FOREIGN TRADE

1998

Govt 'would study possibility' of US-SA trade pact

(74) BD 7/1/98

John Dludlu

SA WOULD assess carefully the economic benefits of a mooted free trade proposal from the US when a formal approach was made, a senior trade and industry department negotiator said.

This followed hints that Washington would negotiate an agreement with SA amid prospects of an SA-European Union (EU) deal which could put US exports at a disadvantage to EU competitors in the SA market.

Bahle Sibisi, the director in charge of foreign trade relations at the trade and industry department, said yesterday SA had not been approached by the US.

However, if a formal offer was made to Pretoria, government would evaluate its economic and growth benefits for SA, he said.

Although it was not the first time the idea of a free trade deal had been mooted by Washington, it was the first time a US-SA free trade accord had been suggested.

Both the Clinton administration and congress were working on a "growth and opportunity" strategy for Africa, including market access rewards for African nations carrying out policy reforms.

Millard Arnold, the Johannesburg-based US foreign and commercial service minister counsellor in southern Africa, said the notion of a free trade area formed part of the debate in the US about the Africa strategy. It did not mark any policy shift on the part of the US administration.

However, at this stage no formal decision had been taken and a thorough debate would follow this year, he said.

The two nations have a binational commission to handle their relations. The commission was a forum for dealing with common issues and problems, Sibisi said.

In a recently prepared report, the White House warned that "should the current negotiations between SA and the EU result in a preferential arrangement providing European manufacturers duty-free access to the SA market, US exporters would face a 5% to 35% tariff wall not inhibiting their European competitors".

A US-SA bilateral trade pact would be desirable to level the playing field. Talk of a free trade pact also reflected US concern about its involvement in Africa and the role SA might play.

Asked why the US was not proposing a multilateral trade deal with, say, the Southern African Development Community (SADC), Arnold said almost 80% of US trade with Africa was with about seven nations, with about 50% of US sales going to SA. Other major markets there were Nigeria, Ghana, Ethiopia and Angola.

The US could also be looking for seriousness on the part of SADC states in their plans to free trade exchanges in the region. However, Arnold did not rule out the possibility of an agreement being extended to cover other African countries. "Everything is fluid at this stage," he said.

Comment: Page 5

Major shakeup in trade and industry launched

BD 8/1/98 (=74) (180)

John Dludlu

A MAJOR shakeup, including the first appointment of blacks in top management positions, has been launched at the trade and industry department.

Key components of the restructuring plan include the upgrading of trade relations with Africa, and foreign trade relations divisions, to chief directorates under Mfundo Nkuhlu and Bahle Sibisi respectively. The two headed directorates previously.

Sibisi takes over some of Faizel Ismail's responsibilities. Ismail, one of SA's trade negotiators, would become a chief director for exports and investment promotion, a position he had been occupying on a caretaker basis, department spokesman Themba Rubushe said yesterday.

The appointments — which increase the number of chief directorates to eight — have been seen as the first sign of the department's commitment to affirmative action.

The chief director rank is the third most senior professional job in SA's public service after a director-general and a deputy.

However, Rubushe poured cold water on talk that the small business promotion directorate would also be upgraded to a chief directorate. There had been calls from the sector's lobbyists that small business, another flagship of the department's policy, should have a dedicated minister.

A compromise, sources said, would have been to upgrade the directorate, now part of chief director Alistair Ruiters's overloaded portfolio, to a chief directorate.

Rubushe said the restructuring plan, which would also trigger a recruitment drive to beef up the new chief directorates, was in line with government's policy of strengthening its focus on African trade relations.

Trade relations with Africa, which have been under Nkuhlu's direction, form an important part of SA's trade strategy. This is, in part, due to the rising volume and the profile of SA's exports to the continent.

Unlike other trading partners, Africa buys mainly SA's high value-added goods, a factor that has created thousands of SA jobs. "Every African industrialist you meet will tell you that we (SA) are not paying enough attention to Africa. We have just scratched the surface," Rubushe said of the continent's trade potential.

There were no plans yet to fill the one vacant deputy director-general's post. The second position was scrapped after its incumbent took a voluntary severance package.

"The director-general (Zavareh Rustomjee) has, for now, settled for the flatter structure (without a deputy)," Rubushe said, pointing out, though, that the situation might be reviewed should the work load increase.

The department, which will now have four nonwhite chief directors, has been accused of ignoring calls for transformation and black advancement as well as being run by "cabals".

Rubushe said that although progress had been made on affirmative action, trade and industry had not matched other state departments as it was a technical and traditionally white field. "We are also competing with industry (in recruitment needs)," he said.

Nkuhlu and Sibisi's promotions were inspired mainly by merit. "They have developed themselves (through their work) into chief directors," Rubushe said.

Spain keen to boost trade with SA

(74) CTBR 3/1/98

SHERILEE BRIDGE

Johannesburg — Spain aims to become one of South Africa's largest economic partners in Europe, despite its poor South African investment history, the Spanish Embassy said yesterday.

Spain is believed to have made the South African National Defence Force (SANDF) R10 billion, multi-year military equipment deal shortlist along with Germany, France, Italy and the UK.

Ramon Guzman, the Spanish economic and commercial counsellor in South Africa, said the defence tender, valued at more than R7,5 billion, was seen by Spain as the launch pad for future bilateral trade.

"Spain's position is fairly strange among other European trading partners since we have a trade deficit with South Africa," said Guzman.

"We have lagged behind other European Union members like Germany and the UK and are gearing to balance the trade volumes between the two countries," he said.



LOOKING AHEAD *Ramon Guzman, Spain's economic counsellor* PHOTO JOHN WOODROOF

Last year's figures to August 31 show that South Africa's exports to Spain totalled R1,3 billion, while Spain exported R0,91 billion worth of goods to South Africa.

In 1996 South African exports to Spain reached R2,2 billion and Spanish imports totalled R1,1 billion, leaving a trade balance of 50 percent in South Africa's favour.

"Trade with South Africa accounts for only 1 percent of Spanish exports and 2 percent of imports. This means that there is potential to at least double our trade," said Guzman.

Spain's traditional trade strongholds have been the Latin American and Northern African markets with sub-Saharan Africa playing a role of little significance.

However, with the saturation of European markets, Spain is looking to the emerging marketplaces of the south and east to increase growth. Spanish investment in South Africa, although still marginal, has increased from one company in 1995 to six last year.

SA-EU FREE TRADE PACT

(74)

Deal is finally within striking distance

fm9/1/98

SA puts tariff cut offer on the table. But EU farm products exclusion list which hits 4% of trade is likely to remain in place

Some things may be worth waiting for. Two and a half years after they started talks on a free trade pact linking SA to the European Union, negotiators from both sides say the deal may finally be within reach. And it could turn out to be more ambitious than initially anticipated

The plan is to wind up the SA-EU negotiations by June so that the treaty can be formally signed by the end of the year Implementation of the agreement could then begin early in 1999. Details of the negotiating timetable will be finalised by SA Trade & Industry Minister Alec Erwin and EU Development Commissioner Joao de Deus Pinheiro when they meet in Pretoria in February

With its emphasis on economic development, not just free trade, the new deal is likely to be more in keeping with SA's original demands for a development-driven trade pact

EU officials say they will continue to focus aid on poverty-alleviation programmes There will also be assistance to speed up the modernisation and restructuring of SA industry and agriculture Also, the "regional dimension" of the treaty — its impact on SA's neighbours — is getting more attention than initially expected Even tricky trade issues may be successfully negotiated.

In November, after months of stonewalling, SA finally injected some momentum into the flagging negotiations by tabling a detailed 500-page trade offer, including plans for the gradual elimination of tariffs on 80% of SA-EU trade The move has been welcomed by union officials who see it as proof that SA is finally getting serious about the negotiations.

"We now have a SA proposal to which we can respond," says head of the EU negotiating team Philippe Soubestre "And we have to try to match that offer."



***Elias Links** . . . not prepared to accept inclusion of exclusion list*

Chief SA negotiator and ambassador to the EU Elias Links says "Given the momentum that we have now and what's on the negotiating table, I believe we can conclude by mid-1998 — provided no unexpected major hurdles come up "

SA has told the union it is prepared to undertake a four-stage reduction in import tariffs over 12 years, ending in 2011 But, certain particularly sensitive products — for instance in the auto, textile, footwear and dairy sectors — will be kept out of the free trade deal until they are deemed to be strong enough to face foreign competition.

SA negotiators insist that these special protocols, which will "ringfence" certain vulnerable sectors, will not lead to permanent protection "The doors will be kept open," says Links "When a product becomes more competitive — because we have streamlined production, provided technical assistance or whatever — it will be liberalised "

Links says SA is now waiting for an equally "enticing" offer from the EU

Work on an EU counter-proposal has started The union is planning to present its detailed tariff dismantling proposals to the SA team at the end of January

There will be few surprises, however EU negotiators do not intend to tamper with the so-called "exclusion list" under which a number of farm products, representing 4% of EU-SA trade, will be kept out of the free trade ambit. "Our offer will be within the mandate we received from our Ministers last year," says a negotiator

This will inevitably create problems with SA Links says that SA remains opposed to the exclusions list. "Such a firm clause flies in the face of efforts to liberalise trade. After all, world markets change, the EU's farm policy may change, the EU may itself want to revise certain aspects of the clause An exclusion list is just too final "

Links isn't alone in thinking that the EU mandate will need to be adjusted. The British government, which took over the EU's rotating presidency on January 1, is committed to speeding up the SA negotiations And British officials admit that this cannot be done unless EU governments are ready to be more flexible

"The EU Council of Ministers has issued a tight mandate," underlines Stephen Wall, Britain's permanent representative to the EU "Ministers failed to see the devastating effect this would have on negotiations with SA."

But, to get a re-adjustment, EU officials warn that Erwin and his negotiating team will have to be "very precise" in their response to the EU counteroffer at the February meeting with Pinheiro

The EU's current aid programme for SA — covering 130m ecus ($US145m) in aid from Brussels and an additional 150m ecus from the European Investment Bank — will run out in 1999 A number of EU governments have already warned that they may not be ready to endorse a similar aid package for the new millennium **Shada Islam**

Curb on flour 'deals blow' to free trade plan

Louise Cook

MILLERS complained yesterday that Swaziland's partial ban on SA flour was contrary to plans to create a free trade area in the Southern African Development Community (SADC) region.

SADC countries agreed some years ago to set up a free trade area in the region within eight years, but Swaziland's National Agricultural Marketing Board published a notice on Monday saying that owing to "excessive imports and dumping", wheat flour would be restricted to levels imported before September last year.

Only limited import permits to previously registered importers would be considered, the board said.

Premier Milling spokesman Schalk Pienaar said the ban would not affect Premier seriously as the amount of flour exported to Swaziland was limited. Yet the move was contrary to attempts to work towards free trade in the region, and SA was being discriminated against.

SA did not subject Swazi millers to volume restrictions or a 5% duty on flour coming this way, he said. National Chamber of Milling director Jannie de Villiers said the matter should be reported to the World Trade Organisation as it went against free trade principles.

Tiger Milling spokesman Boris Kaplan said the ban created a major price advantage for Swazi millers who would in effect be able to import duty-free wheat from SA, mill it in Swaziland and then sell the flour back on the SA market.

It was understood the Africa desk of the trade and industry department was dealing with the issue, but chief director for Africa trade relations Mfundo Nkuhlu was unavailable for comment.

Last year Zambia also banned SA flour, a move that saw National Millers in Zambia — in which the Zambian government was a major shareholder — become sole supplier. In the case of Swaziland, Ngwane Mills now could retain its position as the dominant supplier.

Swaziland claimed that owing to "large-scale dumping, Ngwane Mills has in September (1997) lost 15% of its domestic market". The country's agriculture and co-operatives ministry complained in a letter to SA's government last November that Swaziland United Bakeries aimed to obtain half of its flour needs from Premier instead of Ngwane.

Govt to forge stronger trade links with Africa

BD 9/11/98 (74)

John Dludlu

GOVERNMENT will be looking at forging stronger trade and investment links this year with several African regions beyond the southern part of the continent, says a senior trade and industry department official.

Mfundo Nkuhlu, newly appointed chief director for Africa trade relations at the trade department, told Business Day yesterday that SA had reached a point where it had to broaden its focus beyond southern Africa.

"A country the size of SA cannot just focus on one region," he said, referring to southern Africa.

New areas of attention would include western, eastern and northern parts of Africa, he said.

Until now, SA's attention had been concentrated on strengthening trade relations with countries within the Southern African Development Community (SADC).

Apart from negotiating free trade agreement within the SA-led SADC, government had also been renewing other existing arrangements, notably the Southern African Customs Union and other bilateral relations.

Nkuhlu, who previously headed the tiny Africa trade directorate, said a twin-track strategy of trade and investment would be followed in this renewed attention to previously neglected regions in Africa.

"In some cases, investment (ties) have often lagged behind trade," he said, pointing out that certain of SA's mining and agricultural firms had investments in these regions.

More "appropriate" mechanisms of engagement would be investigated.

Part of SA's strategy in the southern Africa region has been to participate in spatial development initiatives in the region such as the Maputo development corridor, a multinational infrastructure project designed to facilitate regional trade.

Although the newly created Africa trade relations chief directorate — the third highest professional rank in SA's public service — might need strengthening, recruitment would be done within the parameters of government's macroeconomic goals, he said.

Nkuhlu said SA's strategy in southern Africa was starting to show results. "In many ways, this (1998) is a year for things to turn around", he said.

However, Nkuhlu said SA's trade negotiators would be undertaking a "serious" review of the customs union talks. These negotiations, which have been going for over two years, have hit a snag.

The review would be presented to the cabinet for a decision.

SA insists that a new institutional structure to govern a revamped customs union should be determined after agreement has been reached on industrial policies.

Nkuhlu said the upgrading of relations with Africa into a chief directorate would also see the concept of renewing the continent — first proposed by Deputy President Thabo Mbeki — reaching centre stage.

"This (the upgrade) will be part of the contribution (to the African renaissance)," Nkuhlu said.

Agreement between SA, EU 'likely by year end'

(74) BD 16/1/98

Stephen Laufer

FULL agreement on the co-operation, trade and development accord between SA and the European Union (EU) could be expected by the end of the year, Italian Foreign Minister Lamberto Dini said yesterday in Pretoria.

The agreement would be "a major step forward" in relations between the EU and SA. There had been significant progress in negotiations recently, and Italy was among the EU members prodding the EU's executive to finalise the agreement.

Dini's statement on the negotiations timetable, made after meetings with Deputy President Thabo Mbeki and Foreign Minister Alfred Nzo, appeared to soften the target date for the agreement previously set by negotiators for the two sides. They have said that a full treaty, including a free trade accord, could be finalised by mid-year.



Foreign ministers Lamberto Dini, left, with Alfred Nzo in Pretoria yesterday. Picture: TREVOR SAMSON

Dini said it would be a mistake to expect all aspects of the free trade agreement to come into force immediately. Some more sensitive areas would require transitional arrangements lasting up to ten years. However, he did not specify the product areas in question.

The free trade aspects of the agreement should not be feared, as the experience of Italian companies after the country joined the EU's forerunner, the Common Market, in 1957, had shown that there was no better stimulus to efficiency than competition.

Dini said Italy and the EU attached significant importance to SA's contribution to conflict resolution in Africa, but appeared to pour cold water on the Africa's's hopes for a permanent United Nations Security Council seat.

As the next chairman of the nonaligned movement, SA would have a key role in defining a new set of proposals on the expansion of the permanent membership of the security council, he said.

Dini and Nzo signed an agreement regulating the status of Italian aid personnel involved in projects in SA. Italy gives technical assistance worth R40m annually.

A second agreement on scientific and technical co-operation was signed by Dini and Arts and Science Minister Lionel Mtshali.

Dini flies to Cape Town this morning where he will meet Trade and Industry Minister Alec Erwin and former president and National Party leader FW de Klerk.

Scope for more trade with Holland

(74)

Robyn Chalmers
BD 20/1/98

AMSTERDAM — Dutch companies are making investments in key SA industries like banking, hotel and construction which could be quickly expanded, says SA's ambassador to the Netherlands, Carl Niehaus.

Niehaus said there was much interest from Dutch firms in SA, with financial institutions slowly moving into SA and a strong focus on infrastructure development.

Bilateral trade between the nations has risen 63,2% since 1992, and now SA was the Netherlands' largest trading partner in Africa.

Niehaus said an SA investment conference was being planned in the Netherlands to open up opportunities for both countries.

Amsterdam deputy mayor Pauline Krikke said a trade mission of business people to SA was planned for late this year or in early 1999 to look at bilateral trade.

SA looks for a sympathetic ear

(74) BD 21/1/98

BUDAPEST — SA is critical of the European Union's Common Agricultural Policy and hopes to find a sympathetic partner in EU candidate Hungary, the SA agriculture minister said yesterday.

"It (the policy) especially affects countries that are dependent on agricultural products," Derek Hanekom said in Budapest, the third leg of his European visit. "We believe that many of the criticisms ... are shared by Hungary and that we will have a friend in the Hungarian government in the EU."

The EU will open membership talks in April with Hungary, Poland, the Czech Republic, Estonia, Slovenia and Cyprus. The candidates hope to become full EU members by 2002.

Hungarian Agriculture Minister Frigyes Nagy said that while some of the agricultural products of the two countries are competing against one another, the seasonal differences meant they were also complementary.

