporters were able to raise their market share." So it's likely that non-ACP countries will in future be offered trade concessions, while mid-developed countries (which include most of the Southern African Development Community, or SADC, states) will be offered regional FTAs along the lines of that proposed with SA.

In the political realm, Lomé will focus on issues such as conflict prevention and early warning, an idea strongly promoted by Michel Rocard, the former French Prime Minister (and now EU parliamentarian).

❑ The future of the Southern African Customs Union (Sacu). SA has to consider how the proposed FTA will affect the Customs Union revenue-sharing formula, something that Pretoria has been slow to acknowledge and deal with, according to EU officials. Indeed, some maintain that a Sacu-EU FTA would have made more sense. Any reduction in tariffs (such as those proposed under the FTA) will affect the revenue income of Botswana, Lesotho, Namibia and Swaziland, which are heavily dependent on Sacu receipts Related concerns about trade vulnerability have been raised by member states of the SADC, particularly in the light of the Free Trade Protocol, signed in August 1996, designed to create a regional tariff free zone by 2004.

❑ The EU's own cluttered agenda. This includes the potential expansion of EU membership eastwards (10 have applied to join, though this will probably only be extended to the Czech Republic, Hungary and Poland by 2005), the renegotiation of Lomé and contentious issues such as the creation of a single Euro market and currency, EU financing and high rates of unemployment which average over 10%.

Where does all this leave SA in the negotiations?

The next round will take place in Pretoria on November 3-4. Working groups on Customs, agricultural and industry issues will meet at least once before then in preparation, though the SA side (led by Trade & Industry Minister Alec Erwin and including Nedlac) is putting together SA's mandate, which includes a list of sensitive products Talks on trade-related and co-operation issues will take place in Brussels in December and a joint ministerial session is planned for January

To achieve full WTO compatibility, the FTA agreement has to cover "substantially all trade" with a transition period of 10 years on the EU side and 12 years for SA. In the face of domestic pressures, an extension of the list of sensitive products to be excluded from the free trade area by Pretoria (which would partly offset the need for economic restructuring and appease the unions) is no option at all.

But there are huge challenges for SA in opening up its markets. Despite the EU eliminating its tariffs faster than SA, the adjustment required by SA is more significant in terms of economic restructuring of the sectors that will be affected significantly by liberalisation. There are, however, few options and potentially considerable benefits.

First, Lomé is not going to be around in its current format after 2000 Second, the EU FTA offers a regional stepping stone to full global participation and competitiveness that will have to occur sooner or later under the WTO Indeed, the signing of this agreement is a symbolic step that can only encourage investment in southern Africa

As one SA official has put it, "there is a small window of opportunity for the negotiations offered by the sympathetic British presidency of the EU in the first six months of 1998. With SA slipping from being flavour of the month, after that the EU's agenda gets cluttered with Lomé and other issues."

The time for stalling and rhetoric, until now patiently tolerated by the EU, should be supplanted by the much harder business of negotiations. **Greg Mills**

❑ Mills is the National Director of the SA Institute of International Affairs and is researching in the EU.

JUNIOR MINING BOARD

Help for the small guys

Interests funded by Canadians and Australians digging in SA's backyard

Specialist geological and financial consultants Venmyn Rand aim to launch a US$50m-$100m fund to give junior mining companies a kickstart to operate in sub-Saharan Africa. At the same time, the JSE is also considering setting up a "junior" mining board.

JSE executive president Russell Loubser says the exchange's project is still at "an early stage," but would allow Johannesburg to compete with the Toronto Stock Exchange.

"The perception exists that it is difficult for mining entrepreneurs to raise money locally to develop finds

"Even some of the big groups find it sad that this is the case — especially with Canadian- and Australian-financed juniors operating in our backyard, while our own juniors cannot compete because of lack of finance," he adds.

Venmyn Rand executive officer Willo Stear says "numbers of SA mining executives have been forced to operate out of Canada and Australia, as the JSE has not provided the funding mechanisms for junior mining companies."

Examples include Canadian-listed exploration company Afriore, headed by Tony

Robert Tshabalala

***Willo Stear** . . . local investors missing out on opportunities*

GERMAN-SA TRADE

Imbalance levels out as scales tip towards SA

Social crisis causes German exports to slip, but it's still too early to open the champagne

(74)
FM 17/10/97

SA exports to Germany are on an upward trend while traffic the other way is levelling off. This is good news for the trade imbalance which has, until now, been strongly in Germany's favour

But it is too early to celebrate, says Rudi Siefert, head of trade at the SA Embassy in Bonn.

The figures reflect the historical phases both countries are going through rather than greater SA export competitiveness

Germany's export position is slipping throughout its global market because of a domestic crisis. And the rise in volumes of SA exports merely reflects the opening up of markets after years of isolation.

SA exports to Germany have risen across the board In 1996, they rose by 5,1% over the previous year. And in the first half of this year they rose by a whopping 8%

Fruit volumes rose by as much as 70% and coal (including briquettes) rose by 30% The only significant drop was in gold

But, says Siefert, SA exports are still too heavily reliant on raw materials and semi-finished products In 1996, of a total of DM3,04bn in exports to Germany, only DM911m was in finished goods

Though the SA Trade Department is trying to promote the export of manufactured goods, there is still a lot of hard work needed for SA manufacturers to come up to scratch on the global market, says Siefert.

SA manufacturers still struggle with the basics of exporting such as correct pricing and understanding different trade cultures

Germany's export performance also reflects its political legacy One of the few economic powers to export to SA during apartheid, it enjoyed the run of the market.

In the years leading up to the lifting of sanctions German exports soared as SA manufacturers upgraded in order to become more globally competitive In 1989 exports were DM6,128bn, compared with DM5,499bn last year

But then it began to share the marketplace with other countries Today it is being challenged in all areas, especially by Asian companies in textile goods and machinery.

The timing was unfortunate for Germany From 1989 onwards, its manufacturing began to stutter and its position on the world market to slide.

About the time SA was opening up its markets, the wall fell and globalisation began in earnest

But Germany's social market economy did not adjust to globalisation. This calls for a liberalised and flexible labour market, but Germany has become the most expensive and rigid place in the world to do business

The cost of unification, badly underestimated, was another blow to its already burdensome social market Social taxes soared to support the east They now cost industry 80% in nonwage costs Instead of addressing the problem, Germany's politicians are locked in stalemate over reform.

The result is manufacturers have deserted Germany in droves for the cheaper manufacturing grounds of eastern Europe, Asia and Latin America.

This has affected SA trade products being exported to SA from Germany are overpriced and products being exported from countries elsewhere in the world are no longer counted as German exports.

But if Germany is to keep a strong presence in SA it must broaden its markets There is a 150-year-old trade relationship between SA and Germany and both countries are drawing on this goodwill to right matters because they need each other. But though they have signed endless agreements to assist each other, it is going to take time before they are able to step out of the shadows of their individual political legacies.

Vicki Sussens in Munich

SA AIRWAYS

New lease may be too little, too late

Last week SA Airways regained some lost ground in the hotly contested airline industry when it took delivery of a 200-seater Boeing 767 leased from Pratt & Whitney of the US.

A second aircraft, to be leased from the same source, is due to come into service in December. Both planes will be used on near-east and African routes.

Executive director Zukile Nomvete says yields on African routes are good and are growing faster than those on European routes. "But we need something bigger than an Airbus A320 to capitalise on them."

Though the new arrivals will ease SAA's capacity problems, it's still a mystery why the airline cancelled a major order placed with Boeing in November 1995.

Almost two years ago, Minister of State Enterprises Stella Sigcau signed a R3,5bn order with Boeing for two 400-seat 747-400s and four 300-seat 777s, with an option on another three 777s.

But in June last year SAA put its entire order on hold. Not surprisingly, it lost its slots in Boeing's manufacturing programme — and its ability to contest effectively in what has since become a highly competitive arena. SAA's situation has been worsened by the arrival of Virgin Atlantic and an increase in flights by British Airways. Many new operators are also flying the SA route, resulting in fiercely competitive ticket prices.

The order for the two 747-400s was subsequently reinstated, with delivery scheduled for May and October 1998.

SAA CE Mike Myburgh says the new aircraft will be flown on the London and US routes. Air industry sources say that if the order had not been put on hold, SAA would have been better positioned to maintain its competitive position. The new planes would also have raised revenue and steered SAA back on track toward profitability.

The order for the Boeing 777s is still on hold — and costing the airline money. When the order was placed, Boeing, as is the practice among aircraft manufacturers, insisted on a substantial deposit in dollars which is lost if the purchaser cancels the deal. The amount of SAA's deposit has never been divulged.

Ironically, the first aircraft that would have been delivered to SAA went to the United Arab Emirates airline, and is in use on its SA route.

David Pincus

SADC-Asean states forge trade ties

(74)

CLOSER economic cooperation in trade and investment between Southern African nations and Southeast Asia is expected to grow following an agreement between the two regions at the weekend.

The 14-member Southern African Development Community (SADC) and economic ministers from the nine-nation Association of Southeast Asian Nations (Asean), agreed on Friday to increase trade relations between the two economic blocs at their second annual meeting in Kuala Lumpur.

The ministers said the two regions would cooperate in promoting mutual trade and investment, particularly in metal engineering, telecommunications, agriculture and infrastructure development.

Strengthening of private sector linkages, links between research institutions and the transfer of technology would also be emphasised, they said.

Asean general secretary Ajit Singh said the two regions also agreed to cooperate in World Trade Organisation (WTO) negotiations.

"Their WTO Geneva negotiating officials and our WTO negotiating officials will meet and exchange views and cooperate whenever necessary," Singh said.

Two-way trade between the regions, although currently small, has great potential for expansion.

Asean's exports of R8,305 billion in goods in 1996 to Southern Africa represented only 0,55 percent of Asean's total exports.

Southern Africa's exports to Asean, totalled R6,757 billion in 1996.

Sowetan 21/10/97

Europe debating full Lomé benefits for SA

Own Correspondent

BD 24/10/97 (74)

COLOGNE — SA's limited membership to the Lomé Convention would be strengthened by an agreement with the European Union (EU) and would be backed up by several scientific and technical agreements, German Minister of State in the foreign ministry Werner Hoyer said yesterday.

Addressing about 200 delegates at a symposium on southern African economic development and media issues, Hoyer said SA was a special case that needed to be handled with proper regard for the effects a full membership to the convention would have on the economic stability of its neighbours.

But Hoyer's speech came under fierce attack from some delegates, who labelled SA's limited membership "a sham".

Klaus Freiherr von der Ropp of the Foundation for Science and Politics in Bonn asked why SA could not be given full membership speedily so that it could deal adequately with problems such as crime and unemployment which continued to hinder its economic progress.

SA was granted limited membership to the convention last year but denied regular trade preferences and financial aid.

The issue of SA's membership is set to be a major issue again today when the symposium will be addressed by German Economics Minister Gunter Rexrodt, Daimler Benz board chairman Jurgen Schrempp and leaders of several Southern African chambers of commerce.

The day's discussion will focus on a new initiative by Schrempp and other German business leaders to enter the regional market through various investment instruments. Regional trade agreements and their role in attracting — or hampering — investment will be the main focus.

In his speech, Hoyer said negative news reports coming out of Africa "only reflect a fraction of the reality. It is bad news that sells. But Southern Africa is a growing future market. In the past we ignored the Asian tigers but we must ensure that we do not ignore the growing lions," he said.

On the niggling question of agriculture, he said bilateral talks with German and other European countries' ministries should take place.

LOMÉ CONVENTION

Plan to chop 32 countries from preferential list (74)

SA set to join ranks of 'middle income' states under radical revamp proposed for trade pact

FM 24/10/97

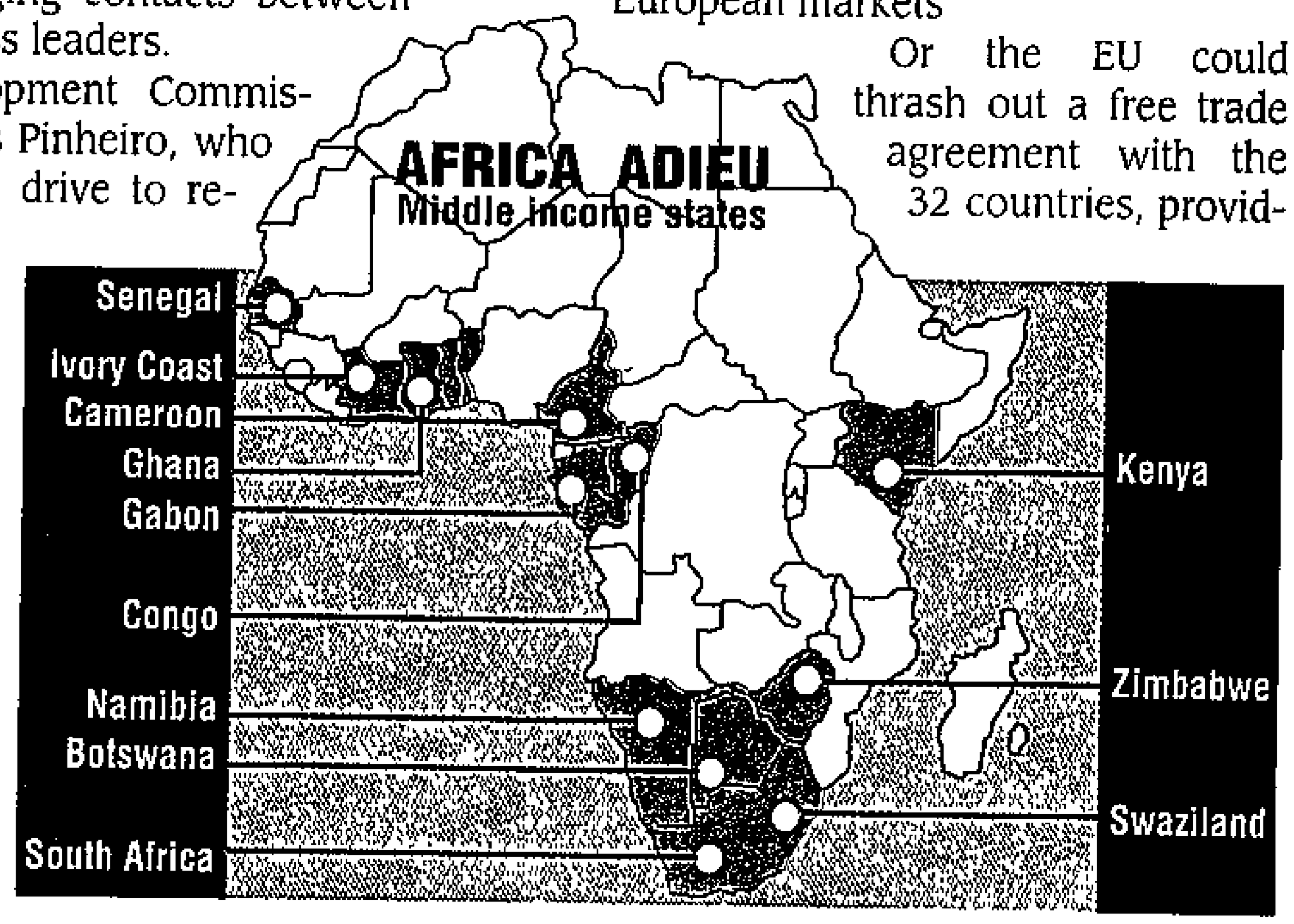
African, Caribbean and Pacific (ACP) countries are bracing themselves for a radical revamp of the Lomé Convention, the co-operation treaty they signed with the European Union (EU) 22 years ago.

Under new proposals shortly to be unveiled by the EU Commission, 32 of the existing 71 ACP members would lose access to preferential trade terms offered under Lomé. SA would join Botswana, Namibia, Swaziland, Mauritius, Zimbabwe and Jamaica, among others, in this "middle income" group.

The remaining 39, classified as least developed countries, would continue to benefit from the generous trade pact. On this list are Angola, Lesotho, Malawi, Mozambique, Madagascar and Haiti.

The proposal calls for an end to Lomé's focus on development aid and trade preferences for the ACP group. It suggests priority should be given instead to promoting investments in the ACP states, improving the competitiveness of their exports and encouraging contacts between EU and ACP business leaders.

European Development Commissioner Joao de Deus Pinheiro, who is spearheading the drive to revitalise EU-ACP links, says change is inevitable. EU co-operation policies must adapt "to the post-Cold War situation, the outcome of the Uruguay Round (on trade) and the evolving circumstances of our ACP partners," he insists.



The new pact will attempt to adapt to World Trade Organisation (WTO) requirements by introducing greater "differentiation" between the 71 ACP states, based on their level of economic development. Of these, the 39 which fall into the category of landlocked and least developed countries will continue to receive the special aid and trade concessions.

But the trade regime for the 32 "middle income" ACP countries will have to be made compatible with WTO rules.

This might involve giving the countries access to the EU's generalised system of preferences under which developing countries in Asia and Latin America — and SA — are given duty-free or low-tariff access to European markets.

Or the EU could thrash out a free trade agreement with the 32 countries, providing for the gradual and reciprocal lowering of tariff and nontariff barriers. EU officials insist, however, that ACP countries will be given adequate time — between 10 and 12 years — to adapt to the new rules.

Pressure for change has come from both inside and outside the EU. New EU members, including Austria, Sweden and Finland, don't like the colonial overtones of Lomé. And even though EU economies are picking up pace, many governments, worried about the costs of the bloc's forthcoming eastward enlargement and the introduction of a single European currency, are in no mood to increase development aid.

Equally importantly, the convention is under attack in the WTO, where other Asian, Latin American and Middle Eastern countries are questioning the logic behind the EU's privileged trade relationship with ACP states, which they believe works to the disadvantage of other developing nations. The EU-ACP link-up is protected by a WTO "waiver" until 2000. Already the WTO has ruled against the Lomé banana import regime, triggering fears that other special trade "protocols" covered by the agreement could also be queried by the US or Asian states.

The switch in EU priorities is unlikely to please the ACP states. ACP leaders will study the EU ideas at a first-ever heads of state summit to be held in Libreville, Gabon, on November 6 and 7.

But a closer look at current Lomé "privileges" shows there is an important gap between what the convention promises and what it delivers.

Take the disbursement of the 14,7bn ecus that the EU has promised the ACP group for the period 1995-2000. Independent development experts say that because of management problems in the EU and ACP states, most of these funds haven't reached their destination — and won't do so for another few years.

Mirjam van Reisen of Eurostep, a nongovernmental aid agency, says the EU "under-spends" 3bn ecus annually. "Disbursement of the Lomé fund is low," Van Reisen adds. "On average it takes 15 years for each fund to be utilised." The current aid package will not be disbursed until 2002, two years after the current treaty runs out.

Despite the many privileges, ACP-EU trade has remained fairly constant. EU exports to the ACP states have been around 17bn ecus for the past four years. ACP exports (including petroleum) to Europe have been valued at about 19bn ecus for the same period.

In comparison, EU aid for Asia and Latin America is on the way up.

Even though trade has been static, the income earned from the favourable trade terms is vital for the survival of the ACP economies. Under Lomé, countries are given tariff-free access to the EU's markets for all industrial and most farm products.

Shada Islam in Brussels

'Trade with neighbours or accept economic refugees'

CT(MR) 24/10/97 (74)

Ann Crotty

Johannesburg — South Africa must be willing to accept increased trade with its regional neighbours or it must be prepared to accept economic refugees from those countries, Hamish McBain, Tiger Oats' executive director, said recently.

McBain, who was addressing a conference in Pretoria on Value-added Agriculture on the subject of the free market at work in the agricultural sector, urged South Africans to focus on improving their competitiveness, but to encourage imports from regional neighbours.

"We must buy what they produce competitively and help those economies to become successful or we will have to accept their economic refugees," he said.

McBain referred to a number of concerns that had been raised by interested parties in the local agricultural sector in the wake of deregulation.

These included the lack of reliable information relating to crop sizes and price indications; the lack of funding for research; the fear of a decline in quality standards; the difficulty farmers might have in finding buyers for their output; the danger that co-operatives would manipulate the market; and the likelihood of excessive price volatility.

McBain intimated that many of these concerns proved to be unfounded. On the issue of reliable information, he said there was easy and cheap access to varied sources of information through the Internet, Safex services and the media. For example, useful information relating to South African and international crop estimates, from the US department of agriculture and Nasa, was available through the Internet.

McBain said previous crop estimates provided by a number of statutory bodies were often questionable and seemed at times to represent a deliberate attempt to influence crop prices.

He pointed out individual farmers were now in a position to gain access to useful long-range weather forecasts on the Internet.

At present, these showed that the current El Nino weather pattern was at its most intense since about 1700. However, the good news was that the country was better prepared in terms of high moisture content in the soil and high water levels in the dams.

On the issue of producers finding buyers, in the absence of statutory purchasing by the boards, McBain said there were plenty of buyers in the market place, and local traders were supplemented by international traders.

Commonwealth members pledge support for free trade

(74) BD 27/10/97

Tim Cohen

EDINBURGH — More than 50 Commonwealth members have decided to add a new economic focus to the organisation, pledging support for an economic declaration which papers over differences on globalisation but commits members to "managed free trade".

The declaration was drawn up at the weekend at the Commonwealth heads of government meeting which ends today after three days of discussions, mostly devoted to a debate on the consequences of globalisation.

Differences emerged over the consequences of expanding free trade. Many developing countries said they had received a raw deal by opening their markets and objected to the proposition that free trade and mobile capital automatically resulted in prosperity.

Antigua Prime Minister Lester Bird reflected the gloomy attitude towards globalisation, saying the wisdom behind the theory of immediate adjustment was the wisdom of economists who did not have to "stand in the dock of economic judgment". These economists did not have to participate in general elections or face people deprived of jobs.

Malaysian Prime Minister Mahathir Mohamad said Southeast Asian countries had seen how anarchic a globalised world could be. He called for a properly legislated code of behaviour "to protect the weak from the strong".

Speaking for developed countries, British Prime Minister Tony Blair acknowledged differences, but said countries were united by their goals. The goals outlined in the declaration appeared to amalgamate the different viewpoints, committing countries to market principles and open international trade while also calling for uneven development to be addressed. Likewise, while welcoming globalisation, the document called for it to be "carefully managed to meet the risks".

The document appeared to echo an earlier statement by President Nelson Mandela calling for measures to ensure that the world trading system and global economic growth should be translated into development and a more equitable distribution of benefits.

It proposed the establishment of a business council headed by Nail deputy chairman Cyril Ramaphosa and Commonwealth Development Corporation chairman Lord Cairns. The council would be made up of a small number of major private-sector leaders to advise the Commonwealth secretariat and consider methods to boost private sector investment.

It endorsed the Australian government's proposal that a "trade and investment access facility" be established under the Commonwealth umbrella to help developing countries take advantage of globalisation opportunities.

The document also called for work towards a solution to the problem of debt, to reverse the decline in development assistance and to work towards halving the proportion of people living in extreme poverty by 2015.

SA, African trade unbalanced

(74)

Business Day Reporter

BD 27/10/97

SA's trade balance with the rest of Africa was highly uneven, on an average of five to one in SA's favour, the United Nations body, International Trade Centre (ITC) said at the weekend.

Announcing the Intra-African Market For Food and Beverages meeting to be held in Cape Town next month, the ITC said this trade balance ratio was unsustainable and an obstacle to long-term economic growth for the region as a whole.

It said SA represented an important market for the continent, but had barely been tapped by African suppliers. Trade flow analysis of SA had disclosed sectors where African countries could compete for a greater share of the SA market.

SADC plans to participate fully in SA trade exhibition

(74)

Business Day Reporter

THE Southern African Development Community (SADC) will participate officially in the SA International Trade Exhibition (Saitex) next year.

This was announced at Nasrec on Friday by SADC executive secretary Kaire Mbuende as Saitex '97 was being hailed as "Africa's show of strength".

The exhibition, which ended at the weekend, featured more than 1 000 exhibitors from 52 countries. Many exhibitors reported record sales, and voted the show the best in its five-year history.

"We are very pleased we have had so many visitors from Africa," said director Johan Theron.

Ironically, considering the disputes between US pharmaceutical companies and government over SA's new drug laws, Saitex will include a medical trade exhibition next year under the Made in USA banner. Medtrade Africa will be organised by the US Medtrade organisation, which presents the biggest medical exhibition in the US.

Theron said the US commerce department had identified health care goods and services as having the best exporting prospects for US companies in southern Africa. The Medtrade exhibition will coincide with an SADC conference on health care at Saitex '98 next October.

Seventy US companies took part in this year's exhibition, many of them demonstrating innovative medical technologies and products.

Although no announcements have been made, it is expected that both Plastics Africa and Made in Germany, which took part for the first time this year, will stay under the Saitex umbrella next year.

Plastics Federation of SA chairman Bill Naude said exhibitors had sold hi-tech machinery worth millions of rands to local and foreign companies.

German exhibitors were also happy with the response to their products, Theron said. One innovative display, by GetecNet, showed a net which used an automatic sensor to trap hit-and-run criminals and cover them with dye. Southern metropolitan council mayor Nandi Mayathula-Khoza had no doubt it would find a ready market in Johannesburg.

Cuba was among the first-time exhibitors this year. The country's chamber of commerce director, Manuel Rubido, described the stand as modest, but was pleased to have signed a co-operation agreement with the Johannesburg chamber of commerce and industry.

An interesting development this year was the extent of participation by the South American countries Uruguay, Brazil and Argentina. Seven companies specialising in orthodontic equipment were in the Argentinian exhibition.

The Brazilians brought a machine, targeted at KwaZulu-Natal's small business sector, which extracts juice from sugar cane, for sale by street vendors.

At the first Saitex show in 1993, almost 70% of exhibitors were foreigners — something which puzzled business visitors. One exhibitor from the Netherlands took full advantage of the South Africans' tardiness, buying container loads of SA flowers which he re-exported throughout Europe.

"The rainbow traders have woken up since then, if Saitex '97 is anything to go by," Theron said. "This year 45% of exhibitors were local and their stands have been very busy."

BD 27/10/97

Europe monitors talks

BD 28/10/97 (74)

Louise Cook

A EUROPEAN Parliament delegation that arrived yesterday on a week's visit to monitor trade negotiations on a free trade area between SA and the EU would meet several parliamentary committees and ministers in Cape Town tomorrow, the trade and industries department said yesterday.

Sources close to the EU negotiations declined to speculate on the likely outcome of tomorrow's meeting.

They said, however, the delegation would be briefed on the latest developments in the trade talks.

Sources said the delegation "would probably" be informed of a new approach decided by SA and EU negotiation teams recently to include SA farm products previously excluded by the EU from the trade talks.

A move to improve SA's chances of receiving tariff cuts on products — and to include about 40% of "sensitive" farm products on the agenda for negotiations — is reported to have come from SA negotiators when they proposed that protocols should be used to evaluate products individually.

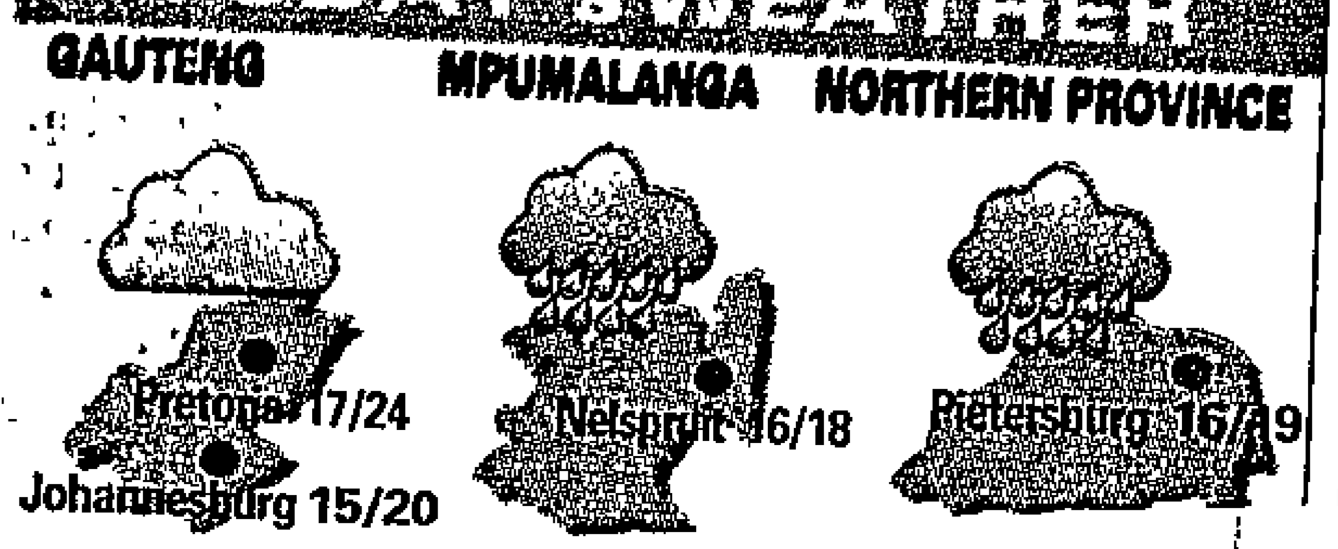
Analysts said yesterday that more details might be disclosed on this issue tomorrow.

The multiparty delegation is headed by Ireland's former foreign affairs minister and chairman of the European Parliament's committee on SA, Gerhard Collins.

The delegation was visiting SA at the invitation of the speaker in the National Assembly, Frene Ginwala.

During the week the delegates would meet the finance, health, agriculture, foreign affairs and trade and industries ministries on further development aid to SA.

TODAY'S WEATHER



Commonwealth trade role for Ramaphosa

CT (BR) 28/10/97 (74)

TYRONE SEALE

Cyril Ramaphosa

Edinburgh — Cyril Ramaphosa, the executive deputy chairman of New Africa Investments Limited (Nail), is being saddled with a leading role in promoting trade and investment in the Commonwealth.

South Africa's best-known negotiator appeared on the Commonwealth stage last week when he co-chaired the 54-nation association's Business Forum in London with Lord Cairns, the chairman of the Commonwealth Development Corporation (CDC).

The CDC is Britain's overseas development finance institution. Commonwealth heads of government, who have been meeting in Edinburgh, have agreed that the business forum can be an important link between the private and public sectors and foster vibrant private sector business links.

The Commonwealth leaders have agreed to set up a Business Council, under Lord Cairns and Ramaphosa, made up of a small group of major private sector leaders from different regions of the Commonwealth. The council will encourage greater private sector involvement in promotion of trade and investment and will meet every two years.

The establishment of the Commonwealth Business Council is one of the more concrete proposals in the Edinburgh Commonwealth economic declaration issued at the weekend and wrappped up the summit's theme of trade and investment in the Commonwealth.

The summit has suggested ways in which trade and investment can be enhanced within the Commonwealth, and in which Commonwealth states can play a greater role in the world economy. But Commonwealth leaders failed to say exactly how these plans would be implemented.

The Commonwealth will also pursue a successor arrangement to the Lomé Convention on trade with the European Union, which will give African, Caribbean and Pacific states a fairer deal.

The summit agreed to promote closer trade links between Commonwealth states, and to provide smaller states with the expertise they need to exploit freer trade. — Independent Foreign Service

SA-EU free trade talks will continue next year

BD 29|10|97 (74)

Jacob Dlamini

CAPE TOWN — It was unlikely that trade talks between SA and the European Union (EU) would be concluded before next year, but negotiations were proceeding satisfactorily, former Irish Republic foreign minister Gerard Collins said yesterday.

Negotiations had dragged on for 27 months, but both parties were content with the progress made, he said.

A lengthy process of consultation was taking place on both sides before agreement could be reached on all the outstanding issues.

However, there had been agreement reached on matters related to science and technology despite the talk's slow pace.

Collins, who is chairman of a 10-member delegation of EU parliamentarians currently visiting SA, was speaking during a joint meeting with parliament's foreign affairs, trade and industry and agriculture committees.

Collins said similar EU negotiations with Morocco and Tunisia had lasted 36 months even though these two countries, unlike SA, had prior agreements on which to work.

While the EU had a complicated and cumbersome decision-making system which slowed down negotiations, it was important for both parties to resist adopting protectionist measures in structuring a free trade architecture.

Remaining areas of disagreement in the talks included customs tariffs, fisheries and agricultural produce, and World Trade Organisation regulations on which the two sides held differing interpretations.

Collins said none of the disagreements was insurmountable and the EU was sensitive to the demand for SA's developmental needs to be accommodated in the final agreement.

The EU favoured improved access to markets but believed SA could be given a lengthy time frame to open up its markets, Collins said.

Caroline Jackson, a British member of the EU delegation, said Britain supported the granting of access for SA agricultural produce to EU markets. But Spain, Portugal and Greece had proved to be "awkward member states" as this would threaten their own markets, Jackson said.

Collins said any agreement reached would have to benefit the Southern African Development Community.

Experts urge SA firms to be wary of China

CT(BR) 29/10/97 (74)

Shirley Jones
Kwazulu Natal Editor

Durban — There would be no better time for South African business to cash in on trade opportunities with China than during the honeymoon period which would follow South Africa's full recognition of China in January next year, two trade consultants said yesterday.

But the message from John Hoffman and Jay Chen, consultants for the American Exceptional Resources Group, was to be wary.

Addressing the Durban Chamber of Commerce and Industry as part of a department of trade and industry road show, Hoffman said South African business stood to benefit from recognising China.

"(But) it is an extremely competitive market, and a lot of South Africans shouldn't even go there. The only reasons there are opportunities for South Africans is that the Chinese are very conscious of diversity and they look after their friends," Hoffman said.

Both men said the pitfalls were many, but provided businesses did their homework they could learn from others' mistakes.

Risks included piracy of products, corruption and cultural misunderstandings. China was a difficult market with significant barriers to entry. Success in China was often slow and never easy to achieve, Hoffman said.

"Stay away from government bidding. It is terribly difficult, far from transparent and not very safe. There are opportunities there, but there are tremendous problems and red tape," he said.

He said a lot of businessmen were daunted by the size of China, which has a population of 1,2 billion and a gross domestic product of $690 billion. Hoffman said economic growth had averaged 10 percent over the past 18 years. Inflation was about 5 percent and was expected to remain at this level.

As China began to experiment with trade and to deregulate, a middle and upper class was emerging which created significant trade opportunities. "The challenge is to find a place in that environment," he said.

"If you don't make money now, don't wait for tomorrow," Hoffman said.

Both sides to table proposals in the long-stalled free trade area negotiations

SA and EU talk tariffs today

CT (BR) 30/10/97 (74)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — The long-stalled free trade area (FTA) negotiations between South Africa and the European Union (EU) would take a significant step forward today when both sides tabled proposals on how to cut import duties between them to zero by 2011, officials said yesterday.

South Africa will propose that 65 percent of its imports from the EU will attract no import duties when the FTA goes into effect in 1999, and that the rest will be phased out by 2011, with special "product protocols" for sensitive imports such as textiles, steel, beef, sugar and maize.

In return, South Africa will expect the EU to increase the duty free imports it accepts from this country from the current 84 percent to 90 percent, by cutting its tariffs by 6 percent in 1999. Most of the 16 percent of South African exports now excluded from duty free access are "sensitive" agricultural products. South Africa wants all these products to be duty free by 2011.

Officials were confident about the chances of their offer receiving a favourable reception when they briefed a joint sitting of the parliamentary trade, agriculture and foreign affairs committees yesterday.

"We have done enormous amounts of work over the last two or three years in Europe and think we have sufficient political support (for most of the South African offer to be accepted)," said Faizel Ismail, the department of trade and industry's chief foreign trade relations director.

Technical discussions on the offers tabled today will continue until tomorrow. Negotiations will start on November 3. Ismail said he hoped the agreement would be finalised by the first quarter of next year.

Bahle Sibisi, the bilateral trade director for the department of trade and industry, told the committee South Africa was proposing four tariff cuts after the FTA went into effect in 1999.

That year, 65 percent of EU imports — mainly capital goods now attracting less than 5 percent import duty — would be duty free.

Between 2003 and 2004, a further 5 percent of imports would be phased down to zero, meaning 70 percent of imports from Europe would be duty free.

This policy would cover goods now carrying duties of between 5 percent and 15 percent, including capital goods, intermediate products and consumer goods.

In the last phase between 2005 and 2011, another 15 percent of imports — those carrying duties higher than 15 percent — would be made duty free, bringing the total to 85 percent.

SA, Europe launch bid today for freer trade

(74)

THABO MABASO
Business Reporter

ARG 30/10/97

Negotiations to forge a trade development pact between South Africa and the European Union (EU) move into first gear today when both parties will present line-by-line positions on how they intend phasing out tariffs and trade barriers.

The Deputy Director-General of the Department of Foreign Affairs, Abdul Minty, said yesterday that South Africa's proposals to the EU delegation would include provisions to deal with sensitive products and the development needs of Southern Africa.

"We will call for the parties to open trade on all products and sectors over a transitional period of 10 and 12 years for the EU and South Africa respectively," said Dr Minty.

A document released by the Department of Trade and Industry proposes to allow 65% of EU exports into South Africa, duty free, from 1999. By 2011, EU countries would import 85% of their products from South Africa duty free.

SA to demand far-reaching concessions on trade liberalisation

BD 30/10/97 (74)

Linda Ensor

CAPE TOWN — SA will demand far-reaching concessions on trade liberalisation and development assistance when it tables its offer for an asymmetrical free trade and development agreement with the European Union (EU) in Pretoria today.

Technical discussions will be held today and tomorrow ahead of the full negotiations which start on Monday.

For the first time both parties will present their proposals for tariff reductions on a product-by-product basis for thousands of products. SA has called for both parties to open trade on all products and sectors within 10 years for SA and 12 years for the EU.

Trade and Industry Minister Alec Erwin, Finance Minister Trevor Manuel and Agriculture Minister Derek Hanekom met members of the negotiating team yesterday to fine tune SA's proposals and strategy.

Foreign trade relations chief director Faizel Ismail said SA would argue for no restrictions to market access and that sensitive products (limited to 15% of imports) be included in special development protocols which would provide for a slower tariff phase-down.

These protocols would be reviewed every two to three years on the basis of the progress made by industries in improving their competitiveness. Measures to mitigate the effects of substantial EU agricultural subsidies would also have to be built into the tariff phase-down, Ismail said.

Separate agreements would have to be negotiated on fisheries and wines and spirits.

SA would also insist on structural adjustment assistance from the EU, particularly for SA's neighbours within the Southern African Custom Union.

In terms of SA's proposals, 65% of all imported EU products would be duty free in 1999 when the pact kicked in. This would rise to 70% by 2004 and 85% by 2011. Agricultural products now at a zero tariff would come in at a zero tariff in 1999 excluding maize and wheat. In return, SA was demanding that 90% of its total exports to the EU be given duty free access from 1999 and 100% between 2005 and 2011.

EU parliamentary delegation chairman Gerald Collins said he expected negotiations over agricultural products, fisheries and wines and spirits to be difficult "but by no means insurmountable."

Regarding the subsidies granted under the EU's common agricultural policy, Collins said this was an internal matter for the EU.

See Page 8

SA negotiators spare no holy cows in trade talks

BD 30/10/97 (74)

Linda Ensor

CAPE TOWN — SA's proposals for a free trade and development agreement with the European Union (EU) would require the union to address sensitive issues such as its subsidisation of agricultural products, trade and industry officials said yesterday.

No holy cows have been left out of the proposals which SA negotiators take to the table today. They want the agreement to be as all-embracing as possible even though the EU's original offer excluded 39% of current agricultural trade between the two countries.

Instead, the EU would be asked to reduce its agricultural subsidies over time and indicate when it would be ready to start discussions on this.

In a televised link-up from Pretoria with a joint sitting of Parliament's trade and industry, agriculture and water affairs and foreign affairs portfolio committees yesterday, officials outlined some of the details of the proposals for the first time.

SA has called for both parties to open trade on all products and sectors within a transitional period of 10 to 12 years.

Foreign trade relations chief director Faizel Ismail said several key principles had been adopted in formulating SA's offer.

First, SA believed the agreement should be about more than just market access, but should have developmental objectives as well. Market access was not enough to redress the trade imbalance between SA and the EU, which amounted to R12bn last year. An environment which encouraged investment and technology flows was needed.

Also, industries in SA such as the automotive and textile industries, in the process of being restructured, should be protected and other sensitive products included under special "developmental protocols".

Separate agreements, annexed to the main agreement, would have to be negotiated on fisheries and wines and spirits.

In terms of the proposals, 65% of all EU imports into SA would be duty free in 1999 when the agreement kicked in. Most of these products were already zero-rated, but Ismail said SA would offer a major concession to bind all products now coming in duty free (57% of the 65%) to a zero tariff, even though SA was not required to do this by 1999 in terms of the Uruguay Round.

The 8% differential would be made up of capital goods which currently had a duty of less than 5% and which were bound by GATT to 10%.

Reviews

Tariff reductions on a further 5% of imported EU products of a capital, intermediate and consumption nature, which now carried a duty of between 5% and 15%, would be cut to zero by 2003, so 70% of all imports would come in duty free by then.

A further 15% reduction between 2005 and 2011 would bring the total of zero-rated products to 85% by 2011. These agreements would be reviewed every few years in line with the progress made by the industries in adjusting themselves to competition. The EU was also expected to flag the products it wanted dealt with by way of special protocols.

In return, SA was demanding that 90% of its total trade be given duty free access into the EU from 1999 and 100% between 2005/2011.

All agricultural products now at a zero tariff would come in at a zero tariff in 1999, excluding maize, which was subject to a tariff band determined by the world price, and wheat, which SA believed should be included in a product protocol.

Special developmental protocols should be devised for all red meat and dairy products, which were subject to the EU's common agricultural policy, and all winter grain products such as wheat, which was undergoing a process of restructuring after the deregulation of its marketing system.

Agriculture department official Rolph Otto said government wanted this restructuring to be completed before including wheat in a free trade agreement. However, by the end of the implementation period there should be a low/zero tariff on wheat within the European Union.

Wheat and maize were currently zero-rated because of high prevailing world prices, but the maize tariff would increase as prices dropped.

A special protocol would be required, too, for sugar because of its complex worldwide system which was governed by quotas and market-sharing agreements.

Over and above the free trade proposals, Ismail said, the SA government had applied to the EU to offer concessional loans to assist in the process of trade liberalisation. It had asked EU development agencies also for a financial package to help build infrastructure and provide supply-side measures not only in SA but in southern Africa.

"We want a political commitment from the EU and the European Commission to put in place mechanisms and measures to support SA as it attempts to deal with the problems of adjustment in SA and the Southern African Customs Union, which could lose 5% to 15% of revenue because of this agreement," Ismail said.

SA objects to Zimbabwean criticism of trade fare

BD 30/10/97

HARARE — SA on Tuesday objected to criticism from the Zimbabwean business community that its 12-day business exhibition in Harare was designed to secure domination of the local market.

Ziana news agency quoted the SA ambassador to Zimbabwe, Kingsley Mamabolo, as saying that the cultural and business exhibition, which started on Tuesday, intended to promote interaction and exchange between the two countries.

"Over the past week Bulawayo businessmen and their mayor were in Johannesburg, inviting investors. We can only hope that it continues to happen," he said.

"The question of tariffs is being tackled by the ministers of both countries, who have now gone a long way.

"The whole process has not been concluded. It is an ongoing process which is beginning to bear fruit," Mamabolo said.

The trade balance between Zimbabwe and SA swung in SA's favour three years ago after a 20-year-old preferential trade pact between the countries expired.

Since then Zimbabwe has been pushing for the restoration of its preferential trade status with SA. — Sapa.

(74) ( )

FREE TRADE AGREEMENT

EU to allay SADC fears

Accord will have positive impact on economies

FM 31/10/97

Southern African nations worried about the impact of the free trade deal being negotiated by the European Union and SA should take a closer look at the accord. Senior EU officials say the treaty could turn out to be a valuable tool in the region's efforts to build more modern and liberal trade and economic structures.

Speaking to the *FM* before heading for Pretoria for another round of discussions on the free trade agreement on November 3 and 4, a senior EU official involved in the negotiations insists that most of the southern African region's unease about the EU-SA treaty is misplaced.

"We believe the agreement will be good for the region and have a positive impact on the economies of southern African countries," the official says. The pact will help boost trade between SA and its neighbours and lead to fiscal reform in members of the Southern African Customs Union (Sacu), he adds.

Southern African nations will probably need to hear more. The conventional wisdom in the region is that the EU-SA deal will lead to a loss of Sacu Customs revenues, prompt a shift in investments to SA and trigger greater competition on SA markets with European products.

But the EU insists that most of these fears are based on an outdated and incomplete view of the EU-SA pact under negotiation. The treaty will have a wide regional impact, officials in Brussels acknowledge. But it will boost economic growth in the region.