He said agricultural products accounted for a third of Hungary's exports to SA, with pork the main item. Hungary exported 1 030 tons to SA in the first 10 months of 1997. — Reuter.

Hanekom criticises EU's agricultural policy

(74)
AR G 21/1/98

Budapest – South Africa is openly critical of the European Union's Common Agricultural Policy (CAP) and hopes to find a sympathetic partner in EU-candidate Hungary, Agriculture Minister Derek Hanekom said yesterday.

"It (the CAP) especially affects countries that are dependent on agricultural products," Mr Hanekom said in Budapest on the third leg of his European visit.

"We believe that many of the criticisms... are shared by Hungary and we believe we will have a friend in the Hungarian government in the European Union."

He said the while the EU's agricultural market was closed the union's countries dumped their "highly subsidised products" on other markets.

The EU will hold membership talks with Hungary, Poland, the Czech Republic, Estonia, Slovenia and Cyprus in April. The candidates hope to become full EU members by 2002.

Hungarian Agriculture Minister Frigyes Nagy said that while some of the agricultural products of South Africa and Hungary were competing against each other, the seasonal differences meant that they were also complementary.

"There is, of course, a healthy competition between the two countries," he added. – Reuters

Free-trade protocol 'will not be delayed'

BD 26/11/98

(=74)

John Dludlu

THE Southern African Development Community (SADC) has warned that implementation of its free-trade protocol will not be "held hostage" by the sluggish pace of the Southern African Customs Union's (Sacu's) review.

SADC executive secretary Kaire Mbuende, speaking ahead of this week's consultative conference in Maputo, said: "We have always maintained that Sacu cannot hold the region hostage. We believe it should allow progress at the SADC."

It emerged last week that an impasse had been reached in the customs union (consisting of SA, Botswana, Lesotho and Namibia) review. A ministerial meeting was planned to add impetus to the process.

Mfundo Nkuhlu, the chief director in charge of African trade relations at SA's trade and industry department, said yesterday the SADC progress was not predicated on progress in Sacu's review, although the two would eventually have "to emerge as one". Suggesting that progress in Sacu was holding up the SADC programme would put "undue pressure" on the latter.

Mbuende's statement comes amid claims that discussion of the trade protocol has been taken off the SADC conference's agenda as member states are still not ready to make offers.

There is also growing concern that fewer countries are ratifying the SADC's protocols. For example, only Botswana, Mauritius and Tanzania have signed the trade protocol. And Botswana is the only country which has signed all the SADC's co-operation agreements.

Although the customs union was a reality, Mbuende believed enough governments were willing to ratify the trade agreement to pave the way for its implementation. A two-thirds majority of the 14 members is required.

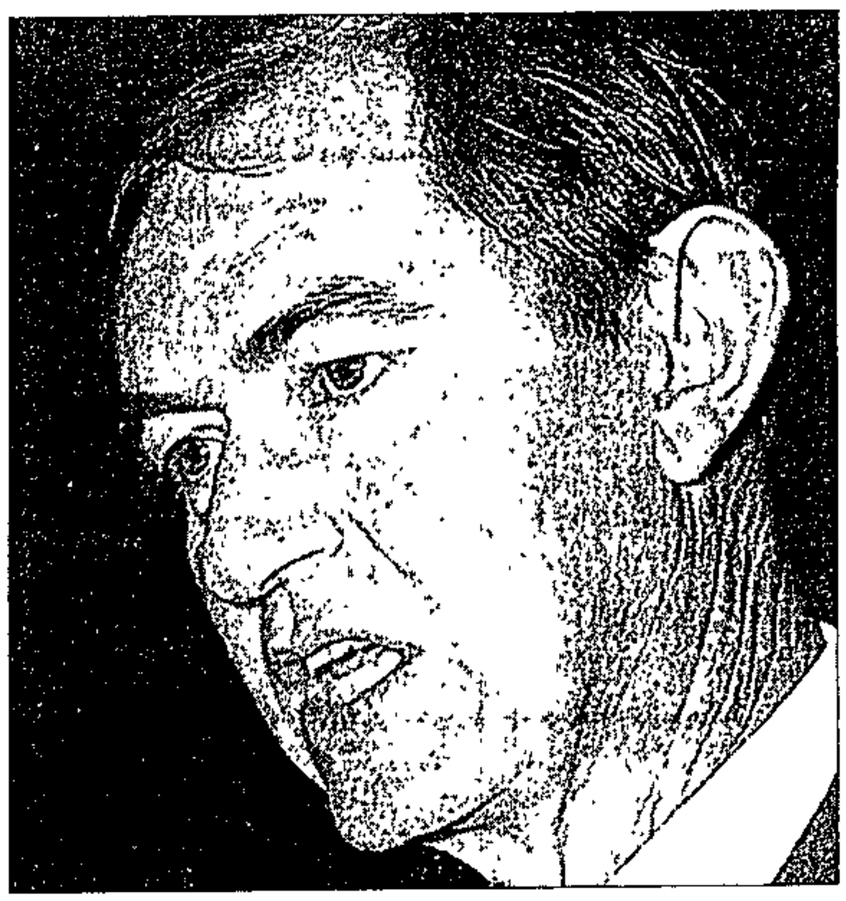
Comment: Page 11

Many factors led to tariff changes

Sowetan 26/1/98 (14)

Customs duties applied so as not to adversely affect local production

By Themba Rubushe



Trade and Industry Minister Alec Erwin ... his Ministry requested the poultry industry to establish a forum to improve its competitiveness.

RECENTLY the Government announced adjustments in import tariffs on poultry, wheat and wheaten flour, wine and alcoholic beverages. These adjustments were necessitated by different factors.

In the past quantitative import control was used to protect local agricultural and processed agricultural products.

Following the Marrakesh Agreement of 1994 and the Government's new policy of phasing out import control, it was decided that where protection was justified, it had to be in the form of tariffs and these should never be higher than the level determined by the Marrakesh Agreement.

In the first phase of tariff adjustments on agricultural products, more than 900 tariff lines had to be investigated, which was a comprehensive exercise and included in-depth investigations into specific tariff subheadings.

Protection was recommended mainly according to the general guideline that customs duties should result in domestic production and consumption being more or less the same as was the case under import control.

The next step was the development of customs tariff dispensations for the different agricultural industries to promote the optimal development of the industries.

It is thus acknowledged that sustainable growth, which is a prerequisite for improving the quality of life of the citizenry, requires improving the international competitiveness of, among others, agricultural industries.

The position on the wheat and wheat milling industry, wine and alcoholic beverage industry, and the poultry industry relative to deregulation and tariffs differ significantly.

● Poultry: after the implementation of an amended customs tariff dispensation on poultry meat and its preparations, the South African Poultry Association in July 1995 requested tariff protection higher than 27 percent ad valorem on certain poultry cuts.

Resulting from these requests, the Minister of Trade and Industry requested the industry to establish a forum to identify factors that made the industry uncompetitive and to develop strategies to address these factors to improve the industry's international competitiveness.

The Poultry Forum was thus established on August 4 1995 to look into the future of the poultry industry and secure its long-term viability via reduction of costs throughout the supply line from producers to consumers so as to contribute to food security in South Africa and greater competitiveness of domestic poultry production.

The increase in duty on frozen chicken cuts from 27 percent ad valorem to 22c/kg came into effect on September 18 1997 mainly to protect the industry against imports of abnormally low-priced frozen cuts.

These imports were adversely affecting the local poultry industry, and the growth and development of the industry would be severely prejudiced if the abnormal competition was allowed to prevail.

Soon after the Board on Tariffs and Trade (BTT) was notified that certain importers were instructing their suppliers to apply minimum quantities of seasoning to chicken portions to circumvent the payment of the higher duty of 220c/kg applicable to frozen chicken cuts, the BTT recommended that the duty of 27 percent ad valorem applicable to processed poultry be adjusted to 220c/kg to close the loophole. This came into effect on January 8 this year.

● Wheat and wheaten flour: In anticipation of the deregulation of the wheat industry, a tariff adjustment system was recommended during 1995.

This recommendation was based on the assumption that statutory control of the Wheat Board would be abolished from November 1 1996 and the recommended duty structure was intended as a replacement for import control and as a protective measure for the wheat industry.

Moratorium

However, as it was decided to retain the Wheat Board and statutory control over the industry until November 1 1997, the Board subsequently recommended a moratorium on the application of the system.

This was done on the request of the Wheat Forum, which consists of the industry's role players.

Since all statutory control was abolished from November 1 1997, the moratorium on the implementation of the tariff band formula was lifted in October 1997.

On December 3 1997, the BTT was requested to recommend an increase in the rate of duty according to the approved system for adjustments in the customs duty on wheat and wheaten flour.

The adjusted duty on wheat and wheaten flour as published on January 9 – 5c/kg for wheat and 50 percent ad valorem plus 5c/kg for wheaten products – was intended as a temporary measure for the industry to adjust to deregulation and international competition.

On December 19 1997 the BTT published its intention to conduct an investigation and revise the current tariff dispensation on wheat and wheaten flour, and invited comments until January 30 this year.

The aim of this investigation is to arrive at a tariff dispensation which will promote the optimal development of the industry in harmony with the Government's general economic objectives.

● Wine and alcoholic beverages: The investigation into the tariff dispensation regarding beverages, spirits and vinegar to replace quantitative import control with tariffs started in 1994.

During this investigation, considerable interaction took place between various role players, including the public sector, and it became clear that they had widely diverging views on the level of protection to be recommended by the BTT.

For example, duties as diverse as 31c/litre and 324c/litre on wine, and 41,7c/litre and 1820c/litre on sparkling wine, were proposed by major role players.

The BTT had to find its way through this wide field of divergent views and it finally submitted its report to the Minister of Agriculture and the Minister of Trade and Industry.

These were the recommendations implemented on January 8.

Furthermore the BTT's recommendation that import permits for these products should be issued freely was accepted. This means that the quantities imported will no longer be limited through import control.

Since this was the first step in the process of restructuring tariffs of the industry, it must be seen as a temporary measure and the BTT stated in its report that an in-depth investigation should be conducted after a reasonable period in the light of the further development of the industry and the nature and degree of competition from imports and in harmony with the long-term strategic view of the industry.

(The writer is Director of Communications in the Department of Trade and Industry.)

Pakistan and SA sign three agreements

(74) BD 27/1/98

PRETORIA — SA and Pakistan concluded three bilateral agreements, signifying the strengthening of their diplomatic relations, yesterday.

Signing the documents in Pretoria, Foreign Minister Alfred Nzo and his Pakistani counterpart Gohar Ayub Khan said the two countries should have closer ties, especially in trade and economic matters.

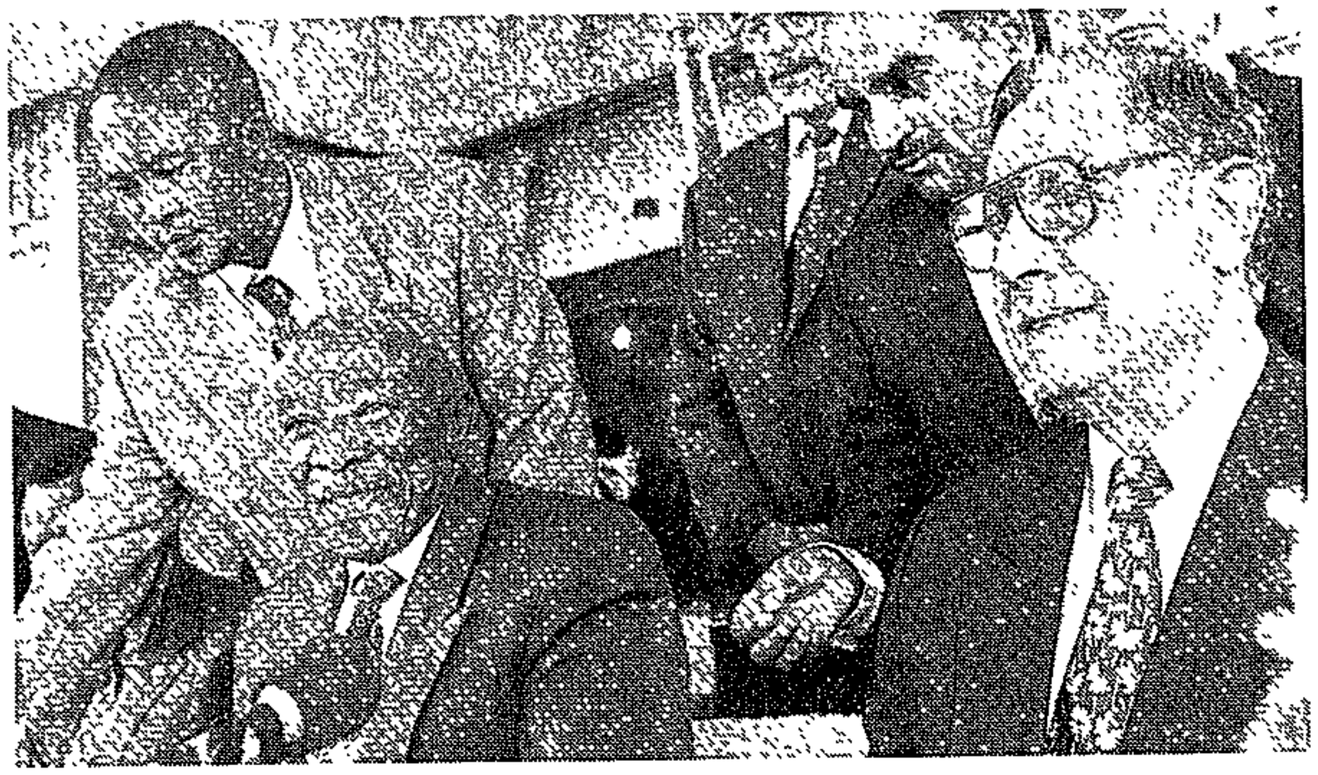
"We generally agreed on the need for SA and Pakistan to work closer together," said Nzo.

He said President Nelson Mandela would visit Pakistan to cement relations as soon as an appropriate date was fixed.

Joint ministerial commissions between the two countries were also envisaged.

The first treaty signed yesterday was on the avoidance of double taxation and the prevention of fiscal evasion with regard to taxes and income.

Defence Minister Joe Modise and Khan signed a peacetime co-operation agreement between the navies of the two countries, and one on defence and defence equipment.



Foreign Minister Alfred Nzo, left, and his Pakistani counterpart, Gohar Ayub Khan, signing agreements in Pretoria yesterday. Picture: TREVOR SAMSON

The defence accord was aimed at promoting co-operation between the defence industries of SA and Pakistan.

Khan is on a three-day visit to SA to meet Deputy President Thabo Mbeki today.

Nzo said Khan had briefed him extensively on the ongoing dispute between Pakistan and India over Kashmir, and on new talks in the bid to resolve the conflict peacefully. SA would encourage such dialogue.

"These are two neighbouring countries, and it will not be in either's interest (to have) ... two armies looking at each other, eyeball to eyeball, across the border."

One-third of Kashmir is controlled by Pakistan and two-thirds by India.

Khan said the Kashmir issue was not a territorial dispute. "We are not asking for a territory. We are asking for the right to self-determination."

The people of Kashmir, most of them Muslims, should have the right to decide whether or not they wanted to be part of India.

Khan said Pakistan and India were maintaining large armies which they could not really afford.

The money should rather be spent on social upliftment programmes, he said. — Sapa.

SA moves to forge closer ties with Asia's tigers

CAPE TOWN — The growing importance of Asia to SA, despite the current financial setback in the region, was reaffirmed at a week-long heads of mission in Asia conference held in Pretoria last week.

The heads of mission, based in 13 countries and accredited to various Asian countries, were addressed by leaders and policymakers on matters such as globalisation, economics, trade, investment, security matters and human rights.

The conference also interacted with civil society and academics to prioritise SA's interest in the Asian region, the department of foreign affairs said in a statement.

It was decided that diplomatic efforts to introduce the peoples of Asia to South Africans and vice versa would be intensified in the short, medium and long term.

"Mechanisms are in place for South African and Asian business people to explore the vast opportunities that exist in the respective regions.

"This will enjoy the highest priority in our economic diplomacy towards Asia."

Following SA's recent establishment of formal relations with most Asian countries, trade and investment with this region had increased dramatically, making Asia the second largest investor in SA.

Exports to Asia also accounted for a quarter of SA's exports, having grown by 12% a year since 1992, the statement said.

Bilateral trade with the region was more than R68bn last year and showed tremendous potential for further growth.

With SA hosting the Non-Aligned Movement in August this year, relations between SA and Asian regions were set to grow in importance, the department said. — Sapa.

(74) BD 27/11/98.

Foreign direct investment boost needed to match 1997 — report

BD 28/1/98 (74)

Janet Parker

AN UPTURN in foreign investor interest this year was needed to repeat last year's levels of foreign direct investment (FDI) commitments, mainly as a result of the effect of Telkom's privatisation on last year's FDI.

The effects of the Asian crisis and conservative gross domestic product projections for this year were expected to have an adverse effect on FDI, said information consultancy BusinessMap in its preliminary results yesterday.

It said FDI had shown a 65% increase over 1996 to about R14bn last year. BusinessMap director Jenny Cargill said, however, that if the partial privatisation of Telkom last year was stripped out, there was "no increase in strictly private sector FDI for that year". Total FDI commitment for the past three years was approximately R30bn.

Cargill stressed the survey of investments included acquisitions, expansions and "firm plans" to invest, and as such were "FDI commitments or intentions" rather than actual foreign investment.

The survey found growth in offshore investment by SA companies had overtaken the value of FDI, which could be "grounds for concern should offshore investment be part of relocation rather than expansion strategies".

Most SA companies were investing offshore with their core competencies which, over time, would result in the companies restructuring local operations towards core activities. Noncore assets were expected to be sold, creating opportunities for foreign investment, Cargill said.

Although the Telkom privatisation had a major impact on FDI last year, it was likely that the only privatisation involving foreign partners this year would be the Airports Company. SA Airways' was expected to delay finalising an equity partner until next year.

In the past three years the US proved the single largest investor with R13,4bn. Asia's commitments were about a third of the total value in the period under review, indicating the Asian crisis could impact future FDI flows. Europe recorded R5,6bn, suggesting scope for further investment, the report said.

Dominant US investments were in the telecommunications, chemical, pharmaceutical, food & beverages, and motor & components sectors. Telecommunications scooped R5,9bn of the three year total FDI, followed by food & beverages (R3,59bn), motor & components (R3,3bn) and chemicals & plastics (R2,9bn).

The top four investing companies last year, constituting more than 60% of the year's FDI, were SBC Communication, Dow Chemicals, Telecom Malaysia and Salem. Of the top eight investors only Malaysian company TA Enterprises was involved in business development, with other investment focused on acquisitions.

Cargill said BusinessMap had monitored FDI and offshore investments by SA companies over the past four years in order to gain a perspective on the impact of foreign investment on productive capacity.

"Many of the major investments are by companies which have long had a presence in SA or which are reinvesting. Therefore, much does not effect the balance of payments capital account," she said.

Foreign direct investment

Annual values		annual % increase	$ value based on average R/$ value	% increase
1995	R 5,5bn		$1,50bn	
1996	R 8,2bn	50%	$1,90bn	27%
1997	R13,6bn	65%	$2,95bn	55%
Total	**R27,3bn**			

(R/$ average: 1995 R3,63/$1; 1996 R4,3/$1; 1997 R4,6/$1)

Graphic: RUBY-GAY CAETANO. Source: BUSINESS MAP

TRADE

CT (BR) 29/11/98 (74)

Imports through Cape Town rise 65%

Total imports passing through the port of Cape Town rose by 65,16 percent last month compared with the previous December, to 284 206 tons. Total exports rose by 74,67 percent, but coastal cargo dropped by 58,41 percent.

Annerine Smith, market research manager at the port, said the continued rise in imports was mainly based on more animal feedstuffs and other agricultural products being brought into the country because of the drought. She said more manufactured products were imported last December because of a late Christmas rush. Smith said the drop in coastal trade was probably because of competition from road transport. "It is a very competitive market."

The December figures followed a trend that continued throughout most of last year. Total imports between April and December last year rose by 44,29 percent and total exports by 12,81 percent. Coastal cargo dropped by 12,36 percent. — *Audrey d'Angelo, Cape Town*

SA voices dismay over EU's trade pact offer

BD 30/1/98 (74)

Louise Cook

SA WAS disappointed in the European Union's (EU's) detailed free trade pact offer submitted on Tuesday as it still excluded most SA farm products, Elias Links, SA ambassador to the EU, said yesterday.

However, this could change in the next few weeks because talks were at an initial stage.

"The offer contains 10 500 tariff lines representing trade worth R100bn between SA and EU countries. Details still have to be studied to see how far these meet or do not meet our expectations," Links said.

Links and EU chief negotiator Philippe Soubestre said indications were that the EU offer did not move from previous positions in which 80% of farm products were excluded.

Soubestre said he was certain that eventually the two sides would thrash out an agreement on fisheries because of its importance to SA.

Separate talks on wines, spirits and fisheries ahead of a ministerial meeting on February 10 saw SA propose the introduction of tariffs on imported wines this month, a move seen by some as putting pressure on the EU to open up its markets.

Yesterday both sides were confident that negotiations would be concluded successfully by the middle of the year.

Links said factors contributing to the urgency of the round were the start of trade talks between the EU and Caribbean, African and Pacific countries in September, as well as the British government's commitment to the SA case.

Soubestre said EU plans to extend membership to new members had made the talks urgent as it could change the focus of negotiations between the EU and SA.

SA renews call to EU for fresh deal

BD 4/3/98 (74)

John Dludlu

TALKS between SA and the European Union on a trade and development agreement resume on Monday amid fresh calls by SA's unions for Brussels to allow SA farm exports to be granted better access into the EU.

Technical preparations before next week's formal round between negotiators Eltie Links of SA and the EU's Philippe Soubestre, resume in Pretoria today, EU officials have said.

As part of preparations, technocrats would look at areas of compromise in both sides' positions, an EU official said.

Marc Benett, one of the representatives of labour at the National Economic, Development and Labour Council, said last night labour would like to see the EU changing its position to allow better market access for SA's agricultural products.

An agreement that excluded SA's agricultural sector could fly in the face of the EU's commitment in 1994 to assist SA's political transition with economic measures, he said.

The EU ministers have suggested about 45% of SA's agricultural items be excluded from the proposed free trade area in part to protect EU economies and also to protect exports from the EU's developing partners from being displaced.

Benett also said that labour wanted the EU to recognise that certain SA sectors, which were already facing tariff liberalisation under the World Trade Organisation, could not accelerate the WTO reduction plan.

Next week's round would review the text of the draft agreement and discuss sticky trade-related subjects, including competition, safeguards, antidumping and procurement policies.

Email: fmeco bus@tml.co.za

EU-SA TRADE TALKS

Beating down free trade barriers (74) FM 6/3/98

European Commission to offer easier access for some SA exports

The European Commission, in an effort to wrap up a free trade pact with SA soon, is studying ways of improving access to its markets for some SA industrial and farm products.

The initiative comes after a signal from SA Trade & Industry Minister Alec Erwin and European Development Commissioner Joao de Deus Pinheiro last month that they wanted speedier progress in the long-standing discussions. The aim is to complete the negotiations by mid year, sign the pact at the end of 1998 and prepare for implementation in early 1999.

Though the timetable is not in doubt, EU and SA negotiators who will continue talks in Pretoria on March 9 admit the devil continues to be in the detail

Officials in Brussels are preparing to table proposals which would give easier access to the EU for about 30 industrial products and 480 farm goods produced by SA. The officials warn these products are not part of the EU's "exclusion list" of goods which Brussels has said will not be covered by the free trade agreement. Also, the imports into Europe will not be liberalised immediately Instead, the plan is for a gradual elimination of tariffs or to install a system of tariff quotas under which some of the farm products could enter the EU market duty-free.

The products include ferro-alloys, wines, spirits and dairy products that have protected trade marks or denominations. All fall into the category of semisensitive items which were put on a waiting list by the EU last year because the European Commission was unable to decide on their pace of liberalisation.

The EU is hoping the new liberalisation move will give added impetus to the free trade talks. "This wouldn't be as good as complete free trade, but it would be an improvement," says an EU official. The aim, he adds, is to increase the percentage of EU-SA trade that would be opened up during the course of the agreement.

"For the moment the EU offer covers 90% of our bilateral trade, while the SA is offering to liberalise 80%," says the EU negotiator "We would like both sides to improve their offer by 5%."

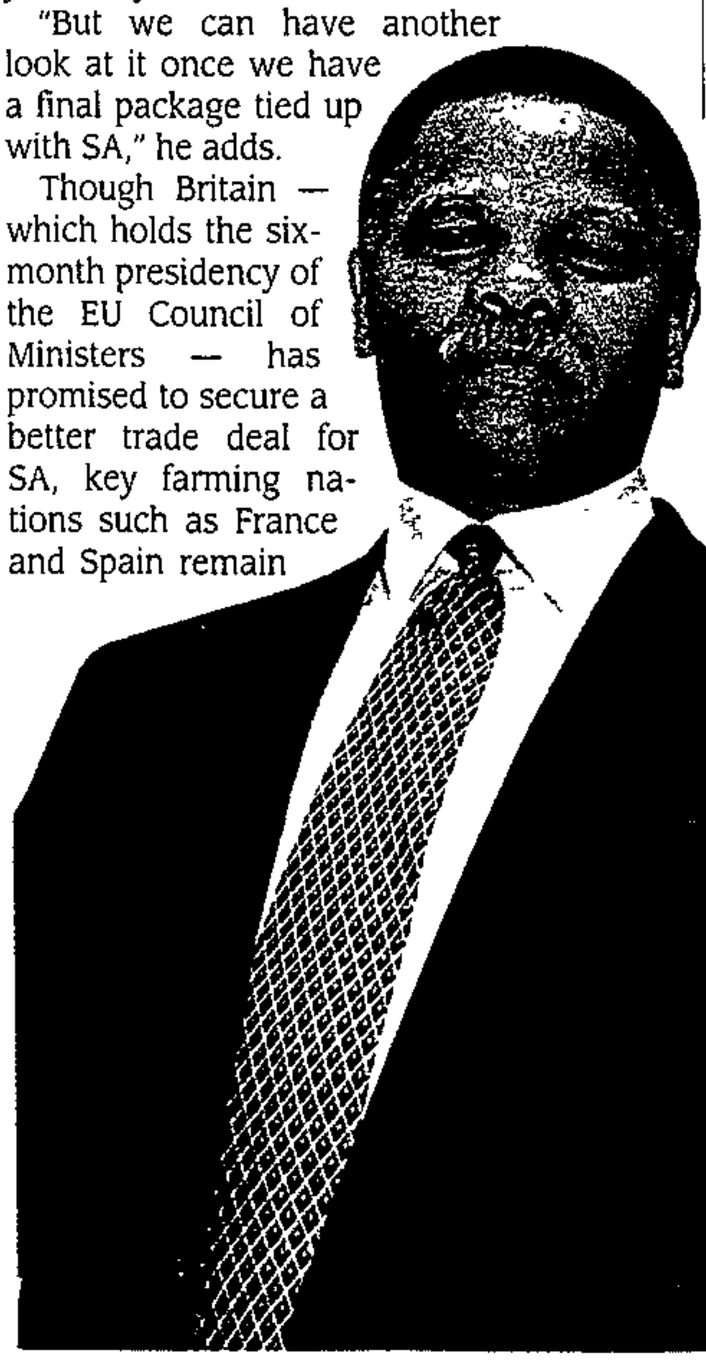
The EU argues that such an improved deal would have the added advantage of meeting World Trade Organisation standards for regional free trade agreements.

A further look at the exclusion list has not been ruled out The commission says Pretoria should provide a detailed catalogue of the changes it wants to the list so that it can discuss the issue with EU governments.

"Getting changes in the exclusion list is going to be difficult because we are tied by the mandate EU Ministers gave us last year," says an aide to Pinheiro.

"But we can have another look at it once we have a final package tied up with SA," he adds.

Though Britain — which holds the six-month presidency of the EU Council of Ministers — has promised to secure a better trade deal for SA, key farming nations such as France and Spain remain reluctant to open their agriculture sectors to competition.



***Elias Links** . . . statesman with the delicate touch*

Recent EU trade negotiations with Morocco, Jordan and Egypt were held up for several months while EU governments squabbled over the trade concessions to give these countries' farm exports

SA and EU negotiators concede that translating Ministerial promises into meaningful trade and tariff concessions is not proving easy But they also insist talks on nitty-gritty issues are always tricky

"We're at a delicate point in our negotiations," says SA Ambassador to the EU and chief SA negotiator Elias Links. "But we're moving forward."

Negotiators are also talking about the development aid and economic co-operation aspects of the future pact But, it is trade issues that continue to be the main focus of discussions.

By now both sides recognise that there are products in their bilateral trade whose tariffs cannot be brought down immediately. But neither side is happy with the other's choice of items to be kept out of the pact

In addition to the exclusion list, SA's decision to have some sectors of the economy ringfenced by protocols is turning out to be equally difficult for the EU.

Brussels is pressing Pretoria to clarify the contents of these protocols, which will provide temporary protection to at least 10 sectors of the SA economy, including textiles and clothing and the automotive industry

"We need to know the timetable for the liberalisation of these products," says another aide to Pinheiro. "We also want to know just which products will be covered by these protocols."

Brussels has asked SA to reduce the number of products included in the protocols. "SA has asked for special trade treatment for entire sectors," says an EU negotiator. "We believe certain products within these sectors are strong enough to withstand foreign competition and can be liberalised at a faster pace"

The commission is also pressing for an acceleration in the dismantling of some tariffs in areas such as chemicals and jewellery.

Shada Islam in Brussels

No consensus over US trade strategy

(74)

John Dludlu BD 6/3/98

DIFFERENCES continued to be in evidence yesterday among African countries over their stance on the US's Africa trade strategy as efforts are being made to have the mooted Africa Growth and Opportunity Act passed.

The Southern African Development Community (SADC) has given cautious backing to the strategy, while representatives of countries in west and east Africa appeared to have given it full support.

SADC executive secretary Kaire Mbuende said yesterday the SA-chaired trading bloc welcomed the initiative as it sought to place Africa on the map as a destination for US investments.

However, the SADC had reservations on certain clauses in the bill. Chief were the conditions attached to recipients of trade benefits, he said.

The bill, which enjoys strong bipartisan support in the US government, seeks to increase private investment in Africa by eliminating or reducing tariffs on its exports, including textiles and clothing.

Mbuende said the SADC, which appreciated the goodwill showed by the strategy's key proponents, was also concerned that if the bill was passed in its present form it would fall far short of giving Africa preferential market access to the US market.

Ugandan ambassador to the US Edith Ssempala said conditions were the same as those of the World Bank's programmes. Additional benefits would be granted to countries that opened their economies.

The conditions would undermine African states' sovereignty and autonomy, Mbuende said. Ssempala, a supporter of the strategy, said these conditions had been helpful to some African countries.

What was important, though, was the cabinet-level forum between Africa and the US proposed in the bill, she said. This would provide a platform to discuss the strategy further.

A Ghanaian business organisation representative at the Worldnet Dialogue also backed the strategy.

SA is understood to have expressed reservations and is planning to raise them when President Bill Clinton visits the country later in the month.

Responding to Botswana's criticisms of SA's stance, Mbuende said the SADC had confidence in President Nelson Mandela's leadership of the body.

Botswana's ambassador to the US, Archibald Mogwe, said this week it was unfortunate that his SA counterpart, Franklin Sonn, was declining to throw SA's "clout" behind the suggested law.

Mbuende said the SADC would prefer amendments to be made to the bill.

SA against 'flawed' US trade bill

(74) CT(BR) 6/3/98

RICH MKHONDO

Washington, DC — South Africa believed the US legislation aimed at spurring economic growth in sub-Saharan Africa was flawed by stringent conditions for participating nations, Franklin Sonn, South Africa's ambassador to the US, said yesterday.

Sonn is opposed to conditions entrenched in the Africa Trade Growth and Opportunities Act which lawmakers hope could be passed before US President Bill Clinton's visit to five African nations, including South Africa, from March 22 to April 2.

"We believe the bill is flawed in respect of conditionalities which it imposes on African countries, and our government policy remains that we are opposed to conditionalities," he said.

The bill, which is going through legislative formalities before being submitted for a vote in Congress, is aimed at rewarding countries that are moving towards free markets and democracy after years of civil strife.

It calls for the formation of a US-Africa Economic Forum modelled on the Asia-Pacific Economic Co-operation group; the creation of a free trade zone with some countries by 2020; the expansion the General System of Preferences programme (GSP); support for accelerated debt relief; and offers for loan guarantees to spur investment in 48 sub-Saharan nations.



OPPOSED *Franklin Sonn, the SA ambassador to the US*

But nations that want to take advantage of the bill must lower trade barriers and allow free investment by foreign companies; allow joint ventures between African and American companies; crack down on piracy of intellectual property; reduce import and corporate taxes; eliminate corruption and minimise government market intervention; encourage private ownership of infrastructure; and reduce poverty.

Sonn joined a growing number of lawmakers, trade unionists and pressure groups who say the Africa bill would cost African nations too much, particularly by its demands that participating nations would have to cut corporate taxes and allow multinational corporations to open factories and make other investments.

"South Africa calls for the extension of the US GSP benefits to a greater range of products, including textiles and apparel, on a quota-free basis, to African countries. We call for the US to support greater debt relief for African countries," Sonn said.

Analysts said that while the bill had aligned opponents in the US Congress, divided unionists and lawmakers, it could pit South Africa against the Southern African Development Community, and its passage could be delayed.

The bill also is facing resistance in the US. — Independent Foreign Service

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US state opens office in SA to promote trade and investment

BD 9/3/98

(~~445~~) (74)

Patrick Wadula

THE US state of Michigan has opened an international trade office in SA.

Betty Appleby — who will head the office — said that although office staff planned to introduce Michigan companies to the opportunities available in exporting and seeking agents and distributors in SA, other avenues of co-operation existed, such as joint ventures with SA companies.

Appleby said she would work with SA and Michigan trade organisations, Michigan economic development offices and conduct trade seminars.

She said several Michigan companies were already doing business here.

This included the US's big three car manufacturers: Ford, General Motors (which recently bought a stake in SA's Delta Motor Corporation), and Chrysler. Last year, Michigan-based retail firm Amway, which already has 2,5-million distributors in 75 countries, set up an office in Cape Town.