For starters, EU officials argue that contrary to popular belief in the region, the deal will not lead to a sudden drop in Sacu's common Customs revenues. True, SA Customs duties will be reduced, but lower tariffs will boost trade — both within the region and with countries outside. "When tariffs go down, trade goes up," the EU official stresses. "Also, since tariffs won't be as high, there will be less smuggling and hence a higher collection of duties."

The EU says SA's efforts to bring down duties as part of its commitments in the Geneva-based World Trade Organisation (WTO) have not yet led to a shrinking of the Sacu resource pool. "The cake is not getting any smaller. In the long term, the reduced tariffs will mean more trade."

Under the EU-SA deal, an EU official adds, Europe has pledged to slash its tariffs faster than SA: "The accord's trade commitments are assymetrical and we'll probably have a 10-12 year transition period."

SA's tariff liberalisation could also be the catalyst needed to modernise the region's fiscal system, the EU argues. Instead of relying on Customs resources, southern African states should shift towards a more up-to-date revenue collection system based on the introduction of Value Added Taxes (Vat), sales taxes and other levies. "Modern systems of tax collection are based on the taxation of economic activity and production, not on the taxation of goods in movement," the EU official says.

The EU says it is ready to help Sacu states draw up alternative fiscal systems. The question of direct EU financial assistance to the region to compensate for the putative loss of Sacu income is still controversial. Officials in Brussels argue they're not convinced that Sacu revenues will go down. But "there will be budgetary assistance for all members of the Lomé Convention — and help in fiscal modernisation given through structural adjustment programmes," the EU negotiator says. "The problem can be solved."

Southern African fears that the future EU-SA deal will lead to a shift in European investments in SA — which has a more skilled labour force, better infrastructure and soon also duty-free access to European markets — need to be tackled carefully, the EU admits. "SA's neighbours should take a close look at their economies and foreign investments," the EU official says. "And if there's a sector that they are particularly anxious to keep alive, then they should ask the EU not to give SA zero-duty access for that product where they have a niche in the EU market."

EU negotiators also discount fears in Zambia, Zimbabwe and other members of the Southern African Development Community (SADC) that, once the free trade deal is signed, exports from Europe will replace their products in the SA market. One way of ensuring that this does not happen is to ratify the SADC trade protocol which was signed last August, says the EU.

The protocol ensures that countries in the region are given the same tariff preferences that any SADC member concedes to countries outside the bloc. "In other words, SA will have to give its SADC neighbours the same tariffs that it applies to the EU," says the EU official, adding that if SA wants to "open first to its neighbours, we could wait to get the concessions. We don't mind being second."

Shada Islam, Brussels

EUROPEAN UNION (74)

Tide of aid set to turn

FM 31/10/97

The tide of direct development aid to SA in the wake of the 1994 elections will ebb in the next few years as Europe tries to remedy economic woes at home.

Officials from Germany's Federal Ministry for Economic Co-operation & Development arrive in SA on November 4 to begin negotiations with the Finance Ministry on aid for next year. Their message — aid is not likely to increase.

And there are already indications that European Union (EU) development aid will be reduced when the new funding cycle starts in 1999.

In 1995, the German government provided DM25m to fund technical co-operation and DM50m for financial co-operation with SA. Last year Bonn granted DM60m for housing and DM28m for technical projects

The previously high volume of German aid to SA is likely to be slashed when development co-operation comes up for review next year, at the end of the present three-year cycle

The view from Bonn is that money is getting tighter, the cake is getting bigger and Africa will have to tighten its belt.

"The money for this year has already been agreed and what we have to do with our SA colleagues is decide which are the areas of most need," says Elin Horn-Vormschlag, head of the southern Africa section of the ministry.

"Because of the situation in the former Eastern bloc and with the former East Germany, we have to spread the cake. The chances that there can ever be an increase are low," she says.

Bonn is under pressure to relieve domestic unemployment, which stands at a post-World War 2 high of nearly 4,5m. And the German government — with its EU partners — faces the prospect of bringing its poorer cousins, such as Hungary and Poland, into the fold.

Meanwhile, an EU external relations spokesman says development aid is likely to be cut when the EU's financial regime is reviewed in 1999

"There are poor countries clamouring to come into the union and they will be the focus of attention for development," he says

Current EU backing for government's Reconstruction & Development Programme totals DM930m, a sum that covers the period up to 1999.

Germany is one of SA's main trading partners, with an annual trade volume of about DM8,6bn. There are about 360 firms in SA with at least 25% German participation, employing about 60 000 people.

Horn-Vormschlag says one of the few institutions likely to benefit in the coming round of negotiations will be the newly created Investment SA agency. The agency will provide, among other things, an investor information system and a special desk to encourage links with potential German investors. The German Investment & Development Company will also participate.

Horn-Vormschlag adds SA's situation is not unique. "We have heavy cuts for aid to many countries. Namibia and Botswana have already felt it. And other donor countries are cutting as well. Japan has slashed a major part of its development budget "

The German parliament has asked the funding ministry to cut aid to some of the 130 countries. **Justice Malala, Cologne**

SA, EU discord on agricultural products 'not insurmountable'

(74) BD 31/10/97

BUSINESS DAY, Friday, October 31 1997

Louise Cook

INDICATIONS were that trade negotiations between SA and the European Union (EU) would progress smoothly on several of SA's demands, including the trickier areas of farm products, fisheries, wines and spirits.

However, calls for protection of the local automotive and textile industries were likely to be denied by the other side.

Reacting to SA's proposal mapped out in Cape Town on Wednesday that industries such as automotive and textiles, in the process of being restructured, should be protected, EU ambassador to SA Erwan Fouére said yesterday care had to be taken not to create protectionism where it had not existed before.

"One can consider providing some form of cushioning in more vulnerable areas, but we have not had sufficient time to assess this particular point in any detail. It will have to be looked at," Fouére said.

SA and EU trade negotiators met yesterday afternoon at the Union Buildings in Pretoria to kick-start the next round of negotiations crucial to determining whether a Free Trade Area between the two regions would emerge.

The talks would also focus on increased development assistance for SA from EU aid agencies. This round of negotiations followed in the wake of a European parliament delegation that arrived in SA on Monday to monitor progress.

Central to SA's demands for far-reaching concessions from the EU, were calls to open trade on all products within 10 years for SA and 12 years for the EU.

SA would argue for no restrictions to market access, and that sensitive products (limited to 15% of imports and including a range of farm products previously excluded from the talks on the insistence of the EU) be included in special development protocols which would provide for a slower tariff phase-down.

Fouere supported EU parliamentary delegation chairman Gerald Collins, saying negotiations on these farm products could be difficult, "but by no means insurmountable".

Referring to the issue of subsidies granted to EU farmers under the Common Agricultural Policy, which SA farmers objected to for creating unfair competition, Fouére said the EU constantly reviewed these policies and dealt with it in discussions with the World Trade Organisation.

Technical discussions would continue in Pretoria today ahead of full negotiations which start on Monday.

ANC claims EU stalling access to Lomé benefits

(74)

Linda Ensor

BD 4/11/97

CAPE TOWN — Five European Union (EU) countries had delayed ratifying SA's accession to membership of the Lomé Convention which meant SA companies would have to wait to take advantage of the benefits accruing to members, African National Congress (ANC) MP Rob Davies said yesterday.

Davies led a multiparty parliamentary delegation to the joint EU-ACP (African, Carribbean, Pacific) assembly in Lomé, Togo, last month on the understanding that they would participate in the proceedings as fully fledged members. However, they were shocked to learn on arrival that SA had still not become a member because of procedural delays in Germany, Belgium, Netherlands, France and Greece.

The SA Parliament had ratified all the agreements in September. In terms of the Lomé Convention, all EU members had to ratify agreements, whereas only a majority of ACP countries were required. The ACP states had already ratified the agreements, Davies said. The delay was expected to last several months and was being looked into by presidents of the joint assembly.

Erwin tells conference of R1bn surge in business in a year

SA's trade with China surges on its favoured nation status

CT (PR) 4/11/97 (74)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Trade with China had increased by more than R1 billion in a year since South Africa was granted most favoured nation status by the People's Republic of China, Alec Erwin, the trade and industry minister, has said.

Speaking last week at a Chinese investment workshop organised by Omega Investment Research, Erwin said China now ranked as one of South Africa's leading trading partners and the government placed considerable importance on improving its relations with China.

In the past week, China and South Africa had completed negotiations on an investment protection agreement, protecting South African companies from discrimination in China.

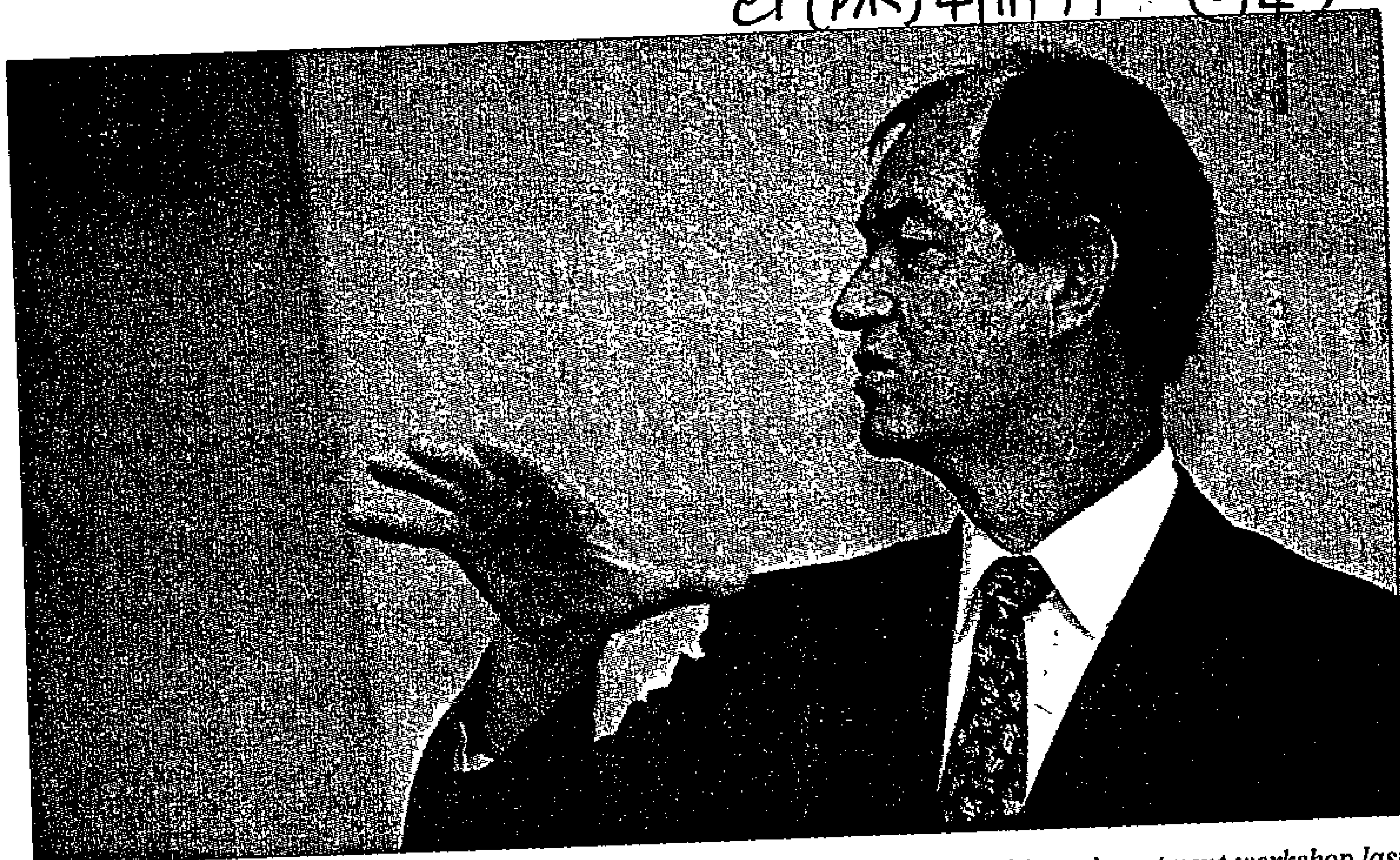
Erwin said he planned to lead a large trade delegation to China next March which was likely to be the department's main focus for the year.

But he said new efforts to protect the domestic footware industry, through quotas and import controls, could have an effect on trade with China.

Neil van Heerden, the executive director of the South Africa Foundation, which represents South Africa's largest corporations, said Chinese decision makers were focused on South Africa and this would lead to greater infusions of Chinese capital into the country.

He said several South African groups, including Iscor, Nedcor, Ingwe and De Beers, had established a presence in the Chinese market. But Van Heerden warned of the possibility of a looming banking crisis.

He said state-owned enterprises accounted for 90 percent of the capital lent by state banks and more than half of these enterprises were operating at a loss. This left banks with bad debts of about 22 percent, which could write off up to 35 percent of the country's gross domestic product if the banks failed.



FAVOURED MINISTER *Alec Erwin, the trade and industry minister, told a Chinese investment workshop last week that China now ranked as one of South Africa's leading trade partners and the state aims to improve bilateral relations*

PHOTO JOHN WOODROOF

African, Caribbean and Pacific trade body in funds crisis

(74) BD 5/11/97

laire Pickard-Cambridge

LIBREVILLE — The African, Caribbean and Pacific (ACP) group of nations owes $5m in unpaid membership fees to the ACP secretariat.

ACP Council of Ministers president Nathan Shamuyarira of Zimbabwe told the council meeting in Libreville, Gabon, yesterday that there was concern about the serious state of the body's finances.

The meeting of ministers responsible for ACP-European Union (EU) relations will be followed by the first summit of ACP heads of state and government tomorrow and Friday.

SA joined the ACP organisation, which now has 71 members, earlier this year and its delegation headed by Deputy President Thabo Mbeki is expected to attend the summit.

Shamuyarira, who is also Zimbabwe's trade minister, said the ACP was considering imposing sanctions on members who repeatedly failed to pay their outstanding or monthly dues.

It is understood that 31 of the 71 members states, many of whom rank among the poorest in the world, are in arrears with their fees and that ACP sanctions could be applied against 17 of them.

Sanctions resulted in that country's delegation losing voting rights, being barred from speaking at ACP meetings and being denied access to documentation on issues under discussion.

Most southern African states, including SA, have paid their fees to the ACP.

As the largest economies, SA's and Nigeria's contributions will make up more than 5% of the ACP's budget.

The ACP heads of state and government at the summit are expected to lay down the guidelines which will lead the ACP group to a renewed partnership with the EU beyond 2000 and secondly, to redefine the role of the ACP group on the world stage.

SA joined the ACP when it gained partial access to the Lomé Convention. Lomé is the 22-year old trade and aid agreement which links the EU with its former colonies.

Pretoria was invited to join Lomé as a qualified member, which means it can take part in Lomé institutions and have access to tendering for R45bn worth of European Development Fund projects, through it will not be eligible for the trade preferences and financial aid.

SA ambassador to the EU, Eltie Links, said the ACP had been conducting wide-ranging consultations to formulate a common ACP stance in advance of the start of negotiations in September next year for an updated Lomé Convention.

The current Lomé IV convention expires in February 2000.

He said the first summit of ACP heads of state was being held to formulate advice for negotiators in advance of these negotiations.

ACP heads of state at the summit would have a multifaceted agenda. They would examine what had been achieved; would access their economies in the global context; and would examine how the EU ACP long-term relationship fitted into the context of their current economies.

EU-SA trade talks hailed as a turning point by negotiating teams

BD 5/11/97

(74)

Louise Cook

EUROPEAN Union (EU) and SA negotiating teams said yesterday that the latest round of talks on free trade and development assistance presented a "turning point" and "new dynamism".

Indications were that the most important breakthrough achieved over the past four days of negotiations in Pretoria, was the EU's acceptance of a proposal by SA that so-called protocols be used to deal with sensitive farm products previously excluded from negotiations.

However, despite the claims at a news briefing in Pretoria yesterday, EU chief negotiator Philip Soubestre was quick to point out to the SA Agricultural Union (SAAU) that the EU had paid "a lot of attention" to iron out problems caused by the exclusion of 39% of SA farm products from the talks.

SAAU economist Johan Pienaar demanded to know what the EU intended doing about the exclusion of wines and spirits and fisheries and questioned the EU team on subsidies paid to European farmers in terms of its common agricultural policy (CAP.)

Defending the CAP policies, Soubestre said that they were a critical component in rural development in Europe.

"It might be detrimental to ignore the rural dimension unless we are prepared to turn these areas into a desert. We will consider all the aspects at the next negotiating round (at the World Trade Organisation in 1999), taking account of the developing process," Soubestre said.

Hitting back with a veiled attack on aspects of the SA offer, Soubestre said SA spoke of "protocols" on the industrial and farm side but that it may simply be another word for "exceptions".

SA tabled its offer for the first time last week, demanding far-reaching concessions on sensitive products. SA argued that these should be dealt with through special development protocols which would provide for a slower tariff phase-down. The offer also stated that SA believed that the automotive and textiles industries should be protected.

On the issue of the sensitive products, SA negotiator Bahle Sibisi told the SAAU that following the latest round of talks, there was now "nothing off the table".

The parties said in a joint statement that separate negotiations rounds on the wines and spirits and fisheries agreement were planned before a ministerial meeting scheduled for February next year.

"Both parties ... agreed to intensify their discussions," they said.

On the issue of a free trade agreement with the EU, possibly costing SA Customs Union countries between 5% and 15% in lost revenue, Soubestre said the EU was convinced (and hoped SA was also) that a free trade area was the answer to globalisation and increased trade volumes.

He pointed out that the process would take between 10 and 20 years to complete and that the EU was prepared to help affected countries to realistically assess the cost of transition and help the countries design a "different set-up" around customs duties and fiscal budgets.

SA chief negotiator and ambassador to the EU Elias Links said SA was committed to working towards a comprehensive bilateral agreement covering trade, development and a series of other aspects.

The parties reaffirmed that they planned wrapping up negotiations by the middle of next year, saying discussions would take place again next month in Brussels and at the end of January in SA. These discussions would be followed by a ministerial meeting in SA next February.

'EU must waive tariffs on fruit'

Task team proposal to save jobs in canning trade

ARG 6/11/97

THABO MABASO
Business Reporter

In a bid to save jobs in the canning industry, the Government should ask the European Union (EU) to waive import tariffs on South African canned fruit for a year, a task team set up by Minister of Agriculture Derek Hanekom has recommended.

The task team, appointed last week, includes representatives of the Food and Allied Workers' Union, the canning industry, fruit farmers and the ministry.

Speaking after the team's first meeting this week, task team convenor Alan Roberts, who is also advisor to Mr Hanekom, told the Cape Argus the proposal was a short-term measure to give the canning industry time to stand on its feet, after complaints by fruit exporters that tariffs were too high in EU countries.

Canners, such as Boland-based Langeberg Holdings, have complained that the 24% tariff the EU imposes on imported canned fruit is making its exports uncompetitive. Langeberg recently had to tell 2 000 seasonal workers at its Paarl factory that it could no longer afford to employ them.

The canning industry has also blamed the phasing out of the General Export Incentive Scheme (Geis) for its plight. Under Geis, 18% of exporters' turnover was not taxed.

Mr Roberts said the task team had also agreed to ask the minister to start a cluster study to look at which route the industry should take. The cluster study would conclude its work within a year.

"The main thing is to try to stop factories shutting down. We will draft our proposal into a document to be handed to the minister before the end of the week," Mr Roberts said.

Fanie Buys, general manager of the South African Fruit and Vegetable Canners' Association, said that if the EU did not agree to the proposals the task team would ask Mr Hanekom for a once-off cash injection for exporters in fruit farming and in the canning industry.

"The main goal of this injection would be to prevent the closure of factories," he said.

Food and Allied Workers' Union secretary general for the Western Cape, William Thomas, said the cash injection would be an attempt to level the playing fields between South African exporters and competitors from elsewhere in the world.

The task team would also try to meet with the Department of Trade and Industry and brief them about their proposals.

Last week the department resumed negotiations with the EU aimed at phasing out tariffs and trade barriers.

(~~FRUIT~~)
(~~FRS~~ 3/74)

EU incentives leave SA canning industry in the cold

(74) BD 6/11/97

Louise Cook

THE SA canning industry, with an annual turnover of more than R1bn a year, was under severe pressure due to the scrapping of government's export incentive scheme, coupled with lucrative production support from the European Union (EU) to its producers, SA Fruit and Vegetable Canning Association GM Fanie Buys said yesterday.

Buys said that a special government-appointed task team would recommend that the EU be approached for a "special dispensation of one year", based on the fact that assistance had previously been given to onion producers in Poland.

The situation was so critical — food and vegetable processor Langeberg announced a 34% slide in attributable income for the year to September 30, despite an increase in turnover of 13,9% — that Land and Agriculture Minister Derek Hanekom and African National Congress MP Ben Turok last week appointed a task team to work out solutions to save thousands of jobs at Langeberg's processing plant at Paarl.

Other Western Cape companies affected are Sapco/Del Monte in Tulbach, Anglo Food Farms at Groot Drakenstein and Ashton Canners at Ashton. Buys said that the Western Cape companies were the worst hit but Nestlé's tomato canning operation at Duiwelskloof, Giant's Canning belonging to the Dynamo Group and canning operations at Louis Trichardt and Kaap Muiden in Mpumalanga were all affected.

"This is a case of a formerly successful local industry, export reliant for 90% of its product, going under, not as a result of a lack of competitiveness, but due to subsidies paid in overseas countries."

Up to now, the general export incentive scheme (Geis) had kept the playing field more or less level, but this system was phased out in July this year, he said.

Canned deciduous fruit exports earned SA R750m last year. The EU has traditionally been the biggest market, taking up half the exports, but this market is under severe pressure from countries such as Italy, Greece and Spain.

Buys said EU member countries were on a production drive with assistance from the EU to the tune of R2,5bn. Finding new markets was difficult as canned fruit and vegetables were a typically first world export product. Japan and the US took up the rest of the product exported to the EU.

The task team's mandate was to figure out how to prevent the immediate closure of the Langeberg factory, make proposals on appropriate assistance for the local tomato canning industry (which faced severe competition from Italian exporters) and to recommend suitable measures with which to replace Geis, Buys said.

The local tomato canning industry employed about 4 000 seasonal workers and 800 permanent staff. The knock-on effect on farms, packaging and transport was not known, but Buys said that a cluster study was planned for next year. Turok was not available for comment.

DIAGONAL STREET

Lukanyo Mnyanda

Market jitters

CONTINUED jitters about unstable international markets contin-

Cheap labour will be a thing of the past, says outgoing Sacob president

CT (BR) 6/11/97 (~~[illegible]~~) (74)

Audrey d'Angelo

Cape Town — Cheap labour markets should disappear by 2018, Philip Krawitz, the outgoing president of the South African Chamber of Business (Sacob), forecast yesterday.