"We would like to look at information technology, health care, agriculture and tourism," said Appleby.

She said this year's SA International Trade Exhibition would also showcase a "Med Trade" exhibition where "SA companies will be able to see the potential of Michigan's companies in the health sector".

US consulting firm PHH Fantus said that Michigan had cut taxes more than 20 times in five years, saving businesses and residents more than $3,5bn while building a $1bn "rainy day" fund.

"Businesses will be pleased to find competitive wage scales and our construction costs are competitive," the consulting firm said.

Almost 1 000 foreign companies have set up operations in Michigan.

SA companies which qualified for federal and state financing would receive assistance from a number of institutions, including a small business assistance programme, Appleby said.

SA's rank as German trading partner slips

BD 9/3/98 (74)

Tim Cohen

LONDON — Trade statistics released on the eve of German President Roman Herzog's visit to SA this week show that while the level of trade has remained broadly stable since 1989, and has been increasing recently, SA's ranking as a trading partner has slipped precariously. This is because of surging German trade with Asia and eastern Europe.

German statistics for the period 1990 to 1997 show that while SA has essentially been marking time, 10 countries overtook it.

SA was ranked the 27th largest exporter to Germany in 1988 and is now 36th. As a destination for German exports, SA has also become progressively less important, slipping from 16th to 26th place.

Germany, on the other hand, is among SA's top three trading partners, with Britain and the US. In 1996 — the last full year for which figures are available — SA's main trading partner was Britain (total trade, R26,4bn), followed by Germany (R22,3bn) and the US (R21,6bn).

SA Foreign Trade Association figures show that as a market for SA goods, Britain was way ahead at R13,1bn, followed by the US (R6,8bn) and then Germany (R5bn).

The balance of trade has been firmly in Germany's favour throughout the period since 1990, although most recent figures show the deficit declining slightly. German statistics show the deficit has ranged between DM2,9bn and DM1,5bn, declining from just below a high for the period of DM2,94bn in 1995 to DM2,6bn the following year.

For January to September, the deficit was DM1,9bn and this declined to DM1,8bn for the same period in 1997. German officials say that the deficit is largely offset by the foreign currency flowing into SA from German visitors.

Although Germany remains a critical trading partner for SA, ranking high as an investor and in trade, SA's role in Germany's economy is marginal.

SA is by far Germany's largest trading partner on the continent, but only 0,7% of Germany's total trade takes place with SA. A German trade official hastened to add that this level was on a par with countries like Mexico and India.

However, SA does have a major stake in several key areas of Germany's economy, including 14% of its food production, 13% of the hard coal sector and 9% of metal ores, consisting mainly of iron ore. These three sectors have underpinned SA's exports to Germany, though some surprising products have shown remarkable increases, including in the motor vehicles sector.

Germany's mighty motor vehicle sector imported 400% more during 1996 than in 1989, but overall vehicle sales were strongly in Germany's favour. Motor vehicles were the country's major export to SA until 1996, when they were overtaken by machinery.

Further round of South Africa–EU trade talks

(74) Sowetan 9/3/98

By Shadrack Mashalaba

ANOTHER crucial round of negotiations towards a comprehensive bilateral agreement on trade, cooperation and development begins in Pretoria today between South Africa and the European Union.

The 17th round of talks, led by South Africa's EU Ambassador Elias Links and the European Commission's chief negotiator Philippe Soubestre, will focus on trade and tariff concessions as well as other important issues.

EU press attaché Mary McCaughey said the negotiations would review the discussions on import tariffs and try to resolve outstanding issues in the text of the draft agreement concerning trade-related issues such as competition, anti-dumping and procurement policies.

The latest round of talks follows a series of negotiations that began in June 1995

In a ministerial meeting in Pretoria last month between the EU and Trade and Industry minister Alec Erwin, the parties expressed their confidence that sufficient progress would be achieved in this round of talks to ensure agreement is concluded by the middle of the year.

Currently, Britain holds the EU presidency which comes to an end in July. When British prime minister Tony Blair visited South Africa in 1996 he promised that his country would champion South Africa's cause in the EU. This is despite the stalling negotiations.

It is hoped that once an agreement on trade and cooperation is signed between the two parties, a firmer foundation for long-term relations between South Africa and the EU will be laid. This will also lead to the establishment of a Free Trade Area (FTA).

Some analysts say the intention is to negotiate a FTA – fully compatible with World Trade Organisation (WTO) obligations and which calls for trade liberalisation.

The EU currently proposes the exclusion of 45 percent of South Africa agricultural exports from trade concessions. It is believed that the current negotiations, once concluded, will have far reaching implications for the members of both the Southern African Customs Union and the countries of Southern African Development Community.

The negotiators believe, however, that there is constant consultation to ensure that any future EU–SA agreement is of benefit for the southern African region as a whole.

BUSINESSREPORT

German investment in South Africa is direct

Trade relations that go back a hundred years

CT (BR) 10/3/98 (74)

Germany's business association with South Africa goes back well over a century.

Every German company of any significance has a presence in this country. On average they have been established for over 40 years and many have celebrated their 75th anniversary. But it is not only the large organisations with familiar names that are operating in the country — many of medium-sized German companies and small enterprises also have a presence.

About 370 companies with German equity participation are registered with the South African-German Chamber of Commerce and Industry. According to input from chamber members they provide direct employment to between 70 000 and 80 000 people.

The pattern of German investment is consistent and it creates jobs because it is direct rather than portfolio investment, Klaus Schuurman, the chamber's chief executive, points out. German companies did not disinvest during the sanctions years so they have not had to start again.

Large companies in the automotive, chemical and other technical industries have been steadily reinvesting and modernising their production lines to enable them to make ever-greater use of the South African facilities as a base for exports.

"An indication of how established trade relations between the two countries are is the fact that President Hertzog is not accompanied on his present visit by a commercial delegation," says Karl Wokalek, economic counsellor at the German Embassy. "German businessmen don't need a door opener. They are familiar with South Africa and have their contacts here. They don't need guidance so there is no need to include them in a political visit."

As a trading partner, Germany is second only to the UK and presently on a par with the USA in rand terms. In contrast, South Africa is only Germany's 26th largest export market and is way down at 35th place on its list of suppliers.

There is a huge trade imbalance. According to Safto, in 1996 imports from Germany cost the country R17,32 billion while exports were valued at R4,99 billion. This imbalance is unlikely to decrease noticeably because what we import from this industrial giant is largely capital equipment.

South African industries are heavily reliant on German equipment and, despite competition from the east, the loyalty is still to the traditional suppliers and their trusted quality. In 1996 South Africa bought plant and machinery worth R6,6 billion from Germany, its largest supplier.

Germany, together with the UK, is the industrialised country that buys the most value-added products from South Africa.

SA ambassador gives US Africa act the green light

BD 11/3/98 (74)

Simon Barber

WASHINGTON — SA's ambassador to the US, Franklin Sonn, has given sponsors of the Africa Growth and Opportunity Act, which is to be taken up today in the US House of Representatives, the green light to say that SA "supports passage of the bill".

Earlier, after what he called "intense discussions" with Trade and Industry Minister Alec Erwin, Sonn irked other African ambassadors by declining to throw SA's weight behind the legislation.

The bill seeks to promote investment in African export industries by increasing the range of products eligible for duty-free treatment under the US generalised system of preferences.

Sonn had withheld SA endorsement because, to receive the new benefits, African countries would first have to satisfy the US that they were committed to the kind of economic and social reforms needed to attract investment.

Sonn's shift came after he met Congressman Charles Rangel, the top Democrat in the House ways and means committee, last Thursday. Rangel has been battling to hold the Congressional Black Caucus, and other Democrats dependent on union funding, together on the bill. In an open letter to Rangel, Sonn said while SA was "in general opposed to the principle of conditionalities ... we are encouraged by your assurance ... that we will continue to have the opportunity to continue to raise ... those provisions that are of concern". Accordingly, SA supported the bill's passage.

There has been speculation linking Pretoria's queasiness about the bill to complaints by trade unions that non-unionised industrial growth in neighbouring countries would lead to downward pressure on SA wages.

Bill causes split: Page 13

Mandela upbeat on SA-EU links

AR G 11 3/98 (74)

South Africa, with German support, was looking forward to better relations between the European Union (EU) and the Southern African Development Community (SADC), President Mandela said last night.

South Africa valued Germany's role in helping to promote sustainable development in Africa, as well as in fostering the EU's partnership with the SADC, he said at a state banquet for visiting German President Roman Herzog.

"Germany is a valued partner in our efforts to create a better life for all," Mr Mandela said.

Addressing Parliament earlier yesterday, Mr Herzog said he was willing to encourage further German investment in South Africa, but stability was necessary.

"Potential investors need to know their money is secure, their managers and families can live in safety, and productivity is good.

"But the investors will come anyway, without any prompting on my part, if conditions in South Africa match conditions elsewhere," Mr Herzog said. – Sapa



OBED ZILWA

African rhythm: Henning Scherf, visiting South Africa with German president Roman Herzog, dances in Stal Plein with a member of a cultural group

Human trials with Virodene carried out in Portugal

BD 12/3/98

PRETORIA — Human trials were conducted in Portugal late last year using the purported anti-AIDS drug Virodene P058, which had been banned in SA, the company holding the Virodene patent rights admitted yesterday.

Cryopreservation Technologies manager Hugo Snyckers said the company could not say whether the tests had been terminated. "What they do there is their own business," he said.

A foreign news agency reported on Monday the Portuguese health minister had ordered an investigation into newspaper reports that a clinic was illegally testing Virodene on AIDS patients recruited through the Internet.

The ministry said the drug was illegal in Portugal, and anyone using it would be punished.

Snyckers said he did not know whether the Portuguese tests were linked to trials conducted by a Portuguese firm, which had a co-development agreement with Cryopreservation Technologies.

In terms of the agreement, both companies were entitled to conduct tests with each other's patented drugs, and had to report back on their findings.

One of the SA researchers who developed Virodene, Olga Visser, is a shareholder in the Portuguese company, which is named after her. Snyckers said he did not know if the drug was illegal in Portugal, and Clinica Olga Visser had informed them that this was not the case.

Snyckers expressed concern that human trials might have been conducted illicitly. "If the tests were done without the appropriate supervision, the results will be of no use to us," he said.

The Portuguese company had compiled reports based on the trials, and the results had been positive, he said. The SA Medicines Control Council has to date four times denied the researchers permission to do human trials using Virodene.

Council chairman Prof Peter Folb said last month the researchers needed to make several corrections to their submission, which included some faulty scientific formulations, problems with the purity of the drug and the way it was produced.

"They must work on all the things that make Virodene unsafe and not suitable for human use," he said. "They must give us good reasons why Virodene would work in HIV-positive patients."

In 1996 Visser and Pretoria University cardiothoracic surgeons Prof Dirk du Plessis and Dr Callie Landauer asked the cabinet for R3,7m to continue their research into Virodene.

At the time they claimed preliminary patient trails suggested a possible breakthrough in the fight against AIDS. However, a committee probing the methods used by the three said no evidence was found that Virodene could inhibit HIV

The joint Pretoria University and Gauteng health department committee said the researchers had contravened accepted scientific procedures when testing the drug on 11 patients.

Earlier this month, the Democratic Party released documents which it said indicated the African National Congress was promised a 6% stake in Cryopreservation Technologies. Both parties allegedly involved denied this. — Sapa.

Negotiators point to progress in trade talks

BD 12/3/98

John Dludlu

SA AND European Union negotiators sought to allay fears over continuing differences on sticky trade-related issues after the conclusion of another round of talks yesterday.

Addressing a joint news conference in Pretoria yesterday, the two sides emphasised the degree of agreement achieved in five days of negotiations. They also expressed guarded optimism that the mid-year deadline for the conclusion of the talks — set by political figures — could still be met despite limited progress in the latest round.

Interviewed later yesterday, EU chief negotiator Philippe Soubestre said he had hoped more progress would be made during this round, which dealt with trade-related issues.

He said the two sides were still far apart on the "big-five" subjects — competition, antidumping, countervailing and safeguard measures, and government procurement.

Soubestre said apart from being interested in free trade, the EU was also keen to see fair trade based on agreed rules on trade-related issues.

Eltie Links, SA's ambassador, who is leading the Pretoria delegation, said relative progress had been made on antidumping, countervailing and safeguard measures. The difficulties in the other issues stemmed, in part, from lack of policy, such as in competition law, and clear disagreement, as in the case of government procurement.

Links also countered perceptions that SA was stalling in the talks. He said Pretoria had delivered on its promise to provide clarity in dealing with sensitive items. SA also undertook to address the EU's concerns on the standstill clause.

The clause, which raised concerns in Brussels, forbade negotiating partners from raising trade barriers during talks. Links said the concern was the result of a misunderstanding and that consensus had been reached.

To resolve the issue, SA has promised to define more precisely just more than 400 items which will be exempted from this clause.

Pretoria's call for a derogation, or special permission to adjust its tariffs during the negotiation period, is attributable to the current tariff restructuring process involving the simplification of its tariff book — considered to be among one of the most complex in the world.

The derogation will also provide government with the opportunity to move away from import controls to the introduction of tariffs. Tariff duties are considered more transparent than quantitative restrictions.

Soubestre also emphasised areas of agreement, such as aid co-operation, saying a framework had been agreed.

Although emphasising progress made during the past week, Soubestre called on negotiators to begin working at once in a bid to meet the June deadline agreed to by commissioner João de Deus Pinheiro and Trade and Industry Minister Alec Erwin.



EU chief negotiator Philippe Soubestre, left, addressing reporters at a briefing on trade-related negotiations with SA. SA's ambassador to the EU, Eltie Links, right, listens.

Picture: TREVOR SAMSON

Talks to be held on R2bn empowerment fund

Patrick Wadula

THE National Small Business Council plans to meet with both public enterprise and deputy trade and industry ministers to discuss the government's R2bn National Empowerment Fund to be launched this year.

CEO Monde Tabata said yesterday the council was seeking an urgent meeting with the two ministers to discuss the role of the council in ensuring the success of the scheme.

"The fund will certainly provide much-needed impetus to the growing entrepreneurial culture in the country which has thus far been hamstrung by limited access to finance," he said.

The fund, financed with proceeds from the government's privatisation programme, was aimed at assisting previously disadvantaged entrepreneurs and communities particularly in the development of small business.

Meanwhile, North West Provincial Small Business Council chairman Ari Kgomongwe was elected a member of the Small Business Advisory Bureau.

BD 12/3/98

Soekor 'needs legislation'

Linda Ensor

BD 12/3/98

CAPE TOWN — Dedicated legislation to govern the upstream activities of Soekor was needed, Soekor MD Joggie Heuser said yesterday.

At a parliamentary hearing of the mineral and energy affairs portfolio committee on government's green paper on minerals and mining policy, Heuser said the legal framework under which oil and gas exploration was undertaken was "complex and confusing for the investor"

Heuser said the green paper did not recognise the differences in oil and gas exploration and production, or Soekor's position as a facilitator between the state and investors. It did not indicate whether and how Soekor's existing rights and those of subleases would be preserved.

Soekor was responsible for subleasing SA's offshore acreage and Heuser feared the paper's proposals could jeopardise its current negotiations on subleases.

To ensure long-term stability for investors he proposed that its main OP26 lease be extended and broadened.

McBride is being held... Rosano Garcia...

SA set for new US trade boost

(74) ARG 12/3/96

Washington – South Africa is expected to be among the first African countries to benefit from new US trade legislation to boost growth.

The US House of Representatives approved, 233-186, an Africa trade bill that seeks to spur economic growth in 48 sub-Saharan countries.

President Bill Clinton praised the vote as the beginning of a new era for United States-African relations.

Besides promoting economic self-reliance for African countries, the legislation would allow the president to determine eligibility of specific countries to participate in broader US economic and financial aid programmes.

The passing of the bill coincided with a White House announcement that Mr Clinton would also add Rwanda to the list of African countries he will visit this month.

"When I travel to Africa, I will deliver the message that the United States stands ready to be a partner in Africa's prosperity," Mr Clinton said.

He will leave Washington on March 22 for a 12-day trip to five African countries – Botswana, Ghana, Senegal, South Africa and Uganda.

Aides expect Rwanda to be squeezed in as heheads to South Africa for a state visit with President Mandela.

He will be the first US president to visit those countries, and the first president to visit sub-Saharan Africa since Jimmy Carter in April 1978.

The purpose of Mr Clinton's trip is to establish a new partnership between the United States and Africa, and change perceptions of the continent in America, where it is viewed at the moment mainly as a fount of famine, disease and war. – Sapa-AP.

AFRICAN BUSINESS

House of Representatives votes 233 to 186 in favour

US-Africa trade bill passed

CT(PTR) 13/3/98 (AB)(74)

RICH MKHONDO

Washington, DC — US lawmakers have approved legislation aimed at spurring economic growth in sub-Saharan Africa by engaging the continent's countries as trading partners.

After six hours of often hostile debate on Wednesday, the 435-member House of Representatives voted 233 to 186 to approve the bill which has been hailed as historic for US-Africa relations.

"The winds of change are blowing in Africa," said Congressman Ed Royce, a Democrat from California. "Trade is a missing link in US policy towards Africa. This bill is a landmark piece of legislation to fill that missing link. We are ready for a new era in US-Africa relations."

The legislation, the Africa Trade Growth and Opportunities Act, declares 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 expansion of the General System of Preferences programme and support for accelerated debt relief and offers for loan guarantees to spur investment in 48 sub-Saharan nations.

But African nations which want to take advantage of the Africa trade bill must lower trade barriers and permit free investment by foreign companies; allow joint ventures between African and US companies; crack down on piracy of intellectual property; reduce import and corporate taxes; eliminate corruption and minimise government market intervention; encourage private ownership of telephone systems and other infrastructure; and reduce poverty.

Economists said among the 48 sub-Saharan nations, South Africa, Uganda, Ghana, Ivory Coast and Botswana met the criteria and would be the first to benefit from the legislation.

A messenger delivered a letter by President Bill Clinton to the House saying that when he visits six sub-Saharan nations from March 23 to April 2, he would "deliver a message that the US stands ready to be a partner in Africa's prosperity.

"This bill ... would help African nations that are committed to undertake difficult economic reforms to build better lives for their people," he said.

The authors and sponsors — Congressmen Phil Crane, a Republican from Illinois, and Jim McDermott, a Democrat from Washington state — told legislators that for the first time since the end of the colonial era, the US would engage sub-Saharan Africa through developmental assistance instead of aid.

Crane, the chairman of the subcommittee on trade on the ways and means committee, said: "The American corporate community has developed a renewed interest in Africa. Now is the time to seize the initiative and work to solidify the positive developments that are taking place in Africa."

Many prominent black legislators opposed the bill. Maxine Waters, who chairs the congressional black caucus, said: "The bill appears to go too far in taking away the authority of sub-Saharan countries to determine trade policies."

But supporters said the legislation would set Africa on the same road to dynamic economic growth that Asia had achieved. — Independent Foreign Service

Mbeki to visit SA's trading partners in East Asia

ARG 14/3/98 (74)

POLITICAL CORRESPONDENT

Deputy President Thabo Mbeki will visit South Africa's main trading partners in East Asia next month.

Accompanying him on the 10-day visit to China, Japan and South Korea will be his wife, Zanele and Deputy Foreign Minister Aziz Pahad and his wife, Sandra Black-Pahad.

Mr Mbeki will meet senior political and business leaders in the region and will also pay a courtesy call on the Emperor and Empress of Japan during his visit which begins on April 8.

The purpose of the visit is, amongst others, to inform influential decision makers first hand of political and economic developments in South Africa, the southern African region and Africa in general, the Department of Foreign Affairs said. Japan is South Africa's largest trading partner in Asia and one of the largest providers of development assistance since 1994, according to the department.

Japan accounts for almost 35% of all our trade with Asia, has the second largest economy in the world, and is the fifth largest foreign investor in South Africa, with investments worth about R2-billion.

Mr Mbeki will meet Prime Minister Rytaro Hashimoto and Japanese business leaders while in Tokyo.

The Embassy of Japan in Pretoria said Japan regarded the visit as very significant, especially as it was the first official visit since Mr Mbeki's election as President of the ANC.

This is an important opportunity for the leadership of Japan – both in government and the private sector – and the Japanese people to acknowledge the new leader of South Africa, the embassy said.

From Tokyo, Mr Mbeki will visit Beijing, becoming the first top level Government official to visit the People's Republic of China since formal ties were established between the two countries on January 1.

Mr Mbeki will also visit Hong Kong which last year reverted to the control of China. South Africa's combined trade with China and Hong Kong totalled R7,7-billion in 1996 – 16,5% of the country's total trade with Asia, the department said.

China is the growing economic powerhouse in Asia and the world, and a permanent member of the United Nations Security Council. China's investments in South Africa have already exceeded R600-million.

Hong Kong is a major international finance centre and the biggest source of venture capital. Already 25 of South Africa's top companies are represented there.

The department said Hong Kong was also one of South Africa's top ten sources of tourism.

The final stop on Mr Mbeki's tour is South Korea where Mr Mbeki will be the first foreign dignitary to be hosted by the new South Korean government.

South Korea is South Africa's third largest trading partner in Asia with great potential for trade and investment, notwithstanding the current financial crisis, the department said.

Korean investments in South Africa exceed R1,7-billion.

tion under wraps."

THE CLINTON VISIT AND US-SA RELATIONS

Trade ties will shade foreign policy issues

CT(BR)18/3/98 (74)

RICH MKHONDO

At the end of their forthcoming talks, Presidents Mandela and Clinton will declare that relations between South Africa and the US are very good, emphasising that while they tried to look for problems they could not find any.

For the two leaders, a little personalisation has gone a long way. They seem to like each other, with previous meetings peppered with words of respect and friendship. But when they have contacted each other by phone, there have been potential irritants just below the surface.

The two governments are pursuing diametrically opposed foreign policies, with Mandela hugging leaders Clinton regards as sponsors of international terrorism or violators of human rights.

Foreign policy conflicts include Mandela's attack on the US for having many representatives on UN weapons teams in Iraq, saying Washington should not interfere in regional conflicts.

There are also trade disputes. Until recently, Washington refused to approve the sale of jet fighters to South Africa until the US embargo on arms deals with Pretoria was lifted. The embargo, prompted by a smuggling case dating from the apartheid era, was lifted last month, but the sale of the jets has yet to be revived.

Then there is the anti-dumping dispute between South African steel companies and the US government, threatening the closure of two plants and a loss of 7 500 jobs.

There is also the request by the US drug industry asking the Clinton administration to declare South Africa a major violator of intellectual property rights, unless the South African government agreed to amend the Medicines Control Act.

The US industry saw the act as giving Health Minister Nkosazana Zuma carte blanche to void its patent rights in South Africa. The US pharmaceutical industry claims the new act is a violation of South African obligations under World Trade Organisation agreements.

Mandela has castigated the US's foreign policies in public, but Clinton has never done so, leaving criticism of South African policies to his senior government officials.

As for trade and other related disputes, Mandela and Clinton have never dramatised their differences in public, although they have spoken about them privately. These issues have best been handled by private diplomacy or in committees in the US-South Africa binational commission, the centrepiece of the two nations' trade and development programmes.

In essence, disagreements between the two countries over these issues and others before them indicate their relationship has matured enough not to unravel if South Africa sets out its own foreign policy priorities.

So of Africa's 53 countries, South Africa is currently the only one that can call the US's bluff.

The two countries are too entangled politically and economically for either to want to rock the boat.

South Africa's transition from a pariah state into a democracy is the symbol of what Washington says it wants for the rest of Africa and throughout the world, democratic and capitalist.

The Clinton administration has been overly enthusiastic about South Africa's handling of the transition from apartheid to democracy and macroeconomic policies. Clinton has often drawn parallels between US and South African attempts to end racial segregation.

Also, both Washington and Pretoria are using the clout of their relationship to mediate in other troubled African countries.

But the mutual need and dependence is most obvious economically. The US is South Africa's biggest trading partner, with bilateral trade worth around $5 billion a year, South African imports from the US accounting for $3 billion.

With Nigeria, Africa's most populous and oil-rich country, in political and economic turmoil, South Africa has emerged as Washington's largest market in Africa since 1994. South Africa accounts for 49 percent of all US exports to sub-Saharan Africa and is the US's biggest trading partner in sub-Saharan Africa.

The US has also outstripped European nations as South Africa's biggest trading partner. Pretoria hopes to negotiate further access to US markets, particularly for agricultural products.

Although in total trade South Africa remains dwarfed by Nigeria, mainly because of oil, the composition of US-South African trade is more balanced. Machinery, primary produce and technical expertise flow between the countries, making neither unilaterally dependent.

The mutual dependence is even more evident in investment. South Africa is the only African country the US commerce department has designated as one of the top 10 emerging markets. This is a signal to US investors that money is to be made in South Africa, although US companies have been hesitant to make major investments until reassured on security, labour relations and finance.

With billions of dollars in trade and reputations at stake, Mandela and Clinton are not going to allow their foreign policy differences to interfere with their trade and development programmes — Independent Foreign Service, Washington, DC



RESOLUTE *Elias Links, the ambassador to the EU, cautions that South Africa would not budge on the free trade deal until Europe changed its original mandate* PHOTO JOHN WOODROOF

SA pushes hard EU bargain

CT(BR) 20/3/98 (74)

PETER FABRICIUS

Johannesburg — Elias Links, South Africa's chief trade negotiator with the European Union (EU) yesterday welcomed the latest tariff concessions by the union. He also cautioned that South Africa would not budge until Europe changed its original mandate setting out products to be excluded from a proposed free trade area.

Links, the ambassador to the EU, was reacting to the union's recent offer to include about 30 industrial products and 480 farm goods in its list of South African exports that will be able to enter the EU tariff-free.

These include some ferro-alloys, wines, spirits and some dairy products.

Links said yesterday at a conference at the South African Institute of International Affairs that these products would help to push the EU's January list of tariff-free products from 90 percent of South African imports to just over 94 percent.

Before the January offer, the list included just under 70 percent of South African imports.

Links said the new signs of flexibility had lent hope a free trade area agreement could be nailed down by the target date of the middle of this year.

However, Links said the original mandate, which excluded about 45 percent of South Africa's farm products, the mainstay of its export business to Europe, had not changed.

The new concessions did not affect any of the "sensitive" products, mainly agricultural goods, which the EU excluded from the free trade area. They were taken from a list of "semi-sensitive" products, which the EU originally placed on a waiting list as it could not decide how fast they should be liberalised.

Until this original mandate was changed, South Africa would make no more concessions, Links said. South Africa increased its list of tariff-free products from about 55 percent to about 81 percent in its last offer late last year.

The goal is for South Africa to allow tariff-free entry of 85 percent of EU goods and the EU 95 percent of South African goods. This would produce an average of 90 percent, which would meet the free trade criteria of the World Trade Organisation, he said.

Links also said the question of the asymmetrical pace of tariff liberalisation was still a problem for South Africa.

The South African negotiating team had been "astounded" to see, in its tariff offer in January, the EU was only planning to lower tariffs over 12 years — the same pace which South Africa proposed in its November offer.

This contradicted the original EU deal in principle to permit an asymmetrical timetable of lowering tariffs whereby the EU would lower barriers faster than South Africa.

Another potential problem is the fishing protocol, which must be negotiated as part of the overall trade policy. — Independent Foreign Service

WORLD TRADE OPPORTUNITIES

'Euro will be critical for SA trade with EU states'

BD 23/2/98 (74)

Madeleine van Niekerk

MORE than 50% of SA's trade is done with 15 European countries, and more than a third with 11 of those. The euro, the European Union's planned new currency, will therefore become important for SA.

"The euro will generate greater competition in Europe and therefore lower prices and create higher growth. This will affect SA's buying and selling to Europe," Pat McArdle, head of European Monetary Union Planning at Ulster Bank in Ireland, said at a BOE Investment Bank seminar in Sandton last week. "SA can expect more trade with Europe, but also more competition," he said.

About 60%-70% of all SA's trade is invoiced in dollars, of which half is with Europe. Some of the trade invoicing is done in Deutschmark and less than 20% in other currencies. "I suspect in 10 year's time that a large percentage of SA's exports will be invoiced in the euro currency.

"The euro will change everyone's lives in Europe and the lives of people dealing with Europe. It will rival the dollar in terms of size and liquidity.

"The long-term dollar trend is downwards and I suspect the euro will reinforce that trend. The euro will start off on a neutral basis and will become quite strong. The risk is that it will become too strong."

Asked whether the euro would take over the dollar's status in world currencies, McArdle said: "It is hard to say, but there will be a shift away from the dollar." SA was as ready as any other country to deal with life under the euro, he said. The US was only just beginning to realise the impact the new currency would make.

It is widely accepted the euro will make its debut on January 1 1999 and will almost certainly go ahead with 11 initial member countries. "There will be 15 members not too soon after that," McArdle said. "Six east European countries are in discussion and want to join. It is going to be a big conglomeration.

"The UK is working towards membership and will probably join in 2003 or 2004. Greece, Denmark and Sweden will probably join before the UK does."

Germany and France envisaged six countries being part of the initial arrangement, and did not expect southern European countries such as Spain, Portugal and Italy to be included.

Britain and Denmark were staying out for political reasons, but they would qualify. Sweden had also decided to stay out and Greece did not qualify, but probably would qualify by 2001.

IN BRIEF

SA businesses reaping Lomé convention benefits

BUSINESSES were beginning to reap the benefits of SA's partial accession of the Lomé convention, the foreign affairs department said yesterday.

Earlier this month, the European Investment Bank renewed an agreement with government, in terms of which it will make a two-year loan facility of R2bn available for infrastructural projects.

Further loans from the bank include First National Bank raising an R80m, 10-year loan facility for infrastructure financing.

It also made arrangements for SA businesses to tender for projects in other African, Caribbean and Pacific countries. An SA contractor was selected last month to help build a power station in Mauritius with the Compagnie Thermique de Belle Vue Limitee.

74

BD 24/3/98

SA missions to Holland and Nordic countries

Sowetan 24/3/98 (74)

TRADE and Industry Minister Alec Erwin and Deputy Minister Phumzile Mlambo-Ngcuka will lead a trade and investment mission to the Netherlands next month.

A six-day mission – comprising business people, representatives of organised trade and industry as well as several government officials – will visit The Hague and Antwerp.

The ministry says in a statement that Erwin will host an investment conference at The Hague on April 20 after which he will attend South Africa's annual world trade organisation trade policy review in Geneva.

Mlambo-Ncuka will proceed with the delegation to Antwerp, where she will host an investment conference.

Meanwhile, Mlambo-Ngcuka has been appointed to lead another trade and investment delegation to the Nordic countries in May.

The five-day mission, to begin on May 25 to 29, will travel to Helsinki, Oslo and Stockholm.

The department says it invites all those companies that already export to Nordic countries, or companies that want to diversify into the area, to join the mission.

A number of sectors have been identified as having export potential to that region.

These include automotive components and accessories, agricultural produce, clothing, forestry equipment, footwear, leisure and patrol boats, tubes and steel and iron pipes and fittings.

Applications for participation in Mlambo-Ngcuka's mission close on April 14.

For more information contact Raj Singh at DTI (012) 310–9420 or fax (012) 320–8157 or e–mail rsingh@dti.pwv.gov.za. – *Sowetan Business Reporter*

SA NEWS DIGEST

☐ INVESTMENT

(74) (1847)

Africa Trade and Opportunity Act 'will create 100 000 clothing jobs'

America's gift of 100 000 jobs to the South African clothing industry through the Africa Trade and Opportunity Act would have significant repercussions, Bernard Richards, the president of the Clothing Federation of South Africa (Clofed), said yesterday. Local and international investors could take advantage of the opportunities and the investment needed to boost infrastructure and training if the act went through.

Richards said the clothing industry presented the lowest job creation costs in South Africa. At about R5 000 a new worker, this would necessitate investment of R500 million. However, this would probably extend over three to five years. Paul Theron, Clofed's executive director, said the act could increase the size of the local industry by at least 50 percent.

He said should the industry capture just 1 percent of the US's clothing imports, 30 000 jobs would be created, providing new jobs for those who had been retrenched over the past couple of years. Richards said criticism that South African clothing manufacturers would not meet US quality standards was unfounded. "We believe the local industry is world class. The powerful local retail base has ensured this." — *Shirley Jones, Durban*

CT(BR) 25/3/98

Mbeki attacks US trade bill as Clinton flies in

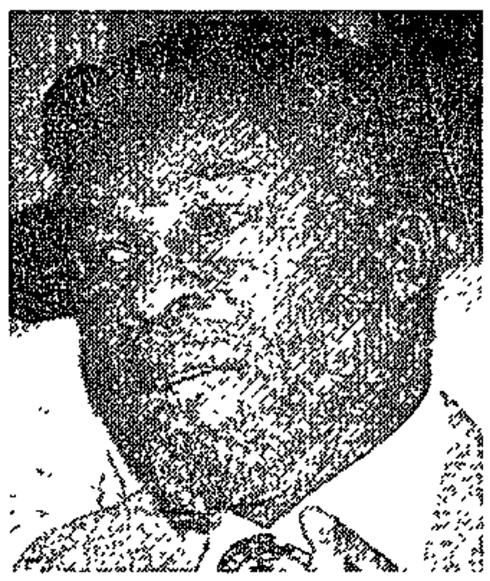
BD 26/3/98 (74)

Stephen Laufer

DEPUTY President Thabo Mbeki has criticised significant elements of US President Bill Clinton's US-Africa Growth and Opportunity Bill in an interview with the French political quarterly Politique Internationale, parts of which are to be broadcast by Radio France International (RFI) today.

An RFI verbatim transcript quotes Mbeki as saying that Clinton's "formula, trade not aid, is wrong". Africa, including SA, needed both.

The bill is expected to be high on the agenda of talks between the US and SA governments during Clinton's three-day visit which starts in Cape Town today. It has been approved by the US House of Representatives and must now go to the senate.



MBEKI

The trade bill seeks to open African markets, replace aid with trade and grant better US market access for African exports. It also envisages debt relief and the creation of an African infrastructure fund linked to political and market reforms, as well as a high-level US-Africa forum.

Mbeki said there was a particular need to ensure that international measures did more than just open up African markets to sophisticated goods from the developed world. The continent needed investment which would allow its economies to increase their capacity to produce exportable goods rather than just raw materials.

The strategic objective of sustainable development meant that aid could not be excluded from any framework.