Krawitz predicted import tariffs would disappear in 15 to 20 years and manufacturers everywhere would have to reach a global standard and improve communications. This trend would lead to the disappearance of cheap labour, he said.

Krawitz was speaking at a meeting organised here by the Geneva-based International Trade Centre (ITC) and the South African Foreign Trade Organisation to encourage more trade between South Africa and the rest of the continent.

TRADING VIEWS *Frank Mbendera, the director of Tabwera Investments in Malawi, and the ITC's Hendrik Roelofsen* PHOTO ANDREW BROWN

This was the third such meeting, attended by businessmen from 18 countries. It focused on food and beverages, while previous meetings in Johannesburg and Durban focused on other industries.

Hendrik Roelofsen, the senior regional trade development adviser at ITC, said these meetings had each resulted in millions of rands worth of business.

Roelofsen said African countries were importing from other continents goods that they could rather obtain more cheaply from each other. There was scope for trade between this country and the rest of Africa to double or triple, he said.

He thought South African companies, doubtful about the standard of manufactured imports from Africa, should help to raise these standards by taking a stake in their suppliers, passing on expertise and having staff on the spot to ensure prompt deliveries.

Krawitz said it was better for South Africa to import goods from other African countries than to "import" entire families of immigrants in need of employment.

There is scope for SA's trade with Africa to double or even triple, says Roelofsen

He said the only way to stop illegal immigrants from flooding into this country was to help develop business and jobs in other parts of the continent.

He said this strategy need not lead to higher unemployment in this country. South Africa, with its more sophisticated labour force, could manufacture goods requiring a higher degree of skill while more basic articles were imported from its neighbouring countries.

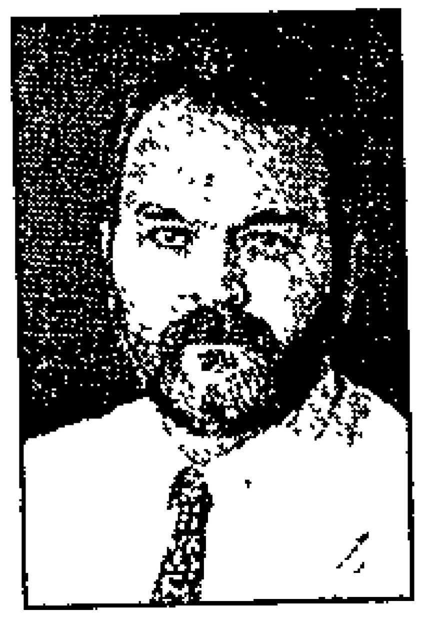
South Africa imported $1,1 billion worth of goods a year, of which only 3 percent came from the rest of Africa, Krawitz said.

DIPLOMATIC VIEW

South Africa gets off the back foot in EU trade talks

74

CT (BR) 6/11/97



JEAN-JACQUES CORNISH

There was a surprise for the European Union negotiators who came to Pretoria this week for the 14th round of talks about a free trade area (FTA) with South Africa.

Having reached consensus with business, organised labour and their partners in the South African Customs Union, the South African team presented their European counterparts with line-by-line proposals.

It was the perfect answer to the European tactic of making South Africa play off the back foot.

The persistent line from Brussels has been that South Africa was guilty of dragging its feet in responding to European proposals.

In fact, the detailed EU proposals — this time responding to South Africa's plan — will be produced only when the officials meet again next month.

Of course there was no mention of this thrust and parry in upbeat statements after negotiations ended on Tuesday.

On the contrary, Phillippe Soubestre, the chief negotiator for the EU, spoke of significant progress.

"Now that matters are on the table from both sides, we can proceed in a more detailed and practical manner. I'm very certain a turning point has been reached," said Soubestre.

Both sides concur that agreement has been reached on all the prerequisites to the negotiations, creating a new opening for discussion.

Elias Links, the South African ambassador to the EU, noted that agreement had been reached on the technical prerequisites — the definitions of terms and the common understanding of statistics — providing a platform for further trade negotiations.

Swopping detailed product lists of tariff positions, Links feels, is an "important new step" in the negotiating process.

With the "new dynamism" gained in this process, the parties are now shooting for conclusion of the agreement by mid-1998.

We will see about that.

Meanwhile, officials are aiming at a stocktaking meeting of ministers in February next year.

Preparing for this, the officials will meet in Brussels next month and in South Africa in January.

Links said separate negotiations on the wines and spirits agreement and the fisheries agreement were planned before the ministerial meeting.

Soubestre believes agreement on this calendar for the weeks and months ahead is particularly significant.

Don't let the high spirits fool you into betting on a simple denouement to this vexatious production.

Whenever it comes, the final agreement will have a series of protocols attached that can be changed as circumstances alter, and in the years running up to full implementation of the FTA by 2011 negotiators will have their work cut out.

So much for the so-called moderation of the Iranian government of Mohammad Khatami.

In Cape Town on Tuesday Khatami's foreign minister, Kamal Kharrazi, defended the eight-year-old death warrant, or fatwa, issued by the late Ayatollah Khomeini against writer Salman Rushdie for insulting Islam in his book The Satanic Verses.

This and other human rights violations in Iran will perhaps make it awkward for South Africa to step up trade with that country.

We should treat it as an object lesson in putting business above all else.

South Africa is looking to widen its source of oil. Meanwhile, the huge imbalance in bilateral trade with Iran, which supplies 60 percent of South Africa's crude oil, can only be addressed by South Africa selling more manufactured goods to that country.

The idea of providing a storage facility in South Africa for Iranian oil seems to have leaked into the sand.

In his talks with Kharrazi Alfred Nzo, the South African foreign minister, correctly focused on evening out the trade balance, running annually at R5,5 billion, to R500 million in Iran's favour.

Iran is a leading power in and an important gateway to the 10-nation Economic Co-operation Organisation (ECO). This regional economic grouping — encompassing Iran, Turkey, Pakistan, Afghanistan, Turkmenistan, Kazakhstan, Uzbekistan, Tajikistan, Azerbaijan and Kurdistan — has a surface area and population equal in size to the European Union.

Obviously the ECO lags way behind the EU in development, but with the undoubted natural and human resources they control South Africa cannot afford to overlook them.

Leaders fear losing European markets

ACP summit urges EU to maintain aid

ET(BR) 7/11/97 (74)

FROM SAPA-DPA

Libreville, Gabon — Leaders from 71 African, Caribbean and Pacific (ACP) nations meeting here yesterday for the ACP group's first summit urged the European Union (EU) not to abandon its special trade and aid relationship with their regions.

Robert Mugabe, the Zimbabwean president, told the meeting the ACP group still needed European development aid and continued to rely on EU trade preferences to sell on European markets.

"European assistance should be maintained or even increased," Mugabe insisted, adding that the system of ACP trade concessions was the "backbone" of the Lome Convetion, the co-operation agreement by the EU and the ACP states in February 1975.

But Joao de Deus Pinheiro, the European development commissioner, told ACP leaders any new partnership between the two blocks would have to be on an "entirely new basis".

"The international scene has changed dramatically and the union, as other major actors, has to rethink its development aid and preferential trade policies to adapt them to the post-Cold War situation and to the process of economic globalisation," Pinheiro told the meeting.

The main responsibility for the future development of the ACP regions lay with ACP governments who needed to embark on a strategy of political, institutional and economic reforms, Pinheiro said.

But "the European Union can and will support you in the hard transition to a world of globalisation," he said, adding that the EU wanted an "adult relationship between equal and responsible partners."

Many of the EU's suggestions for changes in relations with the ACP states, however, have not gone down well with the group.

ACP countries have voiced opposition to EU plans to break the 22-year-old Lome Convention into separate economic agreements to be negotiated with the three ACP regions.

There are also fears in the group at losing their preferential tariff access to the EU market, as suggested by the EU.

Equally important, the ACP countries were pressing Europe to increase aid to their regions.

"Many of the EU's proposals for change are causing us great concern," said a Gabonese diplomat.

"We are specially worried about calls for differentiation between ACP states," he insisted, adding that the ACP countries wanted to stay together as a bloc.

"Our strength lies in our unity," the diplomat stressed.

With the trade pact coming under pressure from the World Trade Organisation, the global free-trade policeman, the former colonies of EU members were looking for understanding of the negative impact of too-rapid change on their economies.

"If we exclude any preferences it has got to be a gradual process of finding alternatives, but it is not easy to say we will give you money in lieu," said Lord Henry Plumb, co-president of the EU-ACP joint assembly. He added that aid had created more problems than it had solved.

Breakthrough for SA-EU free trade talks

ET(BD) 7/11/97 (74)

Peter Fabricius

Johannesburg — South Africa and the European Union (EU) would finalise a free trade area agreement by the middle of next year, a senior European Commission official predicted yesterday after what he called a "breakthrough" in the latest round of negotiations in Pretoria this week.

Jean-Claude Boidin, the EU director-general for development, described the talks as "120 percent successful" and said the question was no longer whether there would be a free trade agreement, but what it would look like.

Before these talks the EU had been pessimistic, with some officials saying they feared that the South African government was stalling because it did not want a free trade agreement.

But at the talks, South Africa presented a detailed proposal with lists of proposed tariff reductions and products that it considered too sensitive to be included in a free trade area.

Boidin predicted that as a result of this week's negotiations an agreement could be finalised by the middle of next year — about 27 months after talks had started.

He said that was not too long when compared to other free trade areas with which the EU had negotiated. Both sides had been a bit naive to expect that a free trade area would be concluded sooner, he said.

Some reports said the EU had reduced the controversial list of sensitive South African agricultural products that it wanted excluded — amounting to about 39 percent of all South African agricultural imports.

Boidin denied this. He said the list would remain intact for at least the next six months of negotiations, but that after that some products might be removed at the end of negotiations in exchange for concessions by South Africa.

He defended these exclusions, which have been strongly criticised by South Africa as being contrary to the spirit of free trade. Boidin said these were products also produced in the EU, on which tariffs were high.

But some South African exports into the EU, including certain wines, had been expanding at a rate of 25 percent a year for the past few years. "If they can do that with such high tariffs, do they really need the tariffs to come down?" Boidin asked.

He also insisted that a free trade area would not harm South Africa's neighbours in the Southern African Development Community in the long run.

He said the countries in the Southern African Customs Union were feeling the effects of South Africa lifting tariff barriers. A free trade area would merely be an extension of that liberalising process.

Although it would reduce customs revenue to government, it would benefit economies in other ways by lowering prices to consumers and also the price of capital goods to manufacturers.
— Independent Foreign Service

Bilateral agreement is back on track

(74)

FOREIGN TRADE

ST 9/11/97 By THABO KOBOKOANE

THE European Union and SA trade negotiators this week emerged upbeat that a bilateral trade agreement will be in place by the middle of next year.

In a joint statement after two days of talks, both SA and the EU welcomed the "new dynamism gained during this round of negotiations".

Two further rounds of discussions are scheduled for December 4-5 in Brussels and January 28-29 in SA. The negotiations had been in danger of collapsing, particularly over the EU's proposals to exclude 39% of SA's agricultural products from a proposed bilateral free trade agreement with the EU.

SA, which had attacked the EU's exclusion list as too long, seems to have been satisfied with the EU's response that the list was an initial offer.

Phillipe Soubestre, EU chief negotiator, said the EU was ready to discuss some aspects of the agricultural position.

Bahle Sibisi, SA chief negotiator, said SA had been satisfied that although the exclusions were contained in the mandate, both sides understood that "nothing was off the table".

The EU had repeatedly stated that SA's agricultural products, although accounting for only 4% of its imports from SA, were of a competitive nature and likely to be a threat to its own industry — which remains protected under the Common Agricultural Policy.

Both parties detailed the tariff positions on a number of products while SA also presented its list of sensitive products, which would be governed by a separate trade protocol.

ACP CONFERENCE

Countries 'have not creatively exploited opportunities offered by EU'

(74) BD 10/11/97

LIBREVILLE — The key lesson to be learned from examining the policies of African, Caribbean and Pacific (ACP) nations is that opportunities offered by the European Union (EU) have not been exploited wisely or creatively, says SA ambassador to the EU Eltie Links.

The summit of heads of ACP states in Gabon last week would lead to the birth of a new era in the ACP's relationship with the EU, but their declaration served only as a general guide for the council of ministers in negotiating a new co-operation pact with the EU. Links warned that a tough period lay ahead in preparing a negotiating strategy. Working teams and technical support would be required to ensure thorough preparation.

It would also be important to review the past instruments used in the pact. "Let us do a better job by first studying what we did wrong ... and then partnering ourselves with the stronger EU in a way that enables both of us to walk off as winners," he said.

In its quest for better results in this partnership the ACP should bear some realities in mind:

- That the ACP faced difficulties because it was not a homogeneous grouping;
- That the EU was warning that it had limited resources;
- That more of the same practices in a changing environment, with increased competition, would give even less chance of success;
- That the ACP should be a more coherent and organised force in designing the new World Trade Organisation regime;
- More appropriate mechanisms and policy principles should be introduced. For instance, direct budget support should be introduced where governments could show responsible use of fiscal resources; and a distinction should be drawn between levels of development of member states and/or regions; and
- That ACP members should marshall their entire arsenal — the private sector, civil society and nongovernmental organisations in harmony with government — in a quest for optimal economic development.

Foreign Minister Alfred Nzo with his Belgian counterpart Eric Derycke at a media briefing in Pretoria. Belgium ranks tenth on SA's list of trading partners with trade totalling more than R5bn Picture: TREVOR SAMSON

SA's world trade up R100bn — Nzo

BD 11/11/97 (74)

PRETORIA — Trade between SA and the rest of the world had risen by R100bn in the past four years, Foreign Minister Alfred Nzo said yesterday.

Welcoming his Belgian counterpart Eric Derycke in Pretoria, Nzo described this as a very sizeable difference, saying: "Trade with the rest of the world has blossomed." Total two-way trade in 1993, the last year of National Party government rule, amounted to R140bn. This increased to R240bn last year.

Nzo said Belgium ranked 10th on SA's list of trading partners with two-way trade totalling more than R5bn.

Belgian investment in SA amounted to about R3,8bn.

The Belgian government has committed R56m over the period 1995 to 1997 to development co-operation with SA.

Nzo thanked Derycke for his government's backing of SA in its current trade talks with the EU.

He said that the two countries shared common concerns in Africa, including the continuing turmoil in Congo and Burundi, two former Belgian colonies.

"We shall be listening with interest to your analysis of the situation and your suggestions for the pacification of Africa." SA's transformation would still take some time, but the foundations had been firmly laid, Nzo said.

"It is for this reason that SA is deeply grateful to the government of Belgium for the very substantial assistance it is giving us, both directly and through the channels of the EU." Nzo predicted that two-way trade with Belgium would increase in future. — Sapa.

China and SA in deals worth R2,4bn

BD 11/11/97 (74)

Lucia Mutikani

CHINESE and SA companies yesterday signed contracts and agreements worth more than R2,4bn ahead of the establishment of diplomatic relations at the end of this year.

The agreements follow SA's decision last year to cut ties with Taiwan. They were signed in Johannesburg with a Chinese trade delegation led by Trade Vice-Minister Shi Guang Sheng. SA participants include Nedcor, Eskom, Iscor, JCI and Investec Bank.

An SA trade and industry official said Chinese companies would export to SA goods ranging from electricity-generating equipment to farming equipment worth \$165m. SA companies would sell to China diamonds, steel, coal, cobalt, copper, 1-million tons of iron ore and paper and pulp, among other goods, valued at \$269m. Joint ventures to set up stainless steel and cottonseed oil factories at a cost of \$33m would be initiated, and China would construct low-cost houses, a mall and a stadium valued at \$156m.

Shi said the deals signed yesterday represented only a part of what was concluded during discussions. "Their cumulative value exceeds \$500m."

UK undertakes to push SA's interests in Brussels

CT (BR) 11/11/97 (74)

PETER FABRICIUS

Johannesburg — The British government promised yesterday to use its presidency of the European Union (EU) in the first half of next year to help South Africa get a good and speedy free trade area agreement with the EU.

Jack Cunningham, the visiting British minister of agriculture, fisheries and food, told Alec Erwin, the trade and industry minister, this at a meeting in Pretoria. Cunningham said in a press briefing he had urged Erwin to keep up the pressure on the EU by putting a definite proposal on the table during Britain's presidency between January and June next year.

Cunningham said "pretty good progress" had been made at last week's round of negotiations between the EU and South Africa, where Pretoria had presented a "very positive package of proposals".

"We are very keen to see the broadest and most liberal agreement from South Africa's point of view."

Cunningham said he had also met Derek Hanekom, the agriculture minister, to discuss health restrictions on the import of British beef into South Africa — because of so-called "mad-cow disease" — and on the import of South African ostrich meat into Britain, because of Newcastle disease.

He said Hanekom's officials had complained that South Africa should be more free to export ostrich meat to Britain and that the British government was being "unhelpful" in imposing restrictions. He was confident that South Africa could reach an agreement with the EU to export its ostrich meat. He also hoped South Africa would agree that some British beef also met the highest standards. — Independent Foreign Service

Strengthening of trade links encouraged

BD 12/11/97 (74)

David McKay

SOUTHERN hemisphere countries needed to strengthen their investment and trade links ahead of a surge in the contribution from the south to world economic growth, Trade and Industry Minister Alec Erwin said yesterday.

SA had a vital role to play in preventing its less wealthy Southern African Development Community (SADC) neighbours from being marginalised when this growth occurred, Erwin said.

Speaking at a conference organised by the SA Institute of International Affairs titled: Looking Sideways: The Specifics of South-South Co-operation, Erwin said it was probable that the impetus for growth in the world economy would be driven from the south, particularly China, Indonesia, Brazil and India.

However, the threat of marginalisation from the world's economic processes loomed large for a significant part of the developing world, particularly Africa's least developed countries. Therefore, trade and investment co-operation between southern hemisphere countries was essential.

The Multilateral Trading System, established at the World Trade Organisation's Uruguay round of talks in 1995, could contribute to this marginalisation, Erwin said.

Developing countries were disadvantaged by the tariff structures agreed at the negotiations as they placed constraints on market access for their exports. The key challenge for such countries in the multilateral arena was to develop more coherent strategies, he said.

Another role SA could play in trade and southern-hemisphere investment co-operation was to supply a manufacturing base to complement trade links.

The SADC trade protocol, signed by southern Africa countries last year, was an example of a forum through which SA could simultaneously protect and introduce developing countries into the world economy, Erwin said.

TRADE (74)

Increase exports to SA, Erwin urges SADC

Alec Erwin, the trade and industry minister, has urged South African Customs Union (SACU) countries to identity industrial sectors that could be developed to increase exports to South Africa. This would compensate for revenue losses resulting from expected new tariff structures in the region, he said at a trade conference this week. Erwin said South Africa did not seek to gain further revenue from the tariff formula and was prepared to give an advantage to its SACU partners on their revenue shares to promote financial stability. "It would be lunacy for South Africa to paddle its own canoe and destroy the economies of our neighbours. We would be prepared to fix our revenue share at a certain rate and pass over future benefits to our neighbours," he said. — *Ncaba Hlophe, Johannesburg*

CT (BR) 13/11/97

Indian and SA plan for 'dramatic' rise in trade

(74) CT(BR) 13/11/97

Shirley Jones

KWAZULU NATAL EDITOR

Durban — Bilateral trade and investment between India and South Africa was expected to rise dramatically, Mysore Lokesh, the consul-general of India in Durban, promised yesterday at the launch of his country's Made in India Trade Show.

He pointed out that Indian business, which viewed South Africa as one of the international markets with the highest trade and investment potential, was considering major joint venture operations, particularly when it came to processing forestry products, medium-scale production of pharmaceuticals and the production and supply of rock phosphates and fertilisers to India.

"Indian investors regard South Africa as appealing because of its large consumer market and because it serves as a base for exporting into Africa, particularly to sub-Saharan Africa.

"Specific industries likely to see Indian investment are the pharmaceutical, agro-processing, textile, leather, industrial components, electrical, automotive, timber and service sectors," he said.

Lokesh identified textiles, clothing, pharmaceuticals and dyestuffs as potential Indian exports to South Africa.

"South Africa offers an attractive destination for India's textiles and garments as there are no quota restrictions into South Africa.

"The duty, at 84 percent, is high. Despite that, I envisage an increase of about 20 percent in imports from India," he said.

He pointed out that bilateral trade was two-way traffic.

South Africa's coal, steel and iron exports to India were likely to increase in years to come.

There were also significant opportunities when it came to fertilisers and wool.

Ncaba Hlophe reports from Johannesburg that the Made in India Show would be held in Johannesburg in February next year.

Skand Tayal, the consul-general of India in Johannesburg, said it was hoped that the fair would help accelerate bilateral trade with South Africa to R9 billion by 2000.

Tayal said trade between the countries had increased over the past four years from R258 million to more than R2 billion a year.

He said India wanted trade with South Africa to reach 5 percent of its total trade.

"Other industries likely to see Indian investment are electricals, automotive, timber and the service sector," Tayal said.

The exhibition would be the sixth Indian show and has been organised by the Confederation of Indian Industry, which represents 3 500 companies worth more than R300 billion.

In 1995, the show generated business opportunities worth more than $8,8 million.

Last year in Kenya the show generated business opportunities worth $35 million.

Tayal said a ministerial joint commission had added stimulus to the trade and technical co-operation between the two countries.

LOME CONVENTION

Does Lomé benefit SA?

(74) Sowetan 13/11/97

Can South Africa work out a better deal for access to European markets without posing a threat to the ACP countries? **Lebona Mosia** spoke to Dr Elias Links, SA's ambassador to the European Union

Deputy President Thabo Mbeki has promised that South Africa will participate in the Lome Convention as long as its participation is not detrimental to other members of the convention.

QUESTION: What is the significance of the Lomé Convention to trade between South Africa and Europe?

Answer: The advantages to us are outside of trade and not strictly in trade itself. This is the same with development finance that the European Fund makes available to the Lomé countries.

We are not privy to them and we don't partake in them. We have our own programme for development finance that the European Union (EU) makes available to us in the European Programme for Reconstruction and Development.

In the place of trade preferences that Lomé countries enjoy, we have the Generalised System of Preferences. This arrangement gives us access to the market more than the Most Favoured Nations arrangement for members of the Lomé Convention.

We are also in the process of negotiating a free trade agreement which we hope will make our relationship with the Europeans in trade much more profitable for South Africa, and allow greater access to the European markets.