Mbeki said an overwhelming majority of African countries still needed development assistance, SA among them. "This economy today cannot generate the resources that are required to address all these urgent problems of poverty which face us." Development assistance was very important and SA had spoken out against "the reduction of aid to (Africa) which has been happening".

It was important to open up markets of the developed world to African products. Within the context of World Trade Organisation liberalisation, it was necessary to recognise that the US and poor African countries like Burkina Faso were not partners of equal weight which could "enter into an equal bargaining posture".

Mbeki said there was a need for a particular focus on a framework which combined trade with development. An approach was needed which regulated world trading patterns in a way that influenced poor countries.

Talks agenda: Page 2
Comment: Page 15

New European currency will affect South Africa

Sowetan 26/3/98 (Eco) (74)

By Isaac Moledi

SOUTH African trade and financial transactions with Europe are set to be affected when that continent's single currency is introduced early next year.

The Euro, is expected to be introduced in January when 11 European currencies amalgamate, says BOE Investment Bank, which is brokering a campaign to generate awareness among local businesses of the likely implications of the move.

BOE Investment Bank managing director Tom Boardman says the launch of the Euro will be a major world event and urges South African businesses to prepare themselves ahead of the event.

"The introduction of the Euro has been largely ignored in South Africa as some nebulous future event," says Boardman. "People are now realising that it is less than a year away and they had better find out how it will affect them.

"We brought out some of the top experts from Europe to assist BOE to become a leader in Euro policy formulation, and to advise our clients."

He says Britain was not initially taking part in the Economic and Monetary Union (Emu). This, he argues, left Ireland as the only leading English language participant in Emu.

Dublin has emerged as a major European financial centre in recent years and is the only approved offshore financial centre in the EU.

Head of Emu Planning at Ulster Bank Group Pat McArdle expects "things to begin moving rapidly" from May this year. He is also a member of the Emu Steering Committees of the Irish and European Bankers Federations.

Countries that have indicated a desire to take part and are likely to qualify are Germany, France, Italy, Ireland, Spain, Belgium, Finland, Portugal, Austria, Luxembourg and Netherlands.

"Britain, Sweden, Denmark and Greece are not taking part, but are expected to join early in the next century," says McArdle.

Practical implications

According to McArdle, there are obvious practical implications for South African financial institutions and businesses in the sphere of international trade.

Since European cross-border price differences will become obvious, a single currency will make it easier for South African trade to span a wider area of Europe.

"The major opportunity for South African companies will be to make it easier to resource imports because greater price transparency will boost competition," says McArdle.

He says since Britain and Germany have traditionally been South Africa's two largest trading partners, local companies will now find that they can source their imports at more favourable prices in one of the other 10 Euro-denomination countries.

"Prices of some major items vary by up to 30 percent throughout the union, and this will become unsustainable. It is likely that pricing among Emu countries will align favourably towards the lower level," he says.

"European companies will in future find that their competition comes from right across the 11 Euro-denomination countries."

Companies exporting to Euro-denomination countries will have to adapt their invoicing and information technology systems to ensure that their contract terms accommodate the introduction of the Euro during the lifetime of a contract.

A possible consequence of the Euro's introduction may be a period of currency fluctuation, says McArdle.

"Nervousness about the Euro may prompt a flight out of the Euro to the British pound or the Swiss franc, temporarily strengthening those currencies."

McArdle, however, suggests that the Euro is likely to become increasingly pervasive and may challenge the United States dollar for world hegemony in the long term.

"In May the countries taking part will decide on who is eligible to join. All exchange rates will be fixed from January 1 1999 when the Euro will be officially introduced and phased in over a three-year transition period."

Other adjustments

Money markets and bond issues will be first to transact in the Euro.

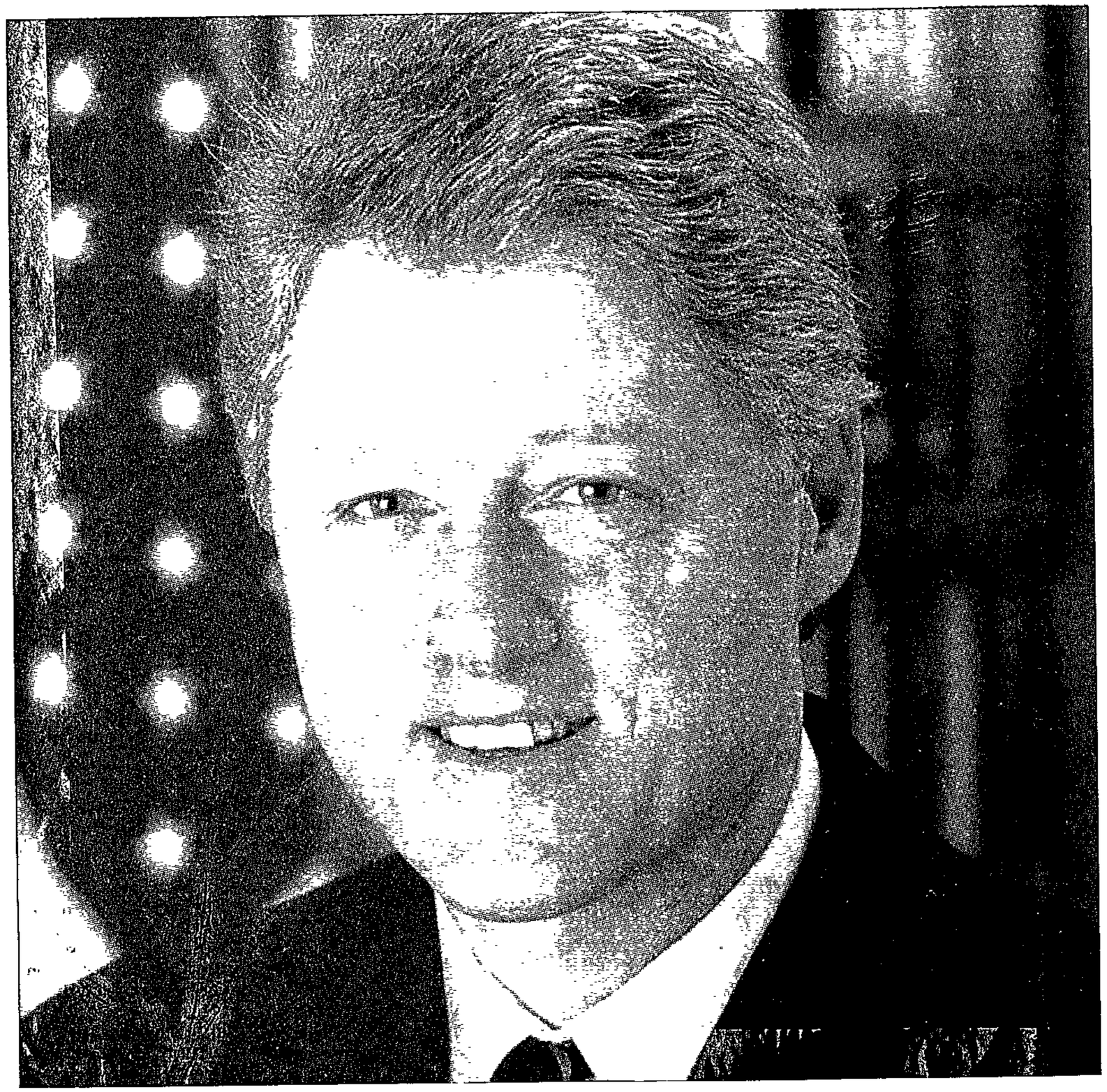
Towards the latter part of the transition, national currency notes and coins will be removed from circulation and replaced with Euros.

McArdle warns it will not be a painless transition. "Commerce will lead the way, but there will be transition costs and other adjustments as the competitive effects of the Euro gradually emerge."

US PRESIDENTIAL VISIT

The visit of Bill Clinton, his wife Hillary, some of his Cabinet and a huge contingent of media and business executives over the next few days will give SA the biggest publicity boost since our first democratic election. The visit should lead to renewed interest in both investment and trade with SA, but also a boost to the tourism industry.
ADVERTISING: Alois Naka

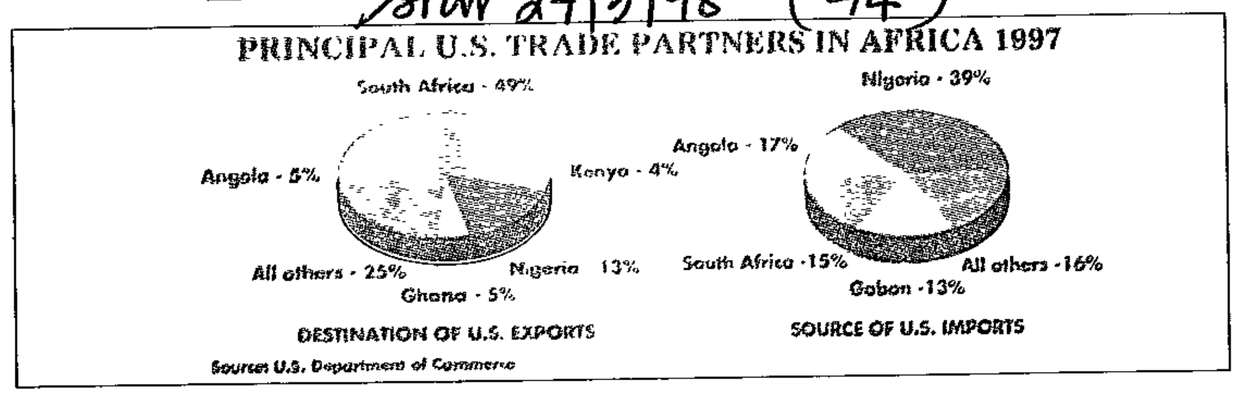
APPEARING IN THE STAR, PRETORIA NEWS, CAPE ARGUS AND THE DAILY NEWS



White House incumbent . . . President Bill Clinton of the United States.

US manufactured goods on the increase despite trade slowdown

Star 27/3/98 (74)



US direct investment in Sub-Saharan Africa generated a sizeable 31% return on book value during 1996 compared to only 12% in Latin American, 13% in the Asia-Pacific region, 17% in the Middle East, and only 12 %, according to figures released by the US Department of Commerce.

In fact, US direct investment in sub-Saharan Africa consistently generates high rates of return, which explains the large contingency of top American business executives travelling with Clinton on this week's visit to SA.

According to the latest US Department of Commerce statistics, during the period 1992-96, the average annual return on book value of US direct investment in Africa was 28,7%, compared with 11,2% for US direct investment worldwide.

Last year, US exports to South Africa declined narrowly by 3,4%, mainly due to the declining gold price while those to Nigeria (its next biggest sub-Saharan customer), dropped by only two-tenths of one percent. Sales to the rest of the region increased 6,5%, offsetting the losses in the two largest markets.

South Africa still remains the US's biggest customer in this region accounting for some 49% of its exports with Nigeria taking only 13,2 %. However, we came a poor second to Nigeria when it came to exports to the US market. Four sub-Saharan countries accounted for 84% of US purchases with our major exports being non-ferrous metals and others scoring from oil exports to that market.

American importation of goods from Africa under the US Generalised System of Preferences (GSP) soared in 1997 by 78%, to $1 046,8-million in that year and African GSP utilisation has surged since 1994, when South Africa first became GSP-eligible. Since that time, use of GSP benefits by countries of Sub-Saharan Africa has increased more than three-fold, yet African countries accounted for only 6,9 percent of worldwide GSP utilisation in 1997.

South Africa continued as Africa's largest GSP beneficiary in 1997, with $450,8 million, or 43 % of total benefits for Sub-Saharan Africa. We were, in fact, the eight leading GSP beneficiary country in 1997, for the second consecutive year. In 1996, SA used $430,7 million of GSP benefits.

Angola became the second leading African GSP beneficiary and the programme's twelfth largest user, with $356,5 million of benefits. Angola benefited from a measure implemented in 1997 that made crude oil imports from least development beneficiary countries GSP-eligible for the first time.

The products from our sub-continent that made best use of America's GSP facilities were crude oil, ferroalloys, sugar, jewellery, vehicle parts and tobacco.

America agricultural exports to this region, which tend to be volatile due to African weather patterns, fell 17% in 1997, to $696-million. However, non-agricultural exports, including manufactured, semi-manufactured, and non-farm raw material-increased 3,4% to $5 479,1 million. Non-agricultural sales accounted for 89% of total U.S. shipments in 1997, and agricultural exports only 11%. Agricultural commodities normally comprise about 18% of US exports to Africa in non-drought years.

Non-farm exports in 1997 were led by: aircraft and parts, construction machinery and equipment, computers and peripherals, telecommunications equipment, motor vehicles. agricultural machinery, and used clothing. Among these items, telecommunications equipment grew 62% since 1995, while motor vehicles increased 26 % and computers and peripherals 22% over the same tw year span.

US purchases from Sub-Saharan Africa totalled $16,4-billion in 1997, a 7,8% increase from 1996, most of it from our northern neighbours in the exporting of oil to north America.

Overall, two-way trade between the US and Sub-Saharan Africa grew at a far slower pace in 1997 than in the previous two years. Total trade expanded only 5,7 percent, following an 18,2% expansion in 1996. In contrast, U.S. global trade expanded 10,1% in 1997, with total exports growing by 10,4 percent and total imports by 10%. In contrast, in 1995 and 1996, US trade with sub-Saharan Africa grew faster than US global trade.

SA's trade with California on increase

Star 27/3/98 (74)

To many South Africans, the American state of California is synonymous with Hollywood, Disneyland and the glamorous lifestyle enjoyed by the rich and famous.

Yet the state's economy is, in fact, highly-diversified and strong; to the point that if it were measured as a country instead of a state it would be the world's seventh wealthiest.

Two-way trade between California and South Africa has also grown substantially over the past few years, much of it as a result of this US state opening its own trade and investment office in Rosebank.

Headed by Dwayne Gathers, and funded by the State of California, the office has helped bring American and South African business together, nurturing and developing business partnerships that have blossomed into profitable ventures.

Since the opening of the office here, Gathers has seen two-way trade between California and SA increase by some 16% between 1995 and 1996 to around $305-million in that year. Although figures for last year are not yet available, he expects this to top the $320-million mark

There are only 10 California trade offices around the world, showing the importance that the California administration has placed on South Africa, he says. Other offices are in Tokyo, London, Frankfurt, Taipei, Jakarta, Seoul, Hong Kong, Jerusalem and Mexico City.

Currently California exports industrial machinery and equipment (including computers) to South Africa as well as other electronic and electrical equipment, instrumentation and even a limited amount of its famous Napa Valley wine.

Gathers believes sincerely that the presence of his office here has helped boost trade between the two areas. During his time here, he has also built a substantial database of SA companies trading, or wanting to trade with California.

This has helped put US companies in touch with their South African counterparts and vice versa.

Gathers estimates that there are currently about 53 Californian companies represented or with offices in South Africa. This country, he says, also provides the platform for Californian companies to trade with the rest of Africa.

SA firms victims of EU countries' tardiness

(74) ~~(74)~~ ~~(74)~~ BD 27/3/98

Tim Cohen

LONDON — The European Investment Bank has acknowledged that projects worth 550-million euros, in which SA firms are involved for the first time, are being held up by an unexpected year-long delay in ratifying the Lomé convention.

SA diplomats are becoming increasingly frustrated by the delay, caused by the lack of progress by European Union (EU) member countries in ratifying the 15-billion euro grant to what is known as Lomé IV bis.

This concern has led to parliamentary speaker Frene Ginwala writing to the parliaments of European countries to ask them to speed up ratification of the treaty, which was first agreed in November 1995.

However, despite the pleas of SA and other African countries, full parliamentary agendas and elections in many European states have held up the ratification process, which normally takes about 15 months.

Two of the 15 EU member countries, Belgium and the Netherlands, have yet to complete the ratification process.

The ratification of the treaty will free 15-billion euros over a five-year period for the European Development Fund, which provides aid to dozens of African, Caribbean and Pacific (ACP) countries.

Out of this fund, 2,7-billion euros goes to the European Investment Bank, which funds infrastructure investment.

Because SA has been granted associate membership of the Lomé convention, SA companies have been able to tender directly for bank funds for the first time.

The bank previously has been able to continue operating while the lengthy but necessary ratification process takes place, with funds left over from previous terms of the convention.

However, the current delay has been unexpectedly long, resulting in projects worth 550-million euros being passed by the bank board but not being implemented because ratification has not taken place.

SA companies have tendered successfully in the past as joint contractors for segments of projects funded by the European bank, but only for those portions not directly funded by the bank.

SA associate membership will allow direct application to European Investment Bank-funded projects in other ACP countries.

During the past two years bank funds totalling 300-million euros have been allocated to various projects which have used SA associates and subcontractors.

It is not known what portion of the on-hold projects worth 550-million euros has been granted to SA companies, but officials said evidence suggested that SA companies were competitive and an increasingly important component of African infrastructural projects.

Accession to the convention will allow for "cumulation", in terms of which countries bordering SA will be able to use SA inputs in their exports to the EU.

However, when this will occur is not clear, and SA diplomats are concerned the country will not be able to exercise its vote at the ACP meeting in Mauritius next month.