There are three basic advantages for South Africa within this special arrangement with the Europeans.

Firstly, it is the fact that we are part of the 86-nation agreement between 15 members of the EU and the 71 members of the African, Caribbean and Pacific (ACP) countries.

And the political arrangement and dialogue available to us are important in multilateral forums, especially when it comes to the World Trade Organisation (WTO) and the United Nations (UN).

These are allies that you can count on. We can also count on other multilateral organisations like the UN Conference on Trade and Development (Unctad). It is important that we have this type of membership.

Besides the political advantages, there are two economic advantages. First of all, we would be able to tender for projects that are financed by the European Development Fund.

For example, if there are projects in Africa or in any of the ACP countries that we can participate in, which are financed by the Europeans, then we are eligible to tender for them. These would be especially service contracts, as well as supply contracts.

If the Europeans are financing some suppliers, be it medical services or whatever, or the restructuring of the other services in the Lomé countries, South African firms can tender for those – and this is where we think we can get a bulk of those projects financed by the Europeans.

Lastly, we can also join forces with neighbouring countries in ACP countries. In areas where we can provide inputs, this is important.

Not only for South Africa but also for those neighbouring countries that need the expertise or input from South Africa to develop a project or a product that can be exported to the European market via the Lomé Convention.

That would be a benefit for South Africa and those countries as their products going into the European market would be acceptable or be of better value.

Q: Are European Mediterranean countries' concern about South African products flooding the European market legitimate? For example, our wines are said to be very cheap in Europe.

A: There is no doubt that South African products are perceived and received as being of very high quality. Not only of good and high quality, but of good value for money in European terms.

So we are very competitive in the agricultural sector especially, and this is where we seek access to the European market.

But it would be far-fetched to think that South African products can make any major dent in the supply of products from other markets. I think we have a limitation in South Africa of expanding our wine production. We have other markets to service.

So it is an unfounded idea that we can really make such a huge dent and replace these Mediterranean countries' supply into other parts of Europe. It's far from that.

Tremendous boost

I think what we are seeking is marginal to the market and is something that should not be feared by the European suppliers. But it is something that we would like to pursue.

The market is so huge that just a slight increase in the access we have will be a tremendous boost to the South African economy, and this is borne out by the fact that we supply less than two percent of their agricultural produce through our exports to Europe. This is very small.

Q: Is the Lomé Convention structured to benefit traditionally white business or can emerging small and medium-sized black entrepreneurs also benefit?

A: I think the opening of the European markets would be in the area of agriculture, more than in any other sector. It is here that the farming communities should make provision for the smaller farmers to partake.

It is evident that whatever products enter the European market, how we constitute the production of that final product will determine to what extent we involve the small and medium-sized enterprises.

Presently these are not very complete products that we are exporting; they are very basic industrial products. In fact, it's more raw material than anything else. So there is not a lot of value added.

We must be careful to utilise the access to the European market to get more products into that market that have got no value added to them.

We must also emphasise and work on the cumulation clause, providing inputs for products that are produced in neighbouring countries.

Q: Has there been a problem in giving South Africa a category within the Lomé Convention due to its developed economy and infrastructure?

A: There is no doubt that South Africa is perceived, and does perform, totally differently from the typical ACP country. To what extent are there fears that we will flood the European market?

Are we disadvantaging others?

I don't think that is justified. But it is important to realise our membership to the Lomé Convention was made with a deliberate commitment from our side that we would not like to be part of this pool of countries to the detriment or disadvantage of any of the other 70 members of the ACP.

So what we take from the pool should not be what someone else would have enjoyed if we had not taken it from them.

Our membership is qualified to make sure we are not disadvantaging others.

There is a fear on the part of the Europeans to give us preferential access to their markets. We hope to achieve that preferential access through negotiations.

But we know that those negotiations are underpinned by an exclusion list that they have put forward as part of their mandate in the negotiations. It says that 39 percent of agriculture is not subject to negotiations.

In other words, it would be excluded from such a free trade deal.

Totally unacceptable

This is totally unacceptable. If that is the case, then there is no reason to believe they are interested in free trade, but rather protection of their own market for their own benefit.

Through our own negotiations we want to achieve the preferential arrangement that Lomé countries have.

We will not achieve a full preferential dispensation in the Lomé Convention, but we are fighting to get much more than they gave us initially.

Q: What is the attitude of ACP countries to South African membership of the Lomé Convention?

A: It is seen by many of them as strengthening the ACP countries. They are also in many cases looking for leadership from South Africa.

However, there are some countries that on some issues feel uncomfortable with South Africa's membership.

Deputy President Thabo Mbeki has emphasised that we will participate in the Lomé Convention so long as that participation is not detrimental to other members of the Lomé Convention.

'Don't let EU delay free-trade deal'

CT (BR) 14/11/97 (74)

JAMES LAMONT

Johannesburg — Jack Cunningham, Britain's minister of agriculture, urged South Africa this week not to allow the European Union (EU) to drag its feet on the proposed free-trade agreement.

"The South African government should not let Brussels drag its feet," he said. "It must get the free-trade agreement on to the agenda while Britain holds the presidency. At least it should get it beyond the point of no return."

During his visit to South Africa, Cunningham said the British government would use its presidency of the EU between January and June next year to help South Africa get a speedy free-trade agreement.

He said the negotiations, after talks earlier this month, had made "significant advances". Britain would support the most liberal trade agreement, he said, but that could not be said of some of his European colleagues. "I have been dealing with BSE ('mad-cow disease') issues in Brussels and I have found out how time slips by," he said.

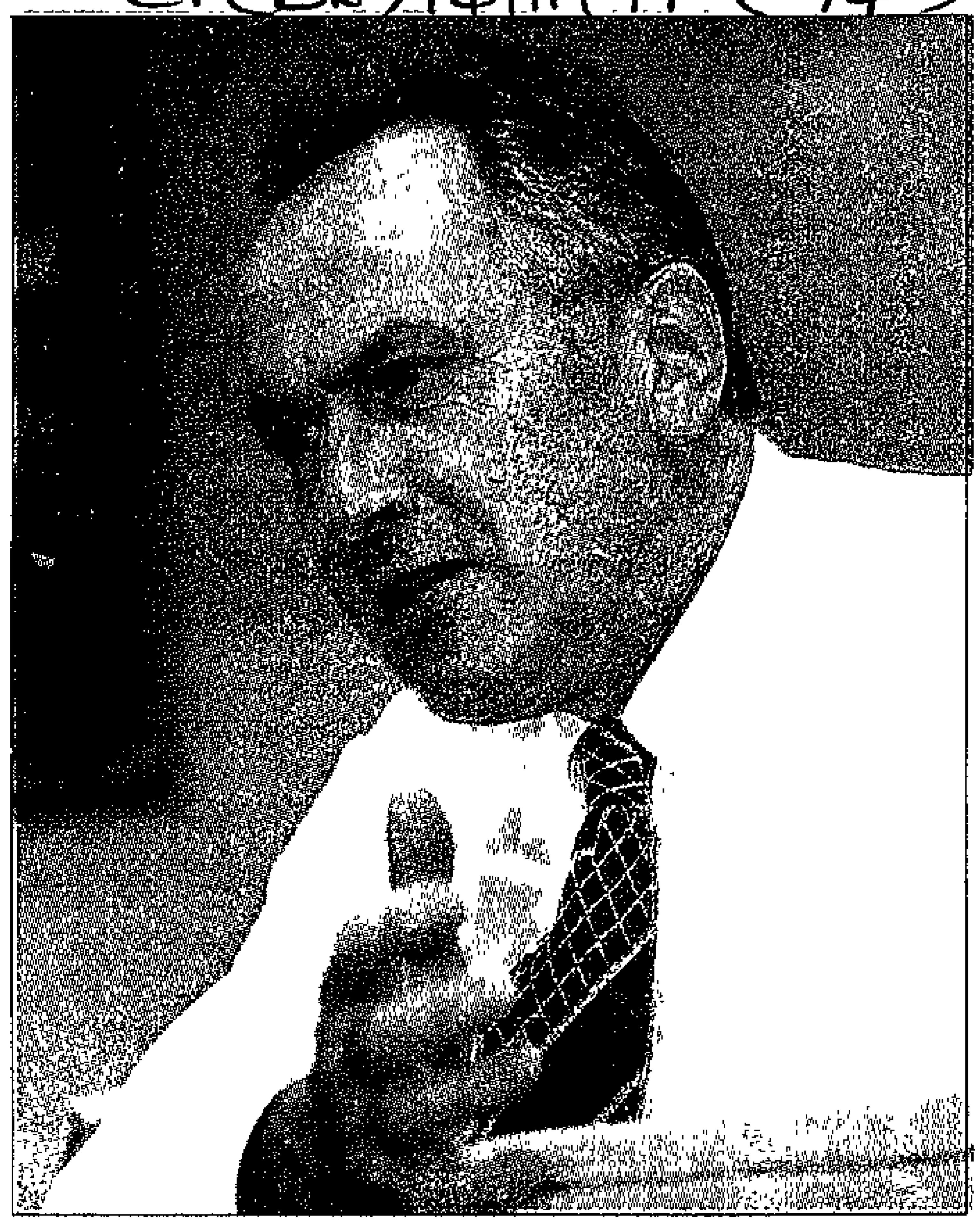
One of the main steps forward in the negotiations was the submission by South Africa of a product-specific tariff phase-down timetable. It has also identified products it wants to place in protocols giving special treatment for certain products.

The EU has presented lists classifying products but has not matched these with a time frame for a phase-down in protective tariffs.

Cunningham was the first Labour party cabinet minister to visit South Africa since the new government was elected in May. "The ANC government and the Labour party want to maximise a long and historic friendship and understanding," he said.

"But it must be in efficient and commercial ways. They are not looking for a re-establishment of the old relationship. They want a new, transparent relationship around trade and investment."

The Labour party is considering sending a representative to the ANC national congress in December.



SEIZE THE DAY *Jack Cunningham, Britain's agricultural minister, urges South Africa to put the proposed free-trade agreement on the EU's agenda soon* PHOTO JOHN WOODROOF

Anti-dumping law is delayed again

ST (BE) 14/11/97 (74)

CHRISTO VOLSCHENK
ECONOMICS EDITOR

Cape Town — The completion of new legislation for anti-dumping investigations had been delayed yet again and would now only be ready to go to parliament early next year, said Leora Blumberg, the deputy chairman of the Board on Tariffs and Trade in the department of trade and industry, yesterday.

The legislation had been 18 months in the making, and the 1996 annual report of the board set the second half of this year as the deadline for its completion.

The need to keep the process transparent and restructuring of the Southern African Customs Union (Sacu) had delayed the completion of the legislation, said Blumberg.

South Africa had essentially been without anti-dumping legislation since the World Trade Organisation (WTO) complained about existing anti-dumping and countervailing legislation in April last year, and the board decided to shelve the legislation and declare its intention to write WTO-friendly legislation.

Anti-dumping investigations had since been conducted by the board in accordance with WTO rules and regulations. In the meantime, the board had been building its capacity to administer the new anti-dumping system.

"Two anti-dumping experts of the American government are currently in South Africa to train staff" said Blumberg.

Once the legislation had passed through parliament it would be presented to the WTO, but acceptance by the WTO would not be a precondition for its promulgation. Training existing board staff and recruiting new staff was bringing the expertise level up to that of developed countries where anti-dumping investigations had been conducted for decades and skills and sophisticated laws had been built up, she said.

SA to curb deficit with Germany

(74) BD 17/11/97

John Dludlu

BERLIN — SA's worsening trade deficit with Germany has prompted government to devise strategies to curb the rise.

Latest figures from the German government confirm the trend: German exports to SA amounted to DM3,4bn in the first half of this year compared with DM3,3bn in the same period last year. SA's exports to Germany reached almost DM2bn in the first half of the year against the DM1,8bn in the first six months of last year.

Ideas being considered include an exhibition to market SA's products in Germany, and the participation of SA companies in Expo 2000, a big trade fair in Hanover.

SA ambassador to Bonn Lindiwe Mabuza says the deficit is a matter of concern, but the possibility of a Made in SA trade fair has not been discussed with SA organisations.

Mabuza is cautious that a hastily arranged fair could turn out to be a flop and urges further discussion on strategies to increase SA's sales to Germany.

The trade deficit is also related to what becomes of the European Union negotiating mandate with SA, she says, pointing out that the German surplus is an example of the general pattern of EU-SA trade.

If a Made in SA exhibition is chosen as the best vehicle, the trade department and larger companies will be encouraged to support the participation of small and medium-sized firms in the show, says Zolile Magugu, Mabuza's deputy. The show could also be broadened to include SA's neighbours.

Germany is among the SA's largest foreign investors. About 360 companies with German links provide 60 000 jobs in SA.

Mabuza says the investments have steadily risen in the past two years. More than 30 German companies have announced investment decisions, either for new factories, joint ventures, tourism facilities or expansions, since 1995.

Meanwhile, a successful "SA Week" organised with the help of German MP Anke Eymer, has been held in Lubeck, a town in the Schleswig-Holstein state. Similar initiatives are being planned in future, Eymer says.

Investors' concerns about SA include high crime levels, questions about President Nelson Mandela's successor, low labour productivity and uncertainty over labour law.

Last month, the Southern Africa Initiative of German Business, the plan by German business to promote investment in southern Africa, promised to work with the SA-led region in reducing trade barriers and creating better market access.

The body — chaired by Daimler-Benz chief Jurgen Schrempp — said it would encourage greater trade flows, not only between the Southern African Development Community and Germany, but also between Africa and Europe.

SA most active in introducing antidumping rules

BD 17/11/97 (74)

Tim Cohen

LONDON — SA introduced more antidumping measures last year than any other country in the world, with the largest portion focused on the People's Republic of China, World Trade Organisation (WTO) statistics show.

Figures due to be released by the WTO next month show SA introduced 30 antidumping actions last year, almost doubling the measures it had in force at the time.

However, SA's dramatic increase does not bring it close to the number of measures that many developed nations have introduced. The US leads this group and the world by far with 332 actions in force, while the European Union (EU) collectively has 176 and Canada 101.

SA's total of 61 measures at the end of last year placed it alongside Argentina with 53 measures and Australia with 64. But it placed SA well above other loosely comparable countries, including Brazil (41), Turkey (37) and India (35).

Of the new measures introduced last year, Argentina was second to SA, followed by the EU (23), the US (21) and India (20). WTO figures show a further seven actions have been introduced so far this year.

The total number of measures in force in June this year had dropped to 40 because some had expired while others had been withdrawn. Of these 40 remaining measures, almost a quarter target China.

The products covered include several chemicals, such as acetaminophenol, PVC and Indigo blue.

Antidumping measures have also been imposed against Chinese textiles, towels, hoes, spades, rakes, forks, picks and flat glass. PVC in different forms is protected against imports from countries including Brazil, Taiwan, France, the US and Germany.

Flat glass features in actions against several countries; measures having been introduced against Hong Kong, Thailand and China. Paper fea-

Continued on Page 2

Antidumping

Continued from Page 1 (74)

BD 17/11/97

tures in actions against several countries, with carbonless copy paper protected against imports from the UK and Germany.

Aluminium in different forms is protected against imports from Egypt, Hungary and Zimbabwe.

It is understood that the completion of new SA legislation for antidumping investigations — which is intended to be WTO-friendly legislation — has been delayed and will go before Parliament only next year.

One SA trade expert said SA had been vigilant in putting antidumping measures into place quickly to prevent foreign domination of SA's markets.

But the speed with which actions were brought into force also said something about the lack of competitiveness of SA industry and its fears of global free trade. Although WTO rules allow members to prevent dumping, antidumping rules are sometimes used to reduce competition from imports.

SA in accord with Saudi Arabia to boost oil trade

(74)

BD 18/11/97

RIYADH — SA and Saudi Arabia had signed a memorandum of understanding to boost oil exports to Pretoria and build an oil refinery, SA President Nelson Mandela announced in Riyadh yesterday.

But Mandela, who met King Fahd and Crown Prince Abdallah ibn Abdel Aziz on Sunday, refused to comment on SA newspaper reports about a guns-for-oil deal.

The reports said Pretoria was offering to buy oil in a barter arrangement for a proposed $1,5bn deal in which it would supply G-6 self-propelled artillery systems and antiaircraft guns to Riyadh.

Such a deal would have the additional advantage for SA of reducing its dependence on Iran, which at present supplies 65% of its crude needs.

"If there is an agreement to that effect or negotiations, it's not a matter that is wise to talk about, until we are in a position to make an announcement," Mandela said.

He gave no figures for the rise in Saudi oil imports, which at present stand at 15 000 barrels a day.

But he said the two countries would "hold negotiations ... for a feasibility study to build a refinery in SA" to supplement the four it already had. A member of his delegation said the studies would start in early next year.

SA has been seeking to reduce its dependence on oil from Iran, which in 1994 accounted for more than 90% of its needs.

Since SA established diplomatic relations with Saudi Arabia in 1994, trade between the two countries has quadrupled, rising from $52,3m to $284m.

It was Mandela's first official visit to Saudi Arabia. In 1994, Mandela made a private visit to the country. — Sapa-AFP.

CAPE TIMES
DAY, NOVEMBER 18, 1997

SA, Saudis sign deal on oil exports

(74)

CT 18/11/97

RIYADH: South Africa and Saudi Arabia had signed a memorandum of understanding to boost oil exports to South Africa and build an oil refinery, President Nelson Mandela announced here yesterday.

Mandela, who met King Fahd and Crown Prince Abdallah ibn Abdel Aziz on Sunday, refused to comment on South African newspaper reports of a guns-for-oil deal.

The reports said Pretoria was offering to accept oil in exchange for a proposed $1,5-billion (R7,26bn) sale of G-6 self-propelled artillery systems and anti-aircraft guns to Riyadh.

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He said the two countries would negotiate "for a feasibility study to build a refinery in South Africa" to supplement the four it already had.

A member of his delegation said the studies would begin early next year and the project would take "a number of years".

South Africa has been seeking to reduce its dependence on oil from Iran, which in 1994 supplied more than 90% of its needs.

Since SA established diplomatic relations with Saudi Arabia in 1994 trade between them has more than quadrupled from $52,3 million (R253m) to $284m (R1,37bn).

This is Mandela's first official visit to Saudi Arabia. He made a private visit when the two countries established relations. Since 1994 officials from the two countries have exchanged a number of visits. — Sapa-AFP

In an appreciative mood at yesterday's G ... one conference were Botswana President Sir Ketumile Masire, Zimbabwean President Robert Mugabe, Mozambican President Joaquim Chissano, Nan..bian Prime Minister Hage Geingob and Gauteng premier Tokyo Sexwale. Picture: LORI WASELCHUK

Chissano outlines regional trade bars

BD 19/11/97 (74)

Claire Pickard-Cambridge

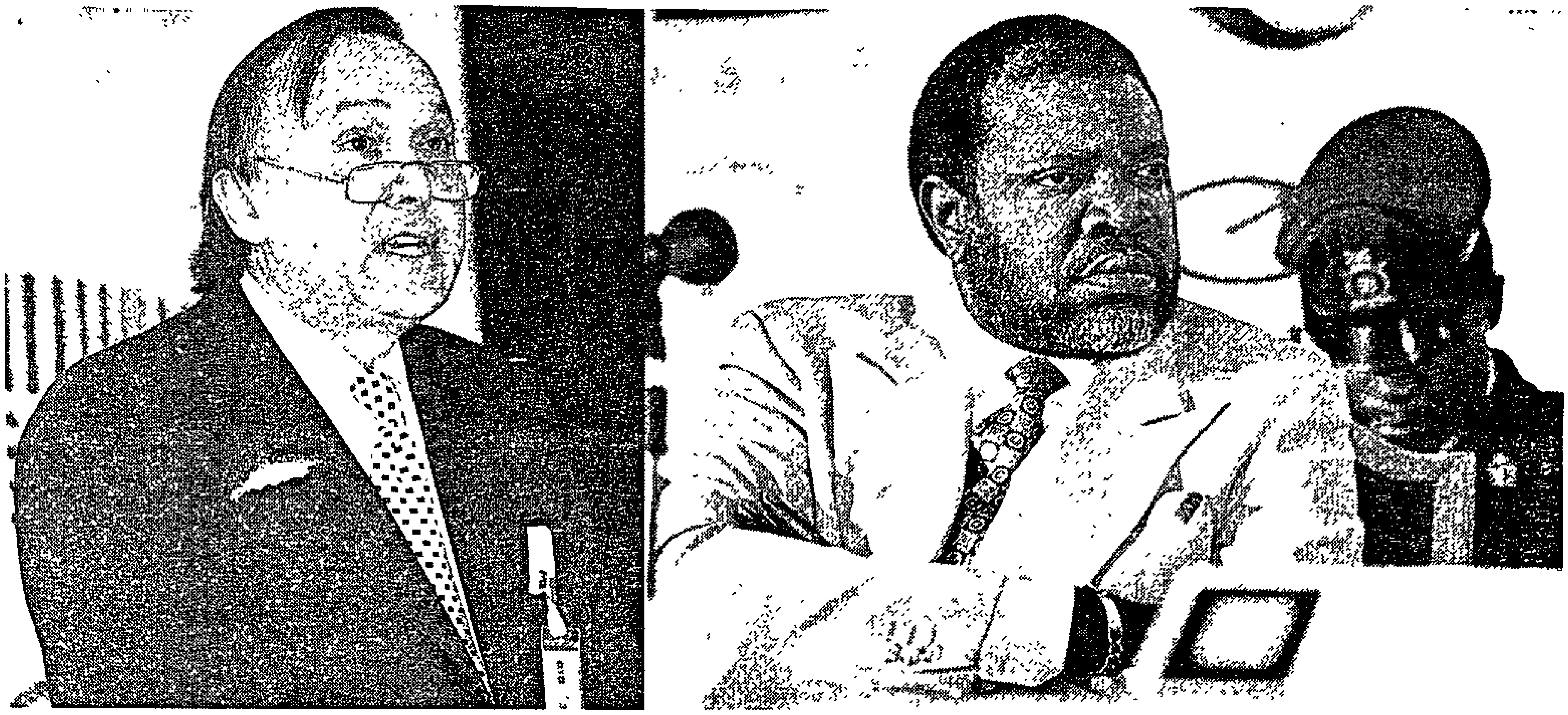
GABORONE — Difficulties with currency convertibility, credit constraints, high debt levels and poor diversity of production structures were fundamental problems inhibiting the expansion of intraregional trade, Mozambican president Joaquim Chissano warned yesterday.

Chissano also said that a consistent approach was needed to streamline cross-border investment approval and bureaucratic impediments to investment had to be minimised. Steps should be taken to reduce restrictions on the repatriation of profits and dividends.

However, trade liberalisation, political stability and improved security had helped boost intraregional trade in the Southern African Development Community. As a percentage of global trade, intra-SADC trade had increased from 5% in 1990 to about 17,4% by the middle of last year.

He said the Mozambican government had been implementing policies to attract investments and facilitate trade flows. Inflation had been reduced from 54% in 1995 to 16,6% last year, and a mid-year evaluation pointed to a single-digit rate for this year. A 6,4% GDP growth rate last year had been accompanied by a significant increase in investment inflows as well as exports.

Investor-friendly policies had led to the involvement of foreign and domestic investors in rehabilitating and modernising infrastructures with a regional dimension. These included the Maputo Development Corridor, which links Maputo with SA and will improve access to Swaziland; the Beira Corridor which links this port with Zimbabwe, Zambia and Botswana, and could expand to the Democratic Republic of Congo; and the Nacala Development Corridor linking the port of Nacala in the north to neighbouring Malawi. Mozambique also attached high priority to its Lebombo development corridor and its Zambezi basin project, which aimed at developing agriculture, ecotourism and industry. The Lebombo initiative was a joint Mozambique, SA and Swaziland poject aimed at the development of tourism and agricultural potential.



Pepkor's Christo Wiese, left, who opened the Southern Africa Trade and Investment Summit this week. Namibian Prime Minister Hage Geingob is also attending.

Pictures: LORI WASELCHUK

Exports from customs union countries to Africa grow 27%

Claire Pickard-Cambridge

(74)

BD 20/11/97

GABORONE — Exports from SA Customs Union (Sacu) countries to the rest of Africa had risen 27% from R13,8bn in 1995 to R17,5bn last year, SA Foundation executive director Neil van Heerden told a trade and investment conference yesterday.

This trend is also a strong reflection of growth in SA's exports because SA's contribution amounts to more than 70% of Sacu's trade. These trade figures are normally compiled for the whole of Sacu — which consists of SA, Botswana, Lesotho, Namibia and Swaziland — because it is treated as one customs area.

Van Heerden said Sacu's exports to the rest of Africa had been rising continuously since the late 1980s but the increase recorded in 1996 had been significantly higher than those recorded over the past decade.

The lion's share — or R12bn of the R17,5bn — of Sacu exports to the continent went to the rest of southern Africa, along with substantial increases in exports to all the Indian Ocean islands. Exports to the "rest of Africa" rose from R4,5bn to almost R5,5bn with large percentages allocated to Zaire, Kenya and Tanzania. Figures for the west African markets remained relatively low and there were even small decreases in sales to Côte d'Ivoire, Nigeria and Ghana.

"It is apparent that Sacu exporters continue to concentrate their efforts on the closer, more familiar markets of southern and eastern Africa, including the Indian Ocean islands," Van Heerden said.

Zimbabwe was the leading client with imports from Sacu of R5,3bn in 1996 from R4,5bn the previous year, which meant that it bought nearly one third of all exports to the continent. Those which followed were Mozambique (R2,3bn in 1996); Zambia (R1,8bn); Angola (R1,5bn); Malawi (R0,96bn); Zaire (R0,96bn); Kenya (R0,95bn): Mauritius (R0,92bn); Tanzania (R0,55bn; and Ghana (R0,25bn).

Seven of Sacu's top 10 markets were Southern African Development Community (SADC) countries, which lent credibility to the priority given by the SA government to this organisation in the form of less stringent exchange control conditions for SA investors in SADC countries.

He warned the problem of imbalance of SA's trade with the rest of Africa persisted. This was despite increases in imports into Sacu from a total of R2,8bn in 1995 to nearly R3,4bn in 1996. Criticism of SA from the business communities of countries such as Zimbabwe and Kenya about the trade imbalance were likely to intensify.

Main suppliers to Sacu in 1996 were Zimbabwe (R1,17bn); Zaire (R479m); Malawi (R295m); and Angola (R260m).

The most significant increase by a supplier to Sacu was Angola (from almost zero in 1995 to R260m). The most significant decrease was for Mozambique, which dropped from R117m in 1995 to R74m last year.

Opic in $150m fund on African investment

Claire Pickard-Cambridge

GABORONE — The Overseas Private Investment Corporation (Opic) would soon be launching a $150m fund to facilitate equity investments in sub-Saharan Africa, Opic deputy vice-president Mark van de Water announced yesterday.

He told a trade and investment conference that Opic was a wholly owned US government corporation which had sold $16bn worth of services to US investors in 50 countries last year. The goal of these funds was to provide capital for projects in the region. He hoped that by next year Opic would also have a $500m infrastructure fund in place which would complement other development efforts.

He explained Opic's different functions in supporting development: "We operate as a bank selling long-term projects financially. We also serve as an insurance company and venture capital organisation".

He said Opic already had an active portfolio of nearly $1bn in projects that it was supporting in southern Africa. On the venture capital side, or investment fund programme, it had several other funds operating in Africa.

There were many sectors in this region that were world leaders, such as mining technology, tourism and agriculture. "These areas are prime candidates for equity funds and our other products."

Opic was "quite bullish in Africa" and looked forward to building on its track record there, Van de Water said.

Steady growth in two-way business

Trade with US may beat 1996 figures

(74) ST(PE) 20/11/97

RICH MKHONDO

Washington, DC — US imports from and exports to South Africa have climbed steadily since January and may surpass those for previous years by the end of this year, trade officials and a US government commission said this week.

The commission said between January and August this year, US imports from South Africa stood at $1,56 billion and exports at $1,96 billion, putting overall trade between the two countries during the first eight months of this year at $3,52 billion. Last year ended with US imports at $2,32 billion and exports at $3 billion, making total trade worth $5,32 billion.

"In the four months from August to December, we may equal last year's figures or just manage to surpass them," a South African trade official said.

In 1995, US imports from South Africa were $2,21 billion and exports were $2,71 billion, while in 1994 the import figures were $2,03 billion and exports were $2,1 billion.

The latest trade figures showed that exports of transport equipment increased by more than 44 percent during 1995-96, with exports of the equipment to South Africa up by 18 percent and equipment exports to Nigeria up by 88 percent.

The US International Trade Commission (ITC) said US exports to sub-Saharan Africa rose to $6 billion last year and imports from the entire African continent swelled to $15,1 billion. This was mainly because of price increases in crude oil imports.

The major US export markets in sub-Saharan Africa are South Africa and Nigeria, which together accounted for 63 percent of US exports to the region last year.

Major import suppliers include South Africa, Nigeria, Angola and Gabon. These four countries accounted for 84 percent of US imports from sub-Saharan Africa last year.

Trade analysts said US investment (as measured by capital flows) in sub-Saharan Africa was $540 million last year, down from nearly $797 million in 1995. Last year, investment in the region was 0,6 percent of US worldwide investment, down from the 1992-96 period peak of 1,1 percent in 1993.

As with imports, the leading destinations of US investment in the region were South Africa ($258 million or 47,8 percent of the total) and Nigeria. The US trade deficit with the region also reached a record high of $9 billion.

Leading US exports to South Africa include machinery, particularly agricultural equipment, power generators and general industrial machinery. There is also a roaring trade in aircraft and motor vehicle parts, tractors and engines, electrical and high technological equipment, including office machines, computers and software, medical and telecommunications parts.

Combined, these five sectors accounted for 80 percent of the value of US merchandise exports to the region last year.

South Africa's leading exports to the US are metals, precious stones, non-ferrous metals, iron, steel, metalliferous ores, and nonmetallic minerals. Exports of inorganic chemicals are increasing at steady pace. — Independent Foreign Service

Breaking the trade impasse

m+G 21-27/11/97

(74)

A free-trade deal with Europe is only a matter of months away, writes **Madeleine Wackernagel**

Talks with the European Union (EU) over a free-trade agreement have dragged on for so long that the typical response to yet another statement from one side or the other is confusion at best, lack of interest at worst. But as the parties meet again for the 15th round of negotiations early next month, this time to discuss trade-related issues and economic co-operation, signs are that a deal is finally within reach.

Indeed, says Bahle Sibisi, director of bilateral trade at the Department of Trade and Industry, which is spearheading the talks: "We have broken the impasse and reached agreement on how to push the process through faster for the first time. Both sides now know in detail what the structure of the agreement will look like and how tariffs will be phased down.

"If we conclude the next stage of the negotiations as envisaged, ratification should be possible in the first half of 1998, with the institutional issues completed by the beginning of 1999."

The EU, despite having instigated the talks, is severely constrained by its common agricultural policy, which protects most of its agricultural produce against foreign competition.

South Africa would be willing to liberalise its entire economy if the EU followed suit, but Europe is hamstrung by political considerations

South Africa, says Rashad Cassim, head of the Trade and Industrial Policy Secretariat, would be willing to liberalise its entire economy if the EU followed suit, but Europe is hamstrung by political considerations. This does, however, mean that South Africa has more leverage in turn to protect its sensitive sectors, such as agricultural products and the motor industry.

South Africa has also insisted from the outset that any deal must also take our neighbours into consideration.

Botswana and Namibia, for example, are big beef producers and fear that an EU deal would give the Europeans preferential access to South Africa's markets. But, says Sibisi, South Africa is proposing that "sensitive" products, such as red meat, be left out of the trade deal. In this way, regional exporters win preference over the Europeans.

Both parties have identified "sensitive" products that would be governed by separate protocols but there is some variance over defining the term. South Africa has stipulated they should be economically sensitive rather than influenced by political considerations; the EU, however, has to battle a strong agricultural lobby.

So far, the South African team has proposed that red meat, dairy products, winter grains, sugar, wine and spirits, fall into the category of sensitive agricultural goods, with textiles and clothing, motor assembly and parts, as well as television components and assembly, falling under industry. But a formal response from the EU is still awaited.

In the meantime, talks continue next month on trade-related issues, including competition policy and intellectual property rights, in addition to economic co-operation, covering industry, services and agriculture.

South Africa has yet to put its new competition policy in place, so the EU is expected to monitor closely any potential breaches of the free-trade spirit, including the erection of non-tariff barriers. Intellectual property rights, on the other hand, have been adopted under the Uruguay round of the General Agreement on Tariffs and Trade, the forerunner to the World Trade Organisation.

South Africa has already outdone itself in terms of the World Trade Organisation by dropping tariffs more rapidly than required. At present, approximately 23% of our imports from Europe are duty-free and the EU deal would allow some asymmetry, with the EU dropping tariffs at a faster rate than South Africa.

Thus, as the negotiations stand now, when the agreement comes into effect on January 1 1999, 90% of the EU's total trade should be duty free, rising to 94% between 2000 and 2002; 98% in 2003/05 and 100% in 2005/11.

South Africa would be allowed a 65% rate in 1999, rising to 70% of total trade being duty free by 2002/04 and 85% in 2005/11.

In the United States, the administration is keen to open up trade with Africa and legislation to this end is being considered. But the Africa Growth and Opportunity Act, launched with much fanfare in April, is now unlikely to be passed by Congress until next year.

The Act was grounded in the "trade not aid" theory; the United States administration could do more good to support economic growth in Africa by granting countries easier access for their products. But the narrow focus of the Bill has raised alarm in some quarters, contributing to the hold-up. Social development must become part of the picture.

It is not enough to only include those countries that are getting on with their market reforms and are already firmly set on the path to economic growth, says Dr Millard Arnold, minister-counsellor for commercial affairs at the US commercial service in Johannesburg. There are many more countries in desperate need of assistance that still need to be helped, even if their policies are not market-oriented.

"The Clinton administration, more than any other, is focusing on Africa," says Arnold. "But just bulldozing the legislation through without considering all the options would be counter-productive."

South Africa's role in these discussions has been to put the rest of the continent first — an extraordinarily magnanimous gesture, says Arnold.

Hopefully, it will pay off.

SA, Zambia to boost trade ties

(74)

By Sowetan Business Reporter

ECONOMIC ties between South Africa and Zambia will be strengthened when both countries sign a draft trade agreement next year said Trade and Industry Minister Alec Erwin after his visit to Zambia a week ago.

The minister stressed the importance of promoting trade and investment in the whole region, saying addressing the current imbalances between the South African and Zambian economies was to the mutual benefit of both countries.

During his visit Erwin took advantage of the opportunity to hold discussions with his Zambian counterpart Alfeyo Hambayi.

Coinciding with Erwin's visit were technical discussions held between SA officials and their Zambian counterparts.

Sowetan 25/11/97

Trade trips 'are out of control' (74)

CT (POR) 25/11/97

LYNDA LOXTON

Cape Town — The department of trade and industry was urged yesterday to crack down on the plethora of unco-ordinated trade missions undertaken abroad by the provinces.

"There seems to be no control over them and they are sorely embarrassing staff at our embassies," said Ben Turok, an ANC member of parliament.

Alec Erwin, the trade and industry minister, said although his hands were tied because of the autonomy of the provinces, he was planning to insist that they kept him informed of their plans.

He said provinces had already applied to the export marketing and investment assistance scheme to support their trade missions, but no money had yet been paid out because they had not provided full reports on their trade missions.

Mpumalanga had asked for R153 180 for a trade mission to Korea in September and R146 840 for a selling mission to the US.

Gauteng had asked for R46 620 for an outward selling mission to Germany and France, while Wesgro, the Western Cape investment body, had asked for R62 800 for a trip to France in October.

Erwin said the only way these trade mission could be co-ordinated was through the MinMec meetings between his department and the provinces, which took place every two months.

"At the next MinMec meeting the department will emphatically request the provinces to submit a report on envisaged trade and investment missions for the next year," Erwin said.

Tariff probes drop, but not hard work

(74) CT (BR) 26/11/97

NCABA HLOPHE

Johannesburg — A total of 329 tariffs would be investigated by the Board on Tariffs and Trade this year, including eight anti-dumping petitions, said Leora Blumberg, the board's deputy chairman.

However, 123 of these were carried over from the 343 investigations performed last year.

Blumberg said there was a gradual drop in tariff investigation since 1995, but such a decline did not mean less tariff work. In 1995 the board dealt with 516 investigations, of which 89 were carried over to 1996. She said the board had undertaken a reinvestigation of 2 500 tariff lines from 1994 to 1996 and implemented the amendments this year.

The board attended to 12 anti-dumping petitions in 1995, which increased 60 percent in 1996 to 20. Though the board was investigating only five anti-dumping petitions, the number was expected to increase to eight before the end of the year, Blumberg said.

Products allegedly "dumped" on South Africa in 1996 included copper tubing, penicillin, ceramic tiles, batteries, and hoes. In 1997 tyres, white lined paperboard and glass microspheres have been allegedly dumped from Austria, Britain and Malaysia.

Enforce standards and recognise patent rights

(74) BD 26/11/97

New medicines legislation effectively resists SA's globalisation process, says Ruth Rabinowitz

EMBRACING globalisation, SA became a signatory to the trade-related aspects of intellectual property rights (Trips) agreement. But, as has been suggested, there are tensions between globalisation and the perceived ideals of the nation state, national unity and the African renaissance.

The African National Congress is going to unprecedented lengths to promote those ideals, challenging the forces of globalisation in the process. The measures it adopts may boost its popularity with the electorate, but may damage investor confidence in the long term and hurt the people the party claims to serve.

One such action is the implementation of parallel importation of medicines, with an abrogation of patent rights. US ambassador James Joseph, the American Chamber of Business, patent lawyers and CEOs of large companies urged Parliament's health portfolio committee to take note of their grave concerns about this provision in the Medicines Bill, partly because it was an affront to US and other international companies in SA, and secondly because it had the capacity to allow poor quality drugs to be imported into our country. They stressed that this would not address the need to make health care more accessible and affordable to the masses.

New measures dealing with the purchase of medicines at manufacturer level could hurt the public in several ways. The chances of cheap drugs being counterfeit or poor quality are increased by allowing third parties to import them in contravention of patent rights. Once the normal distribution chain is broken, tracking becomes more difficult and third parties do not have the same concerns about safety and quality as the manufacturer.

The bill's main objectives are equal distribution of health care and a reduction in medicine costs for the state and private individuals.

The drastic measures adopted in current legislation contradict research, which suggests opposite strategies would reduce medicine costs. They oppose also the common sense notion that people respond better to being treated equally and are drawn to disadvantaged areas with incentives, rather than by government order.

More equitable distribution and lower prices could be achieved within the framework of freedom of choice, competition and government regulation to ensure a minimum standard of health care countrywide.

There are two sets of medicine prices in the country, one for the state, and one for the private sector. Seventy percent of medicines are sold to the state. These are sold by manufacturers at less than a tenth of the price the private sector pays — and about 50% are allegedly stolen.

There is massive cross-subsidisation by the private sector of the state. To lower the cost of medicines, their distribution to government institutions should be privatised, thereby cutting theft. This would reduce costs for both sectors, since there would be less need for cross-subsidisation.

Competition at retail level would reduce the price hike in the distribution chain. Allowing large stores and managed care companies to own pharmacies and buy in bulk at a discount would have this effect.

Simply privatising medicine distribution to the state, removing bonusing and bulk free sampling which allow middlemen to hold on to profits, and allowing large chains or medical aids to own pharmacies and pass on discounts to consumers, would result in government and private individuals paying less for medicines.

Greater use of generics would, through competition, push down the price of ethical drugs. Restored to our pockets would be money now residing with thieves, unscrupulous middlemen, inefficient pharmacies and medical aids, and manufacturers who overcharge.

Our interests would be served by a health system which focused government resources on the disadvantaged, but enforced minimum standards, allowed a competitive private sector, recognising patent rights, to share freely the burden of providing different levels of care.

Instead, we will have a system which promises equal care, overregulates internal markets, defies the spirit of Trips and provides poorly for all.

Resisting globalisation for the alleged goal of engineering equality will burden SA and threaten, rather than strengthen, national unity.

□ *Rabinowitz is the Inkatha Freedom Party's health spokesman*

SA asks EU to speed up Lomé process

CT (BR) 26/11/97 51 (74)

LYNDA LOXTON

Cape Town — The national assembly yesterday called on five European Union (EU) member states who have not yet ratified the revised Lomé IV Convention to do so as quickly as possible so that South Africa could take up its limited Lomé membership.

The five countries — Belgium, Holland, France, Germany and Greece — are effectively blocking South Africa's membership and preventing it from tendering for European development fund projects.

Rob Davies, the chairman of the parliamentary trade and industry committee, said the delay meant South Africa was also still only accorded observer status at joint assemblies of the EU and African, Caribbean and Pacific states.

He said the delay was not because of an unwillingness to ratify the convention, but because of bureaucratic delays.

The national assembly agreed to ask Frene Ginwala, the speaker, to write to the countries concerned and ask them to speed up the process.

Looking to his committee's programme for next year, Davies said the most important bills to be covered would be on reregulating the liquor industry and competition law. He understood that a discussion paper on competition law would be going to the Nedlac forum soon and legislation would be drafted thereafter.

His committee had already received representations from several interested parties on the draft new liquor bill, mainly focusing on the proposed three-tier licensing system that would not allow liquor manufacturers also to distribute and sell liquor.

Davies said that his committee also planned to hold hearings in April to examine developments in industrial and tariff policies, and particularly into how these were affecting employment.

The latest available statistics showed a slight increase in employment in manufacturing, but overall employment levels in the sector "are not where they ought to be".

Lomé delay prompts call to five states

(24)

Wyndham Hartley

BD 26/11/97

CAPE TOWN — Five European Union countries are to be asked to speed up their ratification of SA's qualified accession to the Lomé convention on grounds that it is depriving SA of the benefits associated with membership.

In a motion which received unqualified support from the National Assembly yesterday, African National Congress MP Rob Davies asked that Germany, Belgium, the Netherlands, France and Greece be asked to ratify SA's accession as soon as possible.

According to the rules of the convention, the accession of new members must be ratified by a majority of African, Caribbean and Pacific countries and by all EU members. A majority of ACP countries have ratified SA's accession, but five EU countries have not signed.

The motion said delays meant SA had observer status only at ACP-EU meetings, barring it from the benefits arising from ... accession to the convention.

Once SA's membership is ratified local firms will be able to tender for European Development Fund contracts elsewhere in Africa.

See Page 20

ANALYSIS

Forget Lomé: SA needs trade deal with EU

BD 26/11/97 (74)

The private sector needs to get involved in SA's trade negotiations with Europe, writes MP David Graaff

THE mind set of many South Africans is still dominated by trying to establish a position on the transformation caused by the arrival of the new SA.

Some are positive, mindful of the miracle of achieving a true democracy by peaceful means, others are frustrated either by the nondelivery of unfulfilled promises or by vanishing standards of good governance and law and order

Few South Africans therefore take cognisance of the important geopolitical shifts that have taken place globally since 1990. The old bipolar division between East and West, and between communism and a free market economy, has disappeared.

The question many of us fail to ask is, where are the fault lines in the new geopolitical dispensation? Some see a divide between North and South, that is, between the developed economies of the First World and the developing economies of the Third World.

However, if we accept that the concept of warfare as a means to solve international political differences is becoming obsolete, given overwhelming US domination in the technology of modern war, then the recent phenomenon of a global division into various trading blocs deserves our attention.

It is indisputable that world trade today is growing faster than the world economy. This means that trading nations are growing faster than nontrading nations. Further, the nations on the cutting edge of new technology in communication, electronics, robotics and genetic engineering have an enormous advantage.

Can SA deny the process of globalisation and refuse the advantages of new technology, as some would have us do? This calls to mind the action of Albania under the communist dictator, Enver Hoxha, who disallowed the importation of tractors on the grounds that the country still had oxen.

If this route is unacceptable, we have to decide where we fit into the modern world, and of which trading bloc we are going to be part.

Southern Africa is a logical choice as we are already a member of the customs union and of the Southern African Development Community. The economic development of our neighbours is of cardinal importance to us, otherwise people are going to vote with their feet and move south. But we must avoid being seen as economic bully boys, as there is a real danger that our industrial capacity could so dominate the region that fledgling industries in adjacent countries could be wiped out.

At present Africa is responsible for less than 1% of world trade, and this is decreasing. The potential for expanding trade into Africa is thus limited by its ability to pay. So, we must look elsewhere as well.

The European Union (EU) proposed the creation of a free Trade Agreement with SA. The ball was in the court of the African National Congress government. Its first action was to apply to join the Lomé Convention, a trade agreement between the EU and the ACP (African, Caribbean and Pacific) countries who were former colonies of European countries.

The Lomé Convention provides free entry into the European market of certain products produced in ACP countries, but the convention is not compatible with World Trade Organisation (WTO) rules and special dispensation has been given to Lomé IV until 2000.