WORLD TRADE OPPORTUNITIES

SA 'must lobby for a better EU trade deal'

BD 30/3/98 (74)

John Dludlu

SA NEEDS to embark on a lobbying campaign targeting the most protectionist members of the European Union (EU) if Pretoria wants a better trade deal with the union

This warning from Henriette Kievit of Amsterdam Consulting Group follows a disappointing round of talks between technocrats from both sides, which saw Philippe Soubestre, the EU's chief negotiator, admitting recently that the two sides were still "far apart" on trade-related subjects.

The main obstacle to narrowing differences on subjects including antidumping, competition and state procurement policies is that SA is presently reviewing some of these issues internally.

SA's labour unions, presently engaged in the debate on competition policy, have said they will oppose an EU-SA deal on trade issues as this would mean government had taken a stand on the internal policy.

The European Commission, the EU's executive, was hoping that progress on this month's round of talks would strengthen its hand in a paper to member states which seeks flexibility on talks with Pretoria.

Kievit said if SA wanted a free trade deal that would send positive signals to investors, government would have to lobby southern EU states, including Spain, Portugal, Italy and Greece.

However, Neil van Heerden, former SA ambassador to the EU and now head of the SA Foundation, doubted that this strategy would advance SA's cause, saying it had been tried before. "One must deal with the negotiations scenario in Brussels," he said.

Negotiators who have set June as the target for the conclusion of the talks are now under pressure to achieve more progress in the coming three months.

Both Van Heerden and Kievit believe the British presidency of the EU is crucial to the conclusion of the deal. Britain — and the Labour Party — could be relied on for support.

Kievit warned an agreement might be difficult to obtain under Austria — due to take over the EU's leadership in July — partly because of Vienna's closeness to Bonn.

She also believes SA's talks with the EU could be influenced by "political agendas" in the union. These agendas, sometimes hidden, include the fact that German chancellor Helmut Kohl, who is seeking re-election in September, "really needs the votes of the agricultural lobby" in Germany. Kohl was likely to be unwilling to agree on farm concessions for SA, Kievit said.

Although the EU has suggested about 45% of SA's farm products be excluded from free trade, it has signalled its willingness to consider giving concessions to items that are crucial to SA's development and to provide faster access for less sensitive SA exports.

Spain, which is also interested in fisheries talks with SA, is another cause for concern. It wants an EU-SA accord linked to one with Mexico. However, Kievit felt Spain might respond favourably to deals giving it further EU funding.

She warned SA's policymakers not to forget cases of inconsistencies between EU promises and actions. One such example is the inability of SA firms to tender in EU-funded projects because some EU states have yet to ratify SA's membership of the Lomé Convention — the EU's trade and aid accord with Africa.

Van Heerden said the pressure of forthcoming events might push negotiators into a deal by the middle of the year. The pressure includes the coming review of Lomé and the EU's eastward expansion, bringing in members who will be looking for similar, if not more extensive, concessions from Brussels.

SA has more to lose from an aborted deal. However, this did not mean "we should bend over backwards and accept everything", Van Heerden said.

Kievit said the commitment the EU once held to help in rebuilding SA has disappeared.

Nevertheless, a trade, development and co-operation accord with the EU would provide an institutionalised link to a big and stable market for SA, said Van Heerden.

Lack of funds forces Safto to close doors

CT (BR) 31/3/98 (74)

CHRISTO VOLSCHENK

Cape Town — The South African Foreign Trade Organisation (Safto) had closed its doors after a last-minute effort to secure funding failed, Johan Scheepers, the managing director of Safto, said yesterday.

But plans for a new private sector-managed export promotion agency with a narrower focus than Safto's had already reached an advanced stage.

"A new agency could open its doors by October this year. We would have liked to keep Safto alive until then but a lack of funds forced us to close the doors today," he said.

Members of the Safto board had tried to secure alternative funding for Safto after the Industrial Development Corporation cut off funds in February.

"The whole workforce has been laid off, and the University of South Africa has agreed to take over administration of the Safto training courses," Scheepers said.

Organised business and captains of industry had formed a 12-man committee to investigate the establishment of a new private sector agency to augment the export promotion services already provided by the state.

The South African Chamber of Business, South African Foundation, National African Chamber of Commerce, Afrikaanse Handelsinstituut and "several senior businessmen" were at the forefront of the push for a new private sector export promotion agency, Scheepers said.

Should the new agency be established key Safto personnel would be offered jobs in it, he said.

Scheepers said all successful exporting nations had independent export promotion agencies.

"The trick would be to dovetail its functions with those already undertaken by the department of trade and industry so as to avoid duplication and prevent counter-productive competition between the state and private sector."

The private sector would work closely with the department to ensure the new agency had the support of government, he said.

talks

EU ministers more flexible in free trade

Tim Cohen

(74) BD 1/4/98

LONDON — European Union foreign ministers showed increased flexibility in free trade area negotiations between the EU and SA on Monday, conceding that all SA industrial products could be included in the deal.

Observers to the two-year-old negotiations, which have been boosted recently by new proposals on both sides, had their spirits lifted by the positive attitude adopted by the EU leaders at a key phase in the negotiations.

Sources close to the talks said that although tough negotiations remained on agricultural products, the foreign ministers appeared to accept that all industrial products produced by SA should be included in the deal. This is good news for manufacturers of ferroalloys, aluminium and other industrial products which were previously tagged as sensitive products.

In its official response yesterday, SA's mission in Brussels welcomed the response of the EU foreign minister's council, saying its position would ensure that momentum would be maintained.

The council's instructions to EU negotiators would provide flexibility which could accommodate SA's concerns, the SA mission said. The mission remained optimistic that the target date for concluding the talks by June could be met.

It also became clear on Monday that countries which were previously pressing for fisheries products to be included in the negotiation would now be satisfied with a general commitment to dealing with this at a later date.

This is seen as a significant shift because a hard negotiating position adopted by Spain in particular had threatened previous negotiations for SA to join the Lomé convention as an associate member. Observers were afraid that if this position was adopted again in the current negotiations, these talks could become bogged down.

The foreign ministers' meeting, which dealt with a host of other crucial issues, including negotiations for membership at a future time of 11 new states, appeared to endorse the positive approach being adopted by EU negotiators.

The EU member states are believed to be particularly keen to strike a deal with SA to ensure that these talks do not run parallel with negotiations over the future of the Lomé Convention, also discussed yesterday.

The negotiations on agricultural products are being complicated by an increase in exports of these products into the EU. This increase has made the concern of some EU states about what will happen if a free trade area existed more acute.

By current estimates, the EU has excluded more than 40% of SA's current agricultural exports to the EU, which is up from the 35% estimated when negotiations began. Monitoring body Action for Southern Africa (Actsa) has pointed out that SA accounts for only 1,7% of Europe's total farm imports.

SA may be called on to make further concessions in this area, while progress is still necessary on regional implications of the deal.

Actsa said yesterday the agreement of EU foreign ministers to the approach being adopted by the EU's negotiators was "very positive" and opened the way for the conclusion of a deal during the UK's presidency of the EU, which ends in July.

Shielded EU market hits canning sector

Wyndham Hartley (74) (88) BD 2/4/98

CAPE TOWN — European Union (EU) subsidies designed to protect its fruit canning industry had forced the closure of a major SA factory and the loss of more than 2 000 jobs, Deputy Agriculture Minister Thoko Didiza said yesterday.

Addressing an international canned deciduous-fruit conference in Somerset West, Didiza said the level of protection afforded by the EU to its canned fruit industry through production and export subsidies made it difficult for countries like SA to compete in either the EU or in third-country markets.

As an example she pointed to Japan where SA's share of the canned fruit market had fallen from 38% to 18,3%. In the same period the share of the Japanese market enjoyed by Greece rose from 0,6% to 27,8%.

"Due to declining export earnings, the largest SA exporter withdrew from the EU market, leading to the closure of a major canning factory with the loss of 2 200 jobs," Didiza said. She did not identify the plant. SA has responded to a Chilean initiative by attending a meeting late last year to explore a possible World Trade Organisation challenge to the EU subsidies.

A request from SA, Chile, Brazil and the US requesting information from the EU has so far gone unheeded. A meeting will be held on the issue with the EU in June.

Farm products, subsidies, and the exclusion by the EU of about 40% of SA's produce, lie at the heart of disagreements between SA and the EU in talks on a free trade agreement.

Didiza warned SA producers that they should take advantage of the opportunities offered in the Southern African Development Community (SADC) before they were crowded out by multinational competitors.

"It is either you sit back and let that market be run by your competitors who are shielding their own market against you, or you can get out there and do business," she said.

"SA firms have tremendous opportunity to utilise the comparative advantage of the region by spreading their investments in the various countries and consolidating their markets as one SADC market, while aiming at the central and east African markets for exports."

Sapa reports Didiza appealed to international companies not to regard expanding trade and controlling the lion's share of the market in developing countries as an end in itself. "The expansion of your markets should instead be linked to development efforts in these countries, so your trading will not be done in a way that creates winners and losers."

Funding revamp: Page 13

SA joins inquiry into EU subsidies

(74 ET(Be) 2/4/98

LYNDA LOXTON

Cape Town — South Africa had joined forces with the US, Brazil, Argentina and Chile to press the European Union (EU) to come clean about its subsidies for canned fruit, which had cost these countries substantial market share, Thoko Didiza, the deputy minister of agriculture, said yesterday.

Addressing the 1998 World Canned Deciduous Fruit Conference in Somerset West, Didiza said several countries in competition with EU producers in the EU and other parts of the world were finding it increasingly difficult to compete against its subsidised products.

South Africa's market share in Japan, for example, had dropped from 38 percent in 1983 to 18,3 percent in 1995, despite a 300 percent growth in the Japanese market for canned fruit.

"During the same period, Greece's market share increased from 0,6 percent to 27,8 percent," she said.

South Africa had once dominated the canned fruit market in the EU but had slipped to third place after Greece and France. One Western Cape exporter had to withdraw from the EU market, losing 2 200 jobs.

South Africa had supported the bid by some producer countries, spearheaded by Chile, to gather more information about how the subsidies were implemented, with the aim of assessing whether they should be challenged.

China positive on trade with SA

(714)

Sowetan 2/4/98

BEIJING – Trade between China and South Africa will increase by at least 27 percent to top R10 billion in 1998, the first year of diplomatic relations between the two countries, Trade Minister Shi Guangsheng was quoted as saying.

"1998 will see Sino-South African bilateral trade exceed two billion dollars," the official *China Daily* quoted him telling visiting South African Trade and Industry Minister Alec Erwin.

Senior officials from both sides also signed an agreement to boost trade and economic cooperation on Monday, the report said, without providing details.

Erwin is heading a 100-member business delegation on the first trade mission to China since the two sides normalised ties early this year.

"The two economies are highly complementary," Shi said. "Many of South Africa's resources, manufactured goods and advanced technologies are needed by China, and many Chinese products are popular in the South African market."

Chinese businesses have shown "tremendous interest" in investing in South Africa during the visit, mainly because the country is seen as a good jumping-off point for the rest of Africa, the chief China representative for SA's Nedbank, Andrew Ray, said.

Some 500 Chinese officials and executives attended an investment seminar hosted by the delegation on Monday, far exceeding planners' expectations, he told *AFP*.

Investments are mainly targeted at minerals, manufacturing and textile production for African markets, he said.

The two ministers agreed to establish a joint commission on economic and trade cooperation to identify problems and seek solutions, *China Daily* said.

Bilateral trade hit R7,85 billion last year, compared with nearly R6,96 billion in 1996. A rise in trade to more than R10 billion would represent a hike of at least 27,4 percent.

After his visit to the eastern trade and finance centre of Shanghai on Tuesday, Erwin will continue to Hong Kong today, returning to Pretoria at the weekend.

SA formerly kept diplomatic links with Taiwan, which Beijing regards as a renegade province.– *Sapa-AFP.*

Govt says crime is still on the decline

BD 3/4/98 (34)

Dustin Chick

THE national safety and security department said yesterday that the release of the first quarterly crime report for this year illustrated a continuation of a trend towards declining levels of crime in SA.

With the exception of rape, which had gone from 104 cases per 100 000 people in 1994 to 120 last year, as well as crimes involving organised crime syndicates, the overall level of crime had dropped or stabilised last year.

In a comparison of crimes affecting every 100 000 people, on average 57 people were affected by murder (compared with 61 in 1996), 65 by attempted murder (compared with 67 the previous year) and 161 by robbery (compared with 159 over the last year).

Despite declining incidents of burglary, robbery and hijacking, the intensity of violence involved had increased.

Problems surrounding crime statistics remained a major hurdle for the department, especially the way in which the figures were gathered and depicted by different organisations.

The Council of SA Banks (Cosab) said recently that the difference in interpreting what constituted a bank robbery affected the outcome of the actual levels of bank robberies.

The department criticised the way in which Cosab gathered its statistics and said the organisation was focused only on crimes affecting its members, while the police dealt with crimes affecting the entire country.

Cosab and the police have agreed to bring their statistics policies in line with one another.

Safety and Security Minister Sidney Mufamadi said yesterday he was waiting for a departmental task team's recommendations made after an inquiry into the collection, processing and publication of crime statistics.

Increases in the reporting of rape, compounded with a stronger emphasis on human rights and the rights of women, had contributed to the rise in the actual rape figure.

A further increase in rape figures was expected for the coming year.

Erwin's visit paves the way for Mbeki next week

Technical snags delay SA-Chinese trade deal

(74) CT(BR)3/4/98

PETER SEIDLITZ & DAVID MURPHY

Beijing — Alec Erwin, the trade and industry minister, wrapped up his historic visit to China yesterday but failed to sign a general trade agreement between the two countries.

According to an embassy spokesman, the agreement was being held up by "technical discussions".

Erwin, leading an 80-strong business delegation before Deputy President Thabo Mbeki's visit next week, met Li Lanqing, the Chinese vice-premier, and Shi Guangsheng, the foreign trade and economic co-operation minister.

The South African businessmen accompanying Erwin were interested in a rainbow of business opportunities.

These included general trade, Chinese investment in South Africa, the downstream side of the steel business, and selling electric power stations and agricultural machinery.

A South Africa investments and products seminar, held in Beijing to coincide with Erwin's visit, drew 500 Chinese and China-based businessmen, according to local press reports.

The delegation was accompanied by economic



Alec Erwin, the trade and industry minister

representatives of the executive committees of Gauteng, Mpumalanga, Northern Province and KwaZulu-Natal.

KwaZulu-Natal has been particularly successful in luring Chinese investment to South Africa.

The KwaZulu-Natal Marketing Initiative has had an office in Shanghai since 1992 and has representatives in four other Chinese cities.

Gary Simmonds, a senior business consultant at the initiative, said it had managed to secure about R30 million worth of investment in a wide range of projects. He said the bulk of it was in the Newcastle and Ladysmith areas.

"There are another 20, generally bigger, projects in the pipeline, which we are seriously negotiating at the moment," said Simmonds.

"Formal diplomatic ties should improve the level of business."

South Africa is China's biggest African trading partner and an important source of raw material.

Last year, according to Chinese figures, combined trade between the two countries came to $1,7 billion and was slightly in South Africa's favour.

Iron ore is in hot demand in China, which last year produced 100 million tons of steel.

South African iron ore is especially favoured because of its high ore content (66 percent) compared with the poor-quality Chinese product (30 percent to 40 percent).

An ongoing construction boom is to receive a further boost under Premier Zhu Rongji's plan to spend $1 trillion on infrastructure, including massive investment in railways and housing.

Last year South Africa exported 4,5 million tons of iron ore to China, according to the Iscor office in Beijing.

"Right now, we don't have enough iron ore to meet the Chinese demand," said a spokesman for Iscor.

"We need to improve the rail network in South Africa so we can get more to port," said the spokesman. — Independent Foreign Service

NEWS

Trade and industry department plans to arrange workshops in all provinces by May or June

EU projects to be open to SA tender from June

(74) CT (PDR) 3/4/98

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — South African firms will become eligible in June to tender for European Development Fund projects worth billions of rands, since all European Union (EU) states will have ratified the Lomé IV convention by next week.

Frene Ginwala, the speaker of the national assembly, announced yesterday that Belgium and the Netherlands, the last two countries still to ratify the convention, had indicated they would do so next week and it would become effective two months later.

"This will clear the way for South African firms to access the limited benefits of membership of the convention," she said.

The most important of these was the ability to tender for projects in the eighth European Development Fund, valued at about 12 billion ecus (R66 billion).

The negotiations on the convention were concluded last year. But its implementation has been delayed because of the failure of all EU states to ratify it, mainly because of bureaucratic wrangles. Ginwala wrote earlier this year, asking these countries to speed up the process.

An EU spokesman said yesterday that South African firms could submit their details to the EU database in Brussels so they could be considered for restricted tenders when the EU decided who would get the tender.

For the bigger, open tenders, South African firms would have to submit individual tenders.

EU officials are concerned that the department of trade and industry might be too wrapped up in the current EU-South Africa free trade area negotiations to arrange workshops or seminars on how to tender quickly enough.

"It is not a complicated thing but, like every bureaucracy, there can be exclusions when the rules are not respected," said one.

Tenders had to be accompanied by a range of certificates. Firms did not always understand the importance of providing these, which could disqualify them, said the official.

He said workshops would also make firms aware of the job creation and joint-venture possibilities involved, while stirring up an enthusiasm that would help firms submit better offers.

But a trade and industry department spokesman said the department was still planning to hold tender application workshops in all the nine provinces by May or June.