The granting of full Lomé status to SA was never on, as it was felt that the SA economy was too developed to fit in. The result was partial membership of Lomé for SA without significant trading rights.

In the meantime, the EU initiated negotiations on a free trade agreement. The European Council of Ministers gave the European Commission in Brussels a mandate to start, but with lists of agricultural products to be excluded from negotiations.

Agriculture is a sensitive political issue in Europe, and while SA's agricultural exports into Europe are less than 1% of European agricultural gross domestic product, certain European countries still feel the need for protection. At the same time, European agriculture is heavily subsidised and produces vast surpluses of grain, meat and dairy products.

These surpluses are then exported at a loss to the third world, and dumped there at prices lower than local production costs, which again undermines and destroys those domestic industries.

SA needs market access to Europe for manufactured goods. A country like SA, which relies solely on the export of primary commodities, is doomed to economic stagnation. Adding value to exports is the name of the game for a flourishing economy. SA needs market access, not hand-outs. A successful trade agreement with the EU can be critical for the take-off of the SA economy.

Unfortunately, the process has bogged down, with accusations from both sides of obfuscation and delay. Both sides are probably guilty. However, a big push is needed from the SA side. The time is now ripe for the private sector to react — press, shove, cajole, needle and encourage government to get on with it — and fast.

☐ *Graaff is a National Party MP and trade spokesman. He was part of a multiparty delegation that visited Togo recently to discuss SA's qualified accession to the Lomé Convention.*

TRADE *A policy of pursuing mutual benefits could see total two-way traffic growing at least four times by 2000*

India and SA have become high-level bilateral partners

ET (BR) 1/12/97 (74)

Bilateral trade between India and South Africa, which has already risen from R258 million in 1993 to last year's R2,2 billion, is poised to reach new heights.

Ashutosh Agrawal, the head of Chancery at the Indian Consulate in Johannesburg, confidently expects that figure to rise to R10 billion by the turn of the century

He points to several factors working towards this end, not least of which is the close co-operation between the South African and Indian governments aimed at creating an environment for closer economic ties.

Agrawal expects bilateral interaction to receive a significant boost in the wake of the Made in India show, which takes place in Johannesburg during February next year

He reveals, too, that a double tax avoidance agreement will soon be signed, along with an agreement on protection and promotion of investment.

"A ministerial joint commission, in addition to reviewing exemplary political relations, has also added stimulus to the trade and technical co-operation between the two countries. India is one of the few nations with which South Africa has set up a bilateral commission at so high a level."

During the historic first visit by the Indian prime minister in October, an India-South Africa commercial alliance was established, involving participation by government officials and industry representatives from carefully identified sectors believed to contain high growth potential for mutual trade and investment.

Against this background, Agrawal hopes that his country's trade with South Africa will again rise from the current 1 percent to 5 percent of India's total trade — the figure which applied in 1946, when India broke off trade relations with South Africa.

OPTIMISTIC *Ashutosh Agrawal, the commercial consul and head of Chancery at the Indian Consulate* PHOTO: JOHN WOODROOF

Agrawal identifies textiles and garments, pharmaceuticals and dyestuffs as commodities of particular interest to Indian exporters wishing to penetrate the South African market.

"South Africa offers an attractive destination for India's textiles and garments, as there are no quota restrictions into South Africa. Although the 84 percent import duty is high, I envisage a 20 percent annual increase in South African imports from India."

He maintains that opportunities also exist in the areas of fibre and yarn.

Agrawal describes as "huge" the potential for Indian pharmaceutical exporters.

"Bulk drugs are imported into South Africa, and the current government's thrust in the sphere of healthcare services for the underprivileged should result in a significant rise in demand for generic drugs and formulations

"Ranbaxy, an Indian company which will be present at Made in India, has already won two multi-million-rand contracts for the supply of antibiotics to South Africa's public health system. Indian products meeting with success in the South African market include antibiotics, sulphur drugs and vitamins," he said.

Agrawal believes the market for dyestuffs is equally promising. "It is a vast market, as local production of dyestuffs is almost nil. The majority of products are imported, mainly from EC countries. India has a major presence in the world dyestuffs market, and it is therefore likely that India will make a marked impression on the South African market in the near future."

Perhaps the most encouraging feature of trade flows between the two countries is that they are virtually in balance. Agrawal suggests that this could be extended into the future, since the scope for South African exporters to India is just as fruitful as the other way around.

"Bear in mind," he emphasises, "that India has a population of close to a billion people, some 300 million of whom have fairly substantial disposable incomes. They have substantial appetites for goods of all descriptions. If South Africa can tap into just one or two percent of that market, you're looking at a great deal in the way of export earnings."

He identifies fertilisers as a particularly promising area.

"South Africa is endowed with the world's largest reserves of phosphates. It is also a significant supplier of fertiliser raw material. India continues to rely on imports of rock phosphates as well as sulphur and intermediates."

Agrawal says that although India's major suppliers are Jordan, Morocco, the US and Senegal, in some instances imports from South Africa are cheaper and have freight advantages.

"For this reason, the Indian department of fertilisers is currently considering the establishment of a joint venture in South Africa to handle the production and supply of rock phosphates and fertilisers to India."

JOHN SPIRA

At present, India imports more than four million tons of steel products annually from the US, Germany, Japan, Brazil and the UK. Agrawal sees scope for South Africa to break into this market and expects the South African steel industry, which exports some 25 percent of its turnover, "to emerge as a significant supplier of steel and iron to India".

South Africa's wool industry, too, could benefit from closer trade ties between the two countries. Agrawal says India depends heavily on imported wool, with 85 percent of its requirements sourced from Australia and New Zealand.

"Because of the high international reputation of its wool, South Africa has the potential to become a major supplier of wool to India, in the process reducing India's dependence on imports from Australia and New Zealand," he explained.

> *The most encouraging feature of the trade flows is that they are in balance*

India is a significant coal importer, particularly for its power stations situated in that country's coastal areas.

Agrawal says South African coal exports to India have already begun, and could increase "substantially" in years to come.

On the investment front, he envisages some exciting opportunities

"Indian investors regard South Africa as an appealing market because of its large consumer base and the fact that it serves as a platform for exporting to the African region, particularly sub-Saharan Africa.

"Specific industries likely to see Indian investment are the pharmaceutical, agro-processing, textile, leather, industrial component, electrical, automotive, timber and service sectors."

Indian companies have invested nearly R200 million in South Africa, a figure which Agrawal predicts will rise several-fold in the years ahead. Conversely, he believes South African investment and technology transfer is likely in several areas.

These include energy generation, the production of aluminium, coal mining, the liquefaction of coal, the use of high-ash and low-grade coal in steel smelting, the construction of tunnels and bridges, the refurbishing of power equipment and mining machinery, and the exploration for and mining of diamonds.

The Confederation of Indian Industry, an association representing 3 500 companies with a total capital investment of more than R300 billion, is actively promoting trade and investment opportunities in South Africa.

It has 23 offices in India and 12 overseas offices, including the recently opened Johannesburg office

Australian links require a good trading wicket

The potential of SA's Antipodean connection has yet to be fully realised, writes Greg Mills (74)

BD 1/12/97

THE visit to Australia last month by SA parliamentarians from the Land Affairs Portfolio Committee occurred a difficult time in Australian Prime Minister John Howard's term of office.

His Liberal-National Party coalition has run into a storm of protest over its proposed amendments to the Native Title Act. Opponents see the bill as a means of effectively extinguishing "native" (that is, aboriginal) title on crown leases, involving around 45% of Australian territory. This, coupled with controversy over Pauline Hanson's reactionary (and many would argue, outright racist) One Nation Party, has meant that — in the words of former Prime Minister Malcolm Fraser — "racism has become a significant factor in Australian politics".

The crisis also came as Hansie Cronje's team arrived to take on the formidable Australian cricket side.

Yet SA and Australia have more in common than just contentious racial histories, cricket, sunny skies and colonial heritage. Indeed, there are a set of trade, investment and hemispheric issues which could push the two former dominions closer together.

The first joint SA-Australian ministerial commission held in Pretoria in July this year reflected these strengthening links. Since 1991, Australia's two-way trade with SA has increased from around R1bn to nearly R5bn in 1996, a growth rate of 35% a year. With SA recognised by Canberra as "the largest, most diversified and most dynamic economy in Africa", Australian exports reached over R3bn in 1996.

Yet, although SA exports have also recorded comparable rates of increase (especially in the areas of fertiliser, paper, alloy steel, pig iron and aluminium), the trade balance is heavily skewed in Australia's favour.

While Australians recognise that the two countries are strong international competitors in some mineral and agricultural markets, they believe the two economies should become more complementary for the next five to 10 years.

There is also much scope for investment both ways, which is borne out by present developments. SA investment totalled R1,3bn in 1996, mainly in the mining, information technology and retail sectors, and is expected to increase by a further R1bn in 1997/98. Australian foreign direct investment in SA grew from R38m in 1993 to R436m in 1996, and Australian firms are expected to invest around R300m more in SA in 1997/98.

Canberra has identified target areas in SA (such as the construction industry, wholesale and mining services) where cultural similarities, industrial growth, and good infrastructure enhance the good opportunities for doing business. The anticipated conclusion of a double-taxation agreement within the next six months is expected to act as a spur towards investment. In this, SA is also seen, importantly, as a "hub" for the rest of Africa.

These positive attributes are to some extent offset by political uncertainty in SA, the weak rand, crime, and the difficulty in locating appropriate business partners — illustrated by several Australian companies comments that: "We had very good agents but they emigrated (from SA)."

The number of SA emigrants in Australia is, however, generally believed to assist in fostering links between the countries, feeding back information on Australian industry and identifying areas of opportunity.

Although the 1991 census identified just 49 421 Australians as having been born in SA, some believe that the number of South Africans resident in Australia could be as high as 250 000 — or 1,2% of Australian population. It is perhaps interesting to note that the aboriginal population accounts only for some 1,5% of the population, providing some indication of the potential clout of the former South Africans.

In today's globalised marketplace, more so than ever before, the flag follows trade, providing the right conditions in which business can be done. Hence Australia's political and security focus on East Asia, where some 60% of Australian trade volume resides. This has leapt from 40% in 1980 and 50% in 1990, while the trade with East Asia in goods and services as a share of gross domestic product (GDP) has grown from 35% in 1991/92 to over 40% in 1995/96.

Australia's recently released foreign and trade policy white paper, In the National Interest, notes unashamedly that: "The economic wellbeing of Australia — the jobs and standard of living of individual Australians, and the social cohesion they engender — is fundamental to Australia's foreign and trade policy."

As a result, "in security and economic terms, there is no region where more significant Australian interests are engaged" than the Asia-Pacific.

As the Asian economic miracle threatens, to paraphrase US Secretary of State Madeleine Albright, to become "an Asian meltdown", the continuing economic crisis in southeast Asia has flashed warning signs for Australia's industry as well as its universities — heavily dependent on fees paid by Asian students.

Analysts have forecast that Australia's GDP could decline by as much as 1% this year as a result of Asia's currency woes. It is no surprise then that Australia is contributing to International Monetary Fund bale-out packages for Indonesia and Thailand.

Discussion of Australia inevitably raises interest in its Antipodean neighbour, New Zealand. SA still has no resident mission in New Zealand, despite a strengthening trade relationship (up 69% between 1994 and 1996) and strong familial and cultural linkages. One quarter of new arrivals in New Zealand are now apparently South Africans.

SA and New Zealand also share a peculiar range of hemispheric concerns — particularly disarmament, human rights, the environment and fishing.

SA investors may see great potential in New Zealand given its access to the Australian market under the tariff-free closer economic relations initiative. Trans-Tasman trade amounted to some R35bn in 1996. But, the proposed R200m cut in the SA foreign affairs' department's budget raises serious doubts about whether resident diplomatic representation will be established in Wellington in the near future.

Mutual hemispheric concerns with our Antipodean partners raise interesting collaborative possibilities.

Some of these are currently being addressed through the the Valdivia Group — involving other countries from the so-called "deep south" — Argentina, Brazil, Chile and Uruguay

Functional interests around which co-operation could be harnessed include trade and investment issues (including within the World Trade Organisation), and maritime concerns, especially resource security, ship maintenance and building, the environment, safety at sea, piracy, pollution as well as search and rescue.

But there remains much to be done at the bilateral level. On the SA side, it took more than two years for the new government to install a trade officer in the High Commission in Canberra. And President Nelson Mandela has yet to make an official visit to Australia, while he has travelled to some other Asian countries more than once. Indeed, the Australian approach to the centrality of trade and investment issues to its foreign policy might provide some interesting pointers for Pretoria's foreign policy pundits.

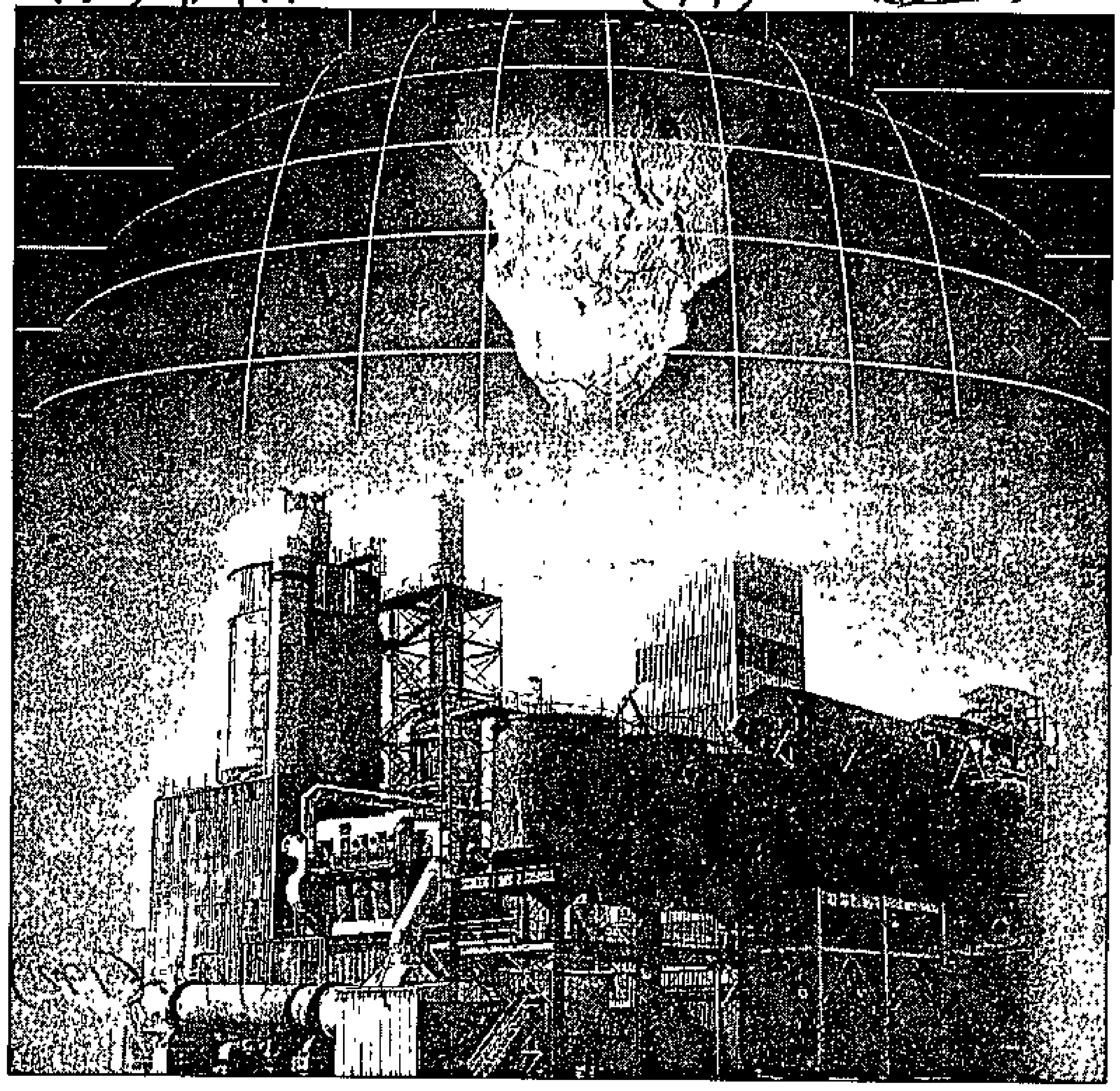
□ *Mills is national director of the SA Institute of International Affairs and is currently a visiting research fellow at the Australian National University*

SOUTH-SOUTH CO-OPERATION

Erwin's law of regional success

CT(PR)2/12/97 (74)

Peter Fabricius



Boosting commerce and co-operation with other countries of the south "is not just a moral imperative of solidarity among former colonial powers but is essential for South Africa's future growth and development prospects", according to Trade and Industry Minister Alec Erwin.

He believes South Africa, which aims to be a major manufacturing country, cannot afford the luxury of growing slowly. The only way it can grow at the necessary pace to uplift its people from poverty is through increased trade and investment with the other fast-growing developing nations of the south and by restructuring the world economy in co-operation with them to correct its bias towards the northern hemisphere.

Erwin said this at a recent conference, "Looking Sideways: The Specifics of South-South Co-operation", held at the South African Institute for International Affairs in Johannesburg. He said recent changes in the world economy were large enough "to expect an emerging shift in the balance of global economic power" towards the developing nations (the "south")

It had been estimated that by the year 2020 China, India, Indonesia, Brazil and Russia would together have a greater share of world trade than Europe.

If South Africa was to achieve its growth targets, it could not rely on traditional markets. For instance, the South African government did not foresee that much of its hoped-for expansion in trade would come from the European Union (EU), despite the large amount of effort it was putting into negotiations for an EU/SA free trade area. Europe did not have sufficient growth potential.

"The actual benefits of increased market access (with the EU) will be fairly marginal. The growth in trade will be important but not decisive. For us the EU negotiations are essentially strategic."

The main aim was to create strategic partnerships with European firms, such as the one with Germany's BMW which had built a manufacturing plant in Pretoria for export.

Instead of traditional markets, "we have to increase internal trade (with Southern African Development Community — SADC — countries) and use the resources of the region and links with other rapidly growing economies"

Not only was the growth potential of markets in the south — notably China — much higher but these markets were much easier to penetrate than the very competitive markets of Europe.

The common idea that southern countries like South Africa, Brazil and Australia could only be competitors with each other was wrong.

The South African government had been fascinated to discover on trade missions to Brazil and Australia that the similarity of their economies offered opportunities for co-operation.

For example, if southern countries wanted to strengthen their motor vehicle industries, they could only do so through co-operation to increase their competitiveness in world markets.

Two of the tenders which had so far been received for South Africa's major defence procurement included some trilateral developments involving, in each case, another southern country

The boom in southern economies was causing a shift in attitudes about the opening of markets, Erwin said "Now the growing threat to trade liberalisation comes from the US and Europe as the southern countries become more competitive."

Erwin suggested that this discovery also contained a lesson for south-south co-operation. In negotiations within the multilateral trading system, such as the World Trade Organisation (WTO), the agenda and pace of developments was largely being shaped by the developed countries.

Developing countries needed to develop regional trading blocs to match the weight of the north This was another important area of south-south co-operation

If South Africa was to sustain a reasonably high growth rate to uplift its people, it could only do so as a subcontinental bloc, said Erwin

The size of the South African market, with only 39 million people, was not enough to impact trade flows or to divert even a small part of the world capital flows — but the SADC region of 130 million did have a chance of doing so by becoming a major economic zone

South Africa's aim was not just to expand trade and investment with its SADC neighbours but to help them adapt to the globalising economy.

For instance, within the free trade area envisaged by the SADC to come into being within eight years, South Africa would lower trade barriers faster and further than the other states to give them more time to adapt to an open market

The SADC was also strengthening economic co-operation through developing regional infrastructure by means of a number of protocols in fields such as energy, mining, transport and co-operation and through cross-border spatial development initiatives like the Maputo Corridor

Emerging regional economic arrangements such as the SADC probably represented one of the most promising forms of south-to-south co-operation aimed at enabling developing countries to compete more effectively in the world.

There was also an urgent need to develop and strengthen ties between regional groupings (such as the SADC and Mercosur in South America) to expand and deepen the scope of south-to-south co-operation, although Erwin also noted that he did not see these blocs combining formally into larger trading blocs in the near future. — Independent Foreign Service

SA offer to EU on tariffs opened for public input

CT(BR) 3/12/97 (74)

Lynda Loxton

Parliamentary Correspondent

Cape Town — South Africa's offer on tariff reductions to the European Union (EU) had been thrown open for public comment after a decision by the trade and industry department to ask the Board on Tariffs and Trade (BoTT) to investigate the possible effects on the economy, officials said yesterday.

Comments will have to be submitted to BoTT by January 23 so that any revisions could be ready for the next round of negotiations with the EU in Pretoria on February 12 and13, they said.

The preliminary offer was the result of extensive negotiations in the Nedlac forum. Officials said yesterday they believed it would be "sound" if it was thrown open for wider discussion in case particular aspects of the proposed tariff cuts had been overlooked.

The offer covers all tariff lines on an eight-digit basis and will commit South Africa to removing import duties on imports from the 15 member states of the EU on a phased basis. In return, the EU will open its market on an asymmetrical basis in favour of South Africa.

‘Major progress’ in EU, SA talks

(74)

BD 08/12/97

Tim Cohen

LONDON — Senior officials from the European Union and SA emerged from the latest two-day set of negotiations on the proposed free-trade area saying agreements on political and social co-operation had been all but nailed down and the new positive momentum was being maintained.

The negotiations on Thursday and Friday were less central to the proposed treaty, relating to trade-related and non-trade issues, but officials said "significant progress" was made.

Both sides confirmed their commitment to the agreed time-table for future sessions.

Head of the SA delegation and EU ambassador Eltie Links said after the negotiations that the result was perhaps not as dramatic as a month ago when the sides announced a "new dynamism" but, he added: "You do not always have to score tries as long as your back line is moving steadily forward."

Agreement was reached in the talks, the 15th round on non-trade and trade-related issues, on provisions regarding political dialogue and social co-operation. Both sides "noted with satisfaction the convergence in their views on a number of items covered".

What was raised but not agreed on were parts of the agreement relating to development issues, competition policy and the movement of capital, although Links said draft formulations were beginning to emerge on these issues.

On development policy, which SA wants to make a central part of the agreement, Links said the sides had agreed to "take a time-out" because formulations of development policy were taking place both in SA and the EU. In the EU, these discussions would focus mainly on the Lomé Convention which is to be thoroughly renegotiated.

Changes in the competition policy environment in SA meant that this issue also had to be put on hold so that international commitments did not outrun national legislation.

Links said there was a great understanding of SA's position on competition policy and capital movement. Discussions on these would take place in greater depth in future rounds.

Further meetings would take place early next year between officials, and a ministerial meeting is scheduled for February, Links said.

47 SAUER STREET

SA's EU free trade talks may gain from British presidency

(74)

CT(BR) 8/12/97

The British presidency of the European Union (EU) got off to a celebratory fizz last week. Though Britain has placed itself on the sidelines in the European Monetary Union, there will be plenty of opportunity for the Labour government to shine by organising summits, setting agendas and masterminding the enlargement of Europe.

There will also be opportunity to push the boat out for South Africa and hurry along an EU free trade agreement that showed signs last month of coming to life.

Britain, which begins its presidency on January 1, has committed itself to seeking the most liberal trade agreement for South Africa. But others might not be so bold.

Jack Cunningham, Britain's agricultural minister and the first cabinet minister to visit South Africa since the elections in May, said on that visit in November that Britain would push for a speedy resolution to trade talks, as long as South Africa played its part to keep the issue on the agenda.

Southeast Asian markets have lost their lustre in the grip of currency crises. Links with Latin America remain subdued outside of the mining sector. So South Africa has been thrown back upon its traditional trading partner.

Last month, protracted and difficult negotiations over a free trade agreement between South Africa and the EU took a turn for the better, with the submission by South Africa of a product-specific tariff phase-down timetable. It also identified products it wants to receive special treatment.

The EU, meanwhile, has presented lists classifying products, but has not matched these with a time frame for a phase-down in tariffs.

JAMES LAMONT

This is considerable progress in talks that have been locked in bureaucratic halls. Debate over the free trade agreement has not spilled into the economy, and few industrial or agricultural sectors are clued up to what a free trade agreement is likely to bring.

Although most visiting politicians pay lip service to the free trade agreement, Britain has made as friendly overtures as any European country. The Labour government feels a closeness with the ANC, is quick to mention historic friendship and shares some of its challenges.

Both parties have had to modernise their former socialist policies and are coming to terms with privatisation and fiscal discipline — policies they would have choked upon 10 years ago.

"Socialism is about prudence, it is about living within your means," says Cunningham. A few years ago it meant something quite different.

Cunningham's visit, during which he did little in his portfolio but visit small farm projects, paved the way for Deputy President Thabo Mbeki's visit to London at the end of November. The two found time to discuss Britain's offer of a diversified defence package and its financing — more evidence that the historic relationship must be turned to good investment and trade account.

Cunningham made sounds heartening to the developing world. He compares the frustrations of Britain's battle with Brussels over mad cow disease with the petitions of South Africa for trade access. Moreover, he is a supporter of reforming the EU's Common Agricultural Policy along the lines that such a policy should be best for taxpayers and consumers. "Farmers should be competitive. They should not be sustained by more subsidies," he said.

But South Africa should not place too great expectations on the new presidency. Though Britain would certainly like the kudos of having been the catalyst for an agreement before June next year, any idea that it can force the European Commission's hand must be discounted. It can, however, arrange meetings and put together agendas, which may be as pushy as it can get to its fellow members.

Besides, Britain's first priority during its presidency will be to sort out its own relationship with the EU. Trouble has been brewing over the single currency and whether Britain should be represented on the informal council of finance ministers drawn from the 11 members who will sign up for the launch in January 1999, though it will not be one of those members. The answer will probably be no.

Nevertheless, the British government has shown a fondness for defending the weak against the strong. Cunningham left South Africa to do battle over the access of Caribbean bananas to the EU.

"I can't understand why some of the world's most powerful economies want to wreck the economies of six democratic islands," he said.

South Africa is a seventh.

SA LASHES OUT AT EU'S DESIRE TO CUT SOME PRODUCTS FROM FREE TRADE PACT

Brussels — A South African negotiator working on a trade and development agreement with the European Union criticised the grouping on Friday for wanting to exclude some products from a proposed free trade pact.

South African and EU negotiators said they made good progress in the latest round of talks, which were devoted to issues such as competition, intellectual property, political dialogue and co-operation. But Elias Links, South Africa's ambassador to the EU, who led his country's delegation, took a dig at the group's position in free trade talks. South Africa's ultimate objective was the real opening-up of trade, he said.

The long-running trade talks have in the past stumbled on several issues, including Europe's desire to exclude almost 40 percent of South Africa's agricultural products from the deal. — Reuter (74) CT (BR) 8/12/97 Page 18

EU still boycotting SA, report says

John Dludlu (74) BD 17/12/97

TALKS between the European Union (EU) and SA have had "little influence" on helping Pretoria's exports to the EU, according to a recently released report by the Amsterdam Consulting Group.

The recent improvement in SA's exports to the EU were mainly the result of government-support measures, the rand's depreciation, as well as the recovery of global and European economies, the report said.

The macroeconomic report, written by the consulting group's business consultant Henriëtte Kievit, argued that relations with other markets, particularly with Asian and African neighbours, might be an "attractive alternative" for SA.

The report's emphasis on southern Africa trade relations echoes Pretoria's thinking, which has always argued that any deal with the EU would have to assist the development of the SA-led Southern African Development Community.

This line of argument also reflects a debate by the SA government on whether to devote scarce human resources to traditional partners like the EU or forge links with fast growing regions such as Asia and Africa.

Africa's importance to SA stems in part from the rapid expansion of SA's exports to the continent. Over 60% of SA's exports to Africa are made up of high value-added items, including machines, transport equipment, chemicals, food and beverages. The EU still buys mainly primary products from SA.

The Kievit report titled: "SA exports after apartheid: How the EU continues to boycott SA long after the fall of apartheid", said the "recent state of affairs" — an apparent reference to the slow start of EU-SA negotiations — made it unlikely that new relations would improve SA's export position to the EU in the near future.

"Despite promising statements on the European side, the content of the recently proposed free-trade agreement reveals that European representatives make SA interests completely subordinate to the interests of the EU," the paper said, echoing now familiar sentiments on the EU's opening negotiating position.

The paper, one of a growing body of research around the EU-SA relationship, has come out as the talks are gaining momentum following the release of SA's supplementary negotiating position.

The paper's thrust supports SA negotiators' calls for discrimination against the country's exports in EU markets to be removed.

SADC countries miss crucial deadline

BD 17/12/97

John Dludlu

THE SA-led Southern African Development Community has called on its members to ratify the trading bloc's free trade protocol after member states missed a crucial deadline in intra-SADC liberalisation talks.

Member states were to have submitted lists of sensitive products by end-October as part of efforts to free trade exchanges in the 14-nation bloc over eight years.

SADC spokesman Esther Kanaimba confirmed yesterday the deadline had been missed. However, the failure to meet the deadline was due to the tight deadline and not a reflection of member states' reluctance to forge ahead on the creation of free trade.

"In principle, every country is for it (the free trade protocol) but they have to deal with internal modalities," she said, referring to the need to have internal consultations.

Kanaimba said the other difficulty in meeting the end-October deadline had been the need for member-states to consult bilateral partners, since bilateral arrangements would have to be phased out as the SADC trade kicked in.

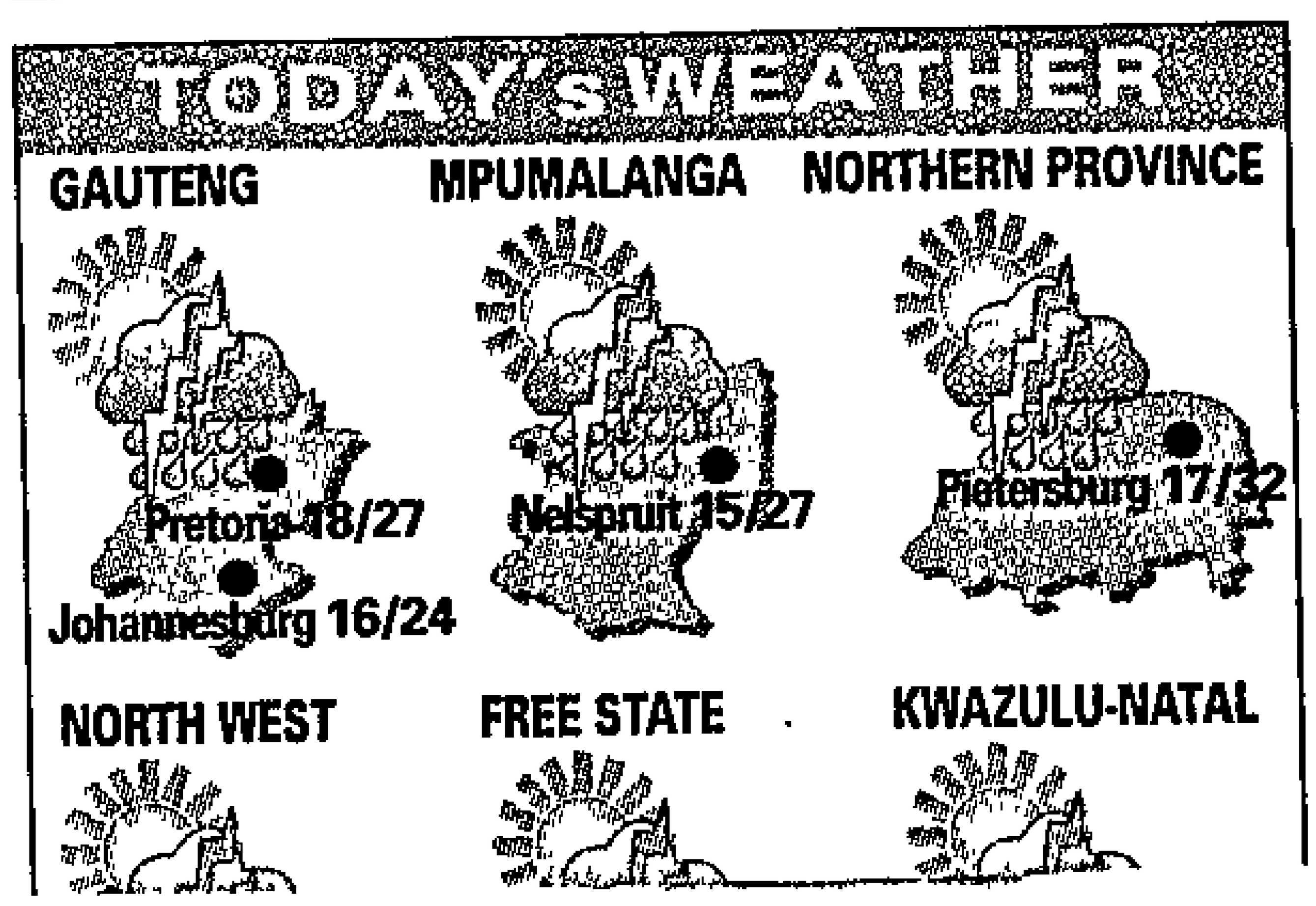
Other sources in the SADC region said this week the delays were due to pressing national priorities.

At a meeting earlier this month, SADC executive secretary Kaire Mbuende urged the SADC's ambassadors to ratify the protocol to pave the way for implementation. Only two nations — Mauritius and Tanzania — have so far ratified the protocol, which was signed by SADC heads of state last year. A two-thirds majority is needed for the implementation of the protocol.

Kanaimba said member states were now hoping to have the lists of sensitive items drawn up by the middle of next month, ahead of the SADC's ministers' council at the end of the month.

SADC negotiators have said no products should be excluded arbitrarily from the free trade area. Therefore members would have to justify requests for any exclusions or find a means of dealing with sensitive products, they have said.

SA and its customs union partners — Botswana, Lesotho, Namibia and Swaziland — were due to finalise their position early next month.



FINANCIAL SERVICES (74)

What free trade will mean to SA

FM 19/12/97

From 1999, worldwide trade in banking, insurance and fund management services will be restructured for easier access. Though this could create exciting possibilities for the big SA clients, low value customers may lose out.

The trade deal, agreed by the World Trade Organisation's 132 members last weekend, will mean significant changes for some developing countries and those which still pursue protectionist policies.

But for SA, says Registrar of Banks Christo Wiese, the impact will be minimal. The agreement is "basically confirming something that is already in place."

It's already the responsibility of the bank regulators to ensure "that there is competitive neutrality between all institutions conducting business in SA." So Wiese doesn't think the SA consumer will see much of a change following the WTO deal.

But Council of SA Bankers CEO Bob Tucker argues a freer global financial services environment may well have an impact — to the benefit of high value customers and the detriment of low value ones.

"Financial services, perhaps more than any other industry, are part of the global village," says Tucker. "A broker with a modem on a Caribbean island can sell you a Hawaiian life policy, a Japanese cash management account and a tax facility in the Cayman islands, attractively packaged together, sold through the Internet and charged to your credit card account."

High value clients (because they are the ones foreign institutions are interested in) will see a broader range of offerings at keener prices.

The flipside is that, for local institutions, tougher competition in the high end of the market will reduce profitability — which will reduce the scope for cross-subsidising customers at the lower end.

And that will make it harder for banks to achieve the objective of expanding the delivery of financial services to "the full spectrum of SA society." Adrienne Roberts

Trade talks still in the balance

(27 9A)

SA wants to settle position within the SADC before making final offer to EU, writes Talitha Bertelsmann

(74)

Star 22/12/97

South Africa and the European Union (EU) have been locked in negotiating a Free Trade Agreement (FTA) for the past year.

Little progress was made until November when, in a turnaround, the European negotiators heralded the November talks as a 120% success. South Africa proposed the inclusion of all traded products within an FTA, plus the creation of special protocols for sensitive products.

During the last round of talks, the hope was expressed that an agreement would be signed by September 1998. Despite the progress, a chasm still exists between the two parties and the question arises whether the negotiators in their predictions are not, once again, being too optimistic.

South Africa initially rejected the European proposal of an FTA, on the grounds that the development needs of South Africa and its neighbours were not being addressed within the proposed agreement. It suggested a Trade and Development Agreement (TDA) instead, which would link development to trade and place a certain responsibility on the European Union (EU) to ensure development did take place.

South Africa further argued it needed to retain certain tariff margins to have something to offer to its neighbours in the Southern African Development Community (SADC), currently negotiating their own internal FTA. This slowed the EU negotiations considerably, as South Africa argued it needed to finalise its position within SADC, before it could make a final offer to the EU.

Notably, South Africa is still struggling to make its final offer to the region. The SADC free-trade protocol should have been ratified by its members by October. However, to date only two countries have ratified.

On the other side of the table, 1998 is set to become one of the busiest years for European negotiators. Apart from launching the Euro, negotiations on the inclusion of Poland, Hungary, the Czech Republic, Slovenia, Estonia and Cyprus into the EU will start in March. Preparatory talks on the possible inclusion of Romania, Latvia, Bulgaria, Lithuania and Slovakia will also kick off during the same month.

While President Bill Clinton failed to get fast-track approval for free trade across the Americas, the US interest in Latin America facilitated renewed European interest to reach an FTA between the EU and Latin America's regional powerhouse, Mercosur. At the same time Mexico is also waiting to finalise its FTA (which is being vigorously pursued) with the Europeans.

While South Africa had difficulties in accepting the European proposal for an EU-SA FTA, Mexico has on numerous occasions indicated it will be happy to receive the very same proposal.

In addition, pressure is building for the EU to revise its long-standing Common Agricultural Policy (CAP), which pays large subsidies to European farmers, fixes European prices at unnaturally high prices and creates protectionist walls to outside competitors.

The global trend towards free and fair trade renders the policy unsustainable. In addition, the inclusion of Eastern Europe into the union will drain all CAP (and therefore EU budgetary) funds, as the new members' economies are still highly agricultural. European farmers will, however, fight to retain as much of the policy as possible.

The Lomé Convention, the long-standing agreement on trade preferences and aid between the EU and the developing countries in Africa, the Caribbean and the Pacific (ACP), expires in February 2000. Negotiations for a new dispensation are due to start in September 1998. The EU would like a radically changed Lomé, but the ACP is reluctant to give up trade preferences and aid packages.

The negotiations are bound to be lengthy and troublesome. (South Africa will also be involved in these negotiations as a partial member of the convention and as the chairperson of SADC, whose members all form part of Lomé.)

This leaves little time for the South African FTA discussions. Although Economics Minister Alec Erwin has stated South Africa has changed its defensive attitude towards free trade, the southern African region still fears any European-SA agreement.

Without significant progress on the SADC FTA, South Africa will be reluctant to make a final offer to the EU. Without knowing when SADC will be able to finalise its agreement, it will be difficult for the EU to reserve a place for South Africa on its negotiating timetable.

Although South Africa's November proposal has placed the ball firmly back in the EU court, much still needs to be done on the SA side before an agreement can be reached. – Star Foreign Service

■ *Talitha Bertelsmann is the Standard Bank European Union research fellow at the SA Institute of International Affairs. She writes in her personal capacity.*

WTO dispute resolution system popular in developing nations

BD 22/12/97 (74)

John Dludlu

DEVELOPING nations have become active users of the dispute-settlement system of the World Trade Organisation as the Geneva-based WTO establishes its credentials as the world's trade watchdog.

According to the WTO's newsletter, Focus, the two-and-half-year-old successor to the General Agreement on Tariffs and Trade (GATT) recently received its 100th trade dispute for resolution. This number is higher than the approximately 300 cases GATT dealt with in its existence.

Of the more than 100 disputes handled by the WTO, developing nations filed 31 cases and were the subject of 37 complaints, the newsletter said.

One of the better known disputes involving smaller nations was the complaint by Costa Rica following US-imposed restrictions on Costa Rican underwear. The dispute was resolved in Costa Rica's favour.

However, African nations, including SA, have yet to use the new dispute-resolution system.

Braam Roodt, the director in charge of multilateral trade relations at the trade and industry department, said yesterday SA had filed and won a dispute against Canada in the mid-1980s under GATT's dispute-resolution mechanisms.

SA, which remained a participant of GATT throughout the years of isolation, complained about tax discrimination practised by a Canadian state.

The discriminatory practice was removed, but Canada refused to have a GATT report adopted as a case law. The dispute was the first involving a second tier of government.

Despite the controversy promoted among SA's trading partners by SA's proposed medicines law, so far none had lodged a WTO challenge, Roodt said.

He said a possible reason for African nations to avoid using the WTO's conflict resolution was the fact that most were linked with Europe, their main trading partner and former colonial master, via some form of bilateral trading arrangements.

Therefore, rather than using the WTO's system, some preferred resolving disputes through links such as the Lomé Convention.

The popularity of the WTO system stemmed, in part, from the fact that it was more predictable than the GATT's, Roodt said.

Nations were attracted to the system as it offered more protection to smaller nations than GATT, whose rulings larger nations could block through a veto.

Under the WTO, a consensus was required to block the adoption of a panel report, Roodt said.

Under GATT, disputing parties could delay the process by arguing over the panels and terms of reference of each investigation.

SA joins WTO's scheme for poor nations

John Dludlu

SA HAS joined leading members of the World Trade Organisation (WTO) in the planned launch of a scheme to improve market access for the poorest nations.

SA, Egypt, Korea, India, Malaysia, Mauritius and Switzerland have pledged to widen market access for the least-developed countries, WTO Focus, the international trade watchdog's newsletter, reports in its latest edition.

The pledges follow a rare meeting involving the world's leading multilateral bodies, including the WTO, the International Monetary Fund, the World Bank, the International Trade Centre, the SA-led UN Conference on Trade and Development (Unctad) and the UN Development Programme.

The organisations agreed on a framework through which trade-related technical assistance would be given to poor countries.

The scheme is intended to strengthen the export-supply capacities and trade-facilitation capabilities of poor nations. Training and support for institution building would be given. Least-developed countries would monitor the plan's implementation.

SA said it would use the Southern African Development Community's trade protocol to open its markets to other SADC partners five years earlier than expected. The protocol is under negotiation.

SA's pledge in the WTO was made amid its increasing role in international trade forums, which reached a peak at the WTO's first ministerial conference last December.

The WTO initiative also comes amid indications that least-developed nations' share of world trade is declining. For example, the WTO says, their collective share of world merchandise slumped to 0,46% in 1995 from 0,8% in 1980.

Exports from these countries were then valued at $23bn.

The European Union, which offers better market access to certain — but not all — of the world's poor nations, has undertaken to scrap this discrimination next year; the US, via its "Africa initiative", will improve access to its markets for poor nations in sub-Saharan Africa; and Morocco has offered to eliminate tariffs next year for poor African nations on a range of agricultural and industrial products.

Singapore, which hosted last December's WTO ministerial conference, undertook to remove tariffs on 107 items of interest to least developed countries, and Hong Kong has announced a contribution of $1,2m to the WTO trust fund for technical assistance.

The idea of assisting least-developed nations to integrate into global trade first arose at last year's inaugural meeting of the WTO ministerial conference where a plan of action was adopted. The inter-agency meeting also resulted from last year's meeting in Singapore.

(714) BD 30/12/97

Vast potential China market opens to SA

ARG 31/12/97 (74)

But Taiwan investment worry

Johannesburg – South Africa's cosier relationship with mainland China will open a vast potential export market – but Pretoria also risks losing much-needed investment from Beijing's bitter rival, Taiwan.

China accounts for a paltry share of South Africa's total exports, but trade is expected to boom after Pretoria switches diplomatic recognition to China from Taiwan tomorrow.

"South Africa is recognising what the rest of the world sees in China – a huge future market," United Bank of Switzerland emerging markets analyst Costa Vayenas said in an interview.

The drawback to this week's diplomatic shuffle is an expected drop in direct investment from Taiwan, which already has about 300 companies doing business in South Africa.

Last week, both countries promised to maintain "mutually beneficial" links, but South Africa will now have to compete for Taipei's dollars.

Jorge Maia, head of macro-economic services for the Industrial Development Corporation, said that severing ties might hurt investment, but Taiwan would continue to be a major trading partner.

South Africa's exports to China, mostly base metals and other commodities, have grown steadily in value over the past six years. But they still make up less than 1% of total exports. "The percentage is low, but you can expect it to increase in the future," Mr Vayenas said.

Two-way trade between China and South Africa is expected to hit $1,6-billion in 1997 from a minuscule $11,1-million in 1990, with South African imports from China outstripping exports by a three-to-one margin. That does not include $1,4-billion in bilateral trade with Hong Kong – of which 55% was South African exports, primarily minerals, metals and chemicals.

By comparison, Taiwan at 2,6% was South Africa's second-largest market in Asia last year. Trade between Taiwan and South Africa was worth nearly $1,8-billion last year. – Reuters