TOUR TO STRENGTHEN TIES WITH FAR EAST

Mbeki on the trade trail

(74) CT 6/4/98

DEPUTY PRESIDENT Thabo Mbeki's talks with China are to cover the question of South Africa's ties with Taiwan, writes **JOVIAL RANTAO** of the Political Bureau



ORIENTATION: Thabo Mbeki says the time is right to forge new links.

RUNNING a government,it is often said, is like running a huge multinational. Those in power have to be alert for gaps that might offer opportunities to trigger economic growth and improve the lives of the country's inhabitants.

For the past five years and with a high level of success, South Africa has been pursuing a better deal for South Africans by wooing countries that are acknowledged world economic and political powers.

Tomorrow, Deputy President Thabo Mbeki and his high-level entourage arrive in China for a two-week mission to establish strong political ties and develop vital channels with Beijing for mutual trade and investment.

The mission will also take the South African delegation to Japan and South Korea.

Mbeki and senior members of his office and the Department of Foreign Affairs are optimistic about the mission's prospects.

Why China, Japan and South Korea? Simply put, the countries represent the greatest economic opportunities for South Africa.

China, the world's most populous country, is also recognised as the world's fastest-growing economy.

It is also a permanent member of the United Nations Security Council and could help improve South Africa's influence at the UN.

Although the People's Republic of China had given the African National Congress massive financial support, South Africa sacrificed full diplomatic ties with Taiwan in favour of ties with mainland China last year.

The move angered Taiwan, regarded by Beijing as a renegade province since China's civil war in 1949.

Trade between Taiwan and South Africa stood at R1,8 billion. The risk of its trade with Taiwan declining puts pressure on South Africa to get Beijing to pump more investment its way.

South Africa's trade with China has boomed in the past few years. This country has been a source of minerals and raw materials for China, which has been a source of manufactured products.

However, Mbeki and his entourage, which includes Deputy Foreign Minister Aziz Pahad and the Rev Frank Chikane, director-general in Mbeki's office, intend to change the relationship to ensure that South Africa exports manufactured goods to China.

South Africa's trade with China grew from R11,1 million in 1990 to about R6bn last year, a figure that included R1,4bn in bilateral trade with Hong Kong.

Chinese officials have predicted that trade between China and South Africa could soar to $2bn (about R10bn) by the year 2000.

Minister of Trade and Industry Alec Erwin, who returned from China, Japan and South Korea at the weekend, agreed with his Chinese counterpart to establish a joint commission on economic and trade co-operation.

The sensitive subject of South Africa's continued ties with Taiwan is to be discussed by Mbeki and the Chinese government.

China has warned that if South Africa wants to improve relations between them, it should sever ties with Taiwan.

President Nelson Mandela has said that it would be immoral to abandon relations with Taiwan which, like China, supported the struggle to end apartheid.

Another sensitive issue, which the South Africans have refused to discuss publicly, is China's appalling human rights record.

The Japanese, who are South Africa's fourth-largest trading partner, are taking Mbeki's visit seriously.

In addition to meeting Prime Minister Ryutaro Hashimoto and key Japanese cabinet ministers for talks, Mbeki is to be received by Emperor Akihito and Empress Michiko — an honour reserved for heads of state.

Trade between Japan and South Africa was R22,4bn last year. Between 1993 and 1998, 23 new Japanese investments were channelled into South Africa.

Major investors include motor manufacturers Toyota (R466m), Nissan (R361m) and tyre manufacturer Bridgestone (R290m).

The balance of trade, however, has remained in favour of Japan.

Japan's exports to South Africa were R13,03bn last year, while Japanese imports from South Africa were R9,3bn.

Major exports from Japan to South Africa were general machinery (28%), motor parts (23%), electrical machinery (12%), motor vehicles (16%) and precision machinery (4%).

South Africa has targeted Japan and South Korea for investment, particularly in automotive components, chemicals, beneficiated metals and electronics. It will also offer Japan and Korea infrastructure for such investments.

South Africa's exports to Japan and South Korea have been limited to primary products, while it has imported high-quality manufactured commodities.

Mbeki told journalists at a briefing before the trip that in its negotiations with the Japanese government South Africa had been trying to encourage it to broaden its economic relations with South Africa by moving from a trade-based to an investment-based relationship.

South Africa was keen to begin exporting finished products instead of minerals and raw materials — a move expected to create hundreds of jobs in manufacturing.

"We want to encourage this process to look at the investment element of the relationship to assist the export of South African products instead of raw materials," Mbeki said.

"The African issue is becoming important in Japan. (The Japanese are) having a conference on Africa over Easter and we aim to interact with them before that conference. It will be important to be upfront (in giving) information about Africa to the Japanese people."

Discussions would also focus on Japan's desire to join a restructured United Nations Security Council.

South Korea is South Africa's 13th-largest trading partner and trade between them has grown in the past few years. However, investment in South Africa by Korean companies has remained fairly low.

The trade balance has been in South Africa's favour. Exports to Korea comprise mainly raw materials and energy minerals.

During his visit to Seoul in 1992, Mandela signed an agreement on investment protection, air services and the avoidance of double taxation. He also signed a memorandum of understanding on small, medium and micro enterprises.

Nine Korean conglomerates have established offices in South Africa. These include Samsung, Hyundai, Daewoo and LG International.

Korea is also sponsoring training programmes for senior South African government officials.

Although South Korea had economic problems, Mbeki said, there were strong indications that these would be overcome.

He was convinced that, strategically, this was the right time for South Africa and Africa to establish mutually beneficial partnerships, Mbeki said.

"Our own reading is that (South Korea) will indeed overcome (its economic problems)," he said.

"It is the right time to go. We want to say to the Koreans that, as they develop and grow, Africa should be one of the areas to look at.

"Good political relations between South Africa and South Korea would be an important instrument — a sort of bridge to the rest of the continent."

In Seoul, Mbeki is to hold talks with Prime Minister Kim Jong Pil and pay a courtesy call on newly elected President Kim Dae-jung, a life-long campaigner for democracy who was imprisoned and persecuted.

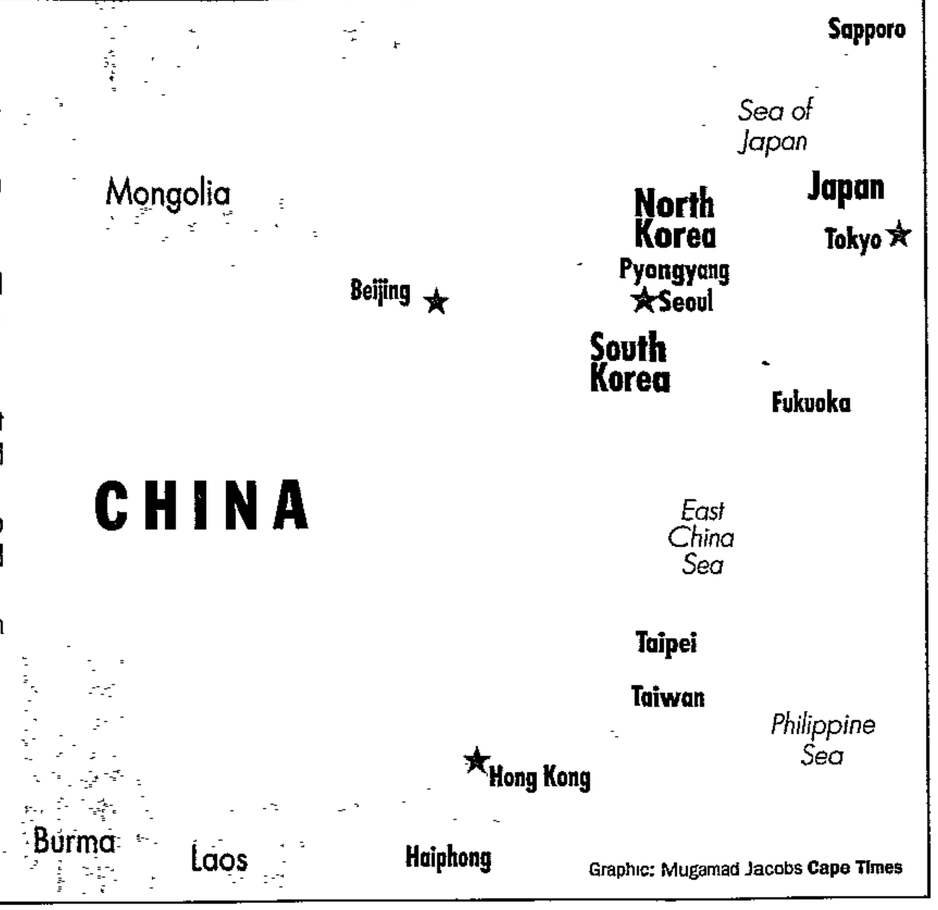
Dae-jung is to host a lunch for Mbeki.

Mbeki and his entourage return to South Africa on April 18.

MBEKI'S FAR EAST MISSION

ITINERARY

- April 7, Tokyo, Japan: Mbeki meets Emperor Akiito and Empress Michiko, Prime Minister Ryutaro Hashimoto and the ministers of foreign affairs and international trade and industry.
- April 10, Beijing, China: Mbeki officially welcomed at the Great Hall of the People and will hold bilateral talks with Vice-President Hu Jintao.
- Mbeki will then visit the Great Wall at Mutianyu and, on April 13, is expected to meet with President Jiang Zemin and newly-appointed Premier Zhu Rongji.
- April 14: travels to Seoul, South Korea, to hold talks with Prime Minister Kim Jong Pil and President Kim Dae Jung, and will be the first foreign dignitary to be hosted by the new Korean government.
- Mbeki's Asian tour will be tied up on April 17 after a short visit to political leaders and potential investors in Hong Kong.
- He will be accompanied by his director-general, Frank Chikane, and Deputy Foreign Affairs Minister Aziz Pahad.



Graphic: Mugamad Jacobs **Cape Times**

Japan-SA ties on Mbeki's agenda

Sowetan 6/4/98

By Mathatha Tsedu
Political Editor

THERE was a time when a product that carried a label "Made in Japan" drew scorn from customers. During that time, to drive a Japanese-made car was to attract the kind of remarks that accompany Korean cars today

But Japan soldiered on, and copied everything the industrialised world produced – and made it smaller and better

Thus we saw Japan emerge from the worst catastrophe of World War 2 (1939-1945) to produce the Sonys and Toyotas of the world And today, to drive a Japanese car is to drive the real thing.

That expansion of business has propelled this tiny island nation on the Asian Rim into the world's second largest economy and into constant fights with the United States over trade

Statistical data on Japan:

Population: 126,1 million.
Land area: 377 727 square kilometres.
Reserves (excluding gold): R1 097 billion.
Gross Domestic Product growth rate: one percent.
Exports for the year ended March 1998: R2 055 billion.
Savings as a percentage of GDP: 31 percent.
Inflation rate: 2,1 percent.
Unemployment rate: 3,5 percent.
Major exports: Motor vehicles and electronics.
Major imports: Minerals and fuel.
Trade with South Africa: R22,3 billion.
Population growth: 0,3 percent.
Literacy rate: 100 percent.
Life expectancy: 80 years.
Infant mortality rate: 4 percent.
Fertility: 1,6 percent.
Urban population: 77 percent.
People per doctor: 545.
People per telephone: 1,5

Deputy President Thabo Mbeki, who will arrive in Japan today for a four-day state visit, intends tapping into some of that trade and skill in rebuilding a shattered economy It could not have been a less timely moment to visit, though.

Faced with a stagnating economy as capitalism moves into this decade's latest recession, the chairman and chief executive of Sony, Norio Ohga, told a conference in London last Thursday that the Japanese economy was on the brink of collapse

A number of significant banks have gone under and it is feared that more will follow. Unemployment is rising as downsizing comes in, in direct conflict with the Japanese culture that assures jobs

It is a phenomenon that is gripping not only Japan but the rest of the Asian economies that were until a few months ago the Tigers of the East, whose growth was the constant refrain of economists pushing pseudo-socialists into capitalism.

Mbeki is not unaware of this and explained at a pre-trip briefing in Pretoria last week that the visit was more a political one than that of economics and trade.

He said "We have very good contact with lots of political leaders on the African continent and there is tremendous ease of communication with leaders in Africa, Britain, Germany, France, United States, Canada and South America

"But the quality of our contact with the Far East is not of the same kind The effect of the visit will be to improve the quality as that relationship. We will see a lot of the senior political leadership and we want to open this channel and leave it stable. That is the major objective of the visit"



Norio Ohga, chief executive of Sony Corporation displays a mini-CD and player that is being produced by his company. Ohga told a Press conference last week that the Japanese economy was on the brink of collapse.

The trip will also see Mbeki visit China, the first high-level visit since the establishment of diplomatic relations on January 1, and South Korea There will also be a one-day visit to Hong Kong.

Taiwan, the other Asian Rim country with which South Africa has significant trade relations, is being given a wide berth in keeping with the downgrading of relations last December.

De facto head

Mbeki will be received by emperor Akihito and his wife as well as by prime minister Ryutaro Hashimoto The emperor, by tradition, only receives heads of state and that Mbeki is being seen indicates Japan's acceptance that he is South Africa's *de facto* head of government.

Mbeki said Japan has not had sufficient exposure to the African continent and he would use the trip to drum up support not only for South Africa but for the continent at large

"While China, for example, had more exposure to Africa, Japan had less. We are keen to improve their knowledge of the African continent so that the world's second largest economy also gets involved in the continent"

But while South Africa plays this ambassadorial role for the continent, the danger exists that this may raise expectations that South Africa will deliver prosperity to Africa as it is used by other countries as a gateway to the rest of the continent

Mbeki said these expectations had to be dampened. "If there is any danger at all, it is the danger of heightened expectations of South Africa's capacity to deliver

"And when you don't do that which is expected, you are then seen as a failure. But it would also be wrong not to discharge our duties to the continent."

In other aspects of relations with Japan, South Africa has supported that country's candidacy for a permanent seat on the United Nations Security Council and they in turn have supported South Africa's case The matter will come up for discussion during the trip, Mbeki confirmed

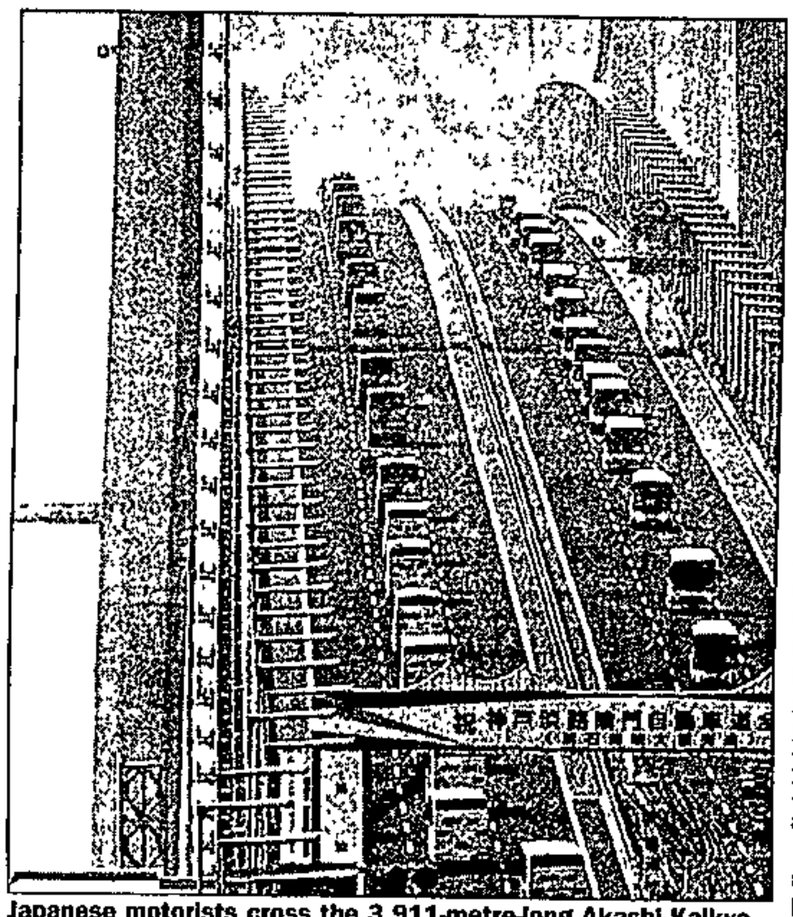
Economic trouble

Despite the economic woes now besetting Japan, a binational commission similar to those with the US, Germany and Britain may be established.

Mbeki also emphasised that while South Africa concentrated on European or North-South links under apartheid, this trip was in line with the new Government's view of strengthening South-South connections.

This new policy would seek to link countries such as Brazil, India and the Asian Rim in an economic unit. But, for now, Japan is the major issue with its growing trade and investment in South Africa. Tomorrow Mbeki will meet the emperor and attend a dinner hosted by foreign minister Keizo Obuchi He will also meet international trade minister Mitsuo Horiuchi On Thursday he will sign an Overseas Development Assistance loan to the Development Bank of Southern Africa and attend a luncheon hosted by Hashimoto

Later in the afternoon he will deliver a lecture at the UN University on "The African Renaissance – South Africa and the World" and hold a press briefing at the *Foreign Press Association* He will leave for China on Friday morning



Japanese motorists cross the 3 911-metre-long Akashi Kaikyo bridge, the world's longest suspension bridge, to mark its opening to traffic between Kobe and Awaji Island at the weekend. The bridge cost R60 billion to build. PIC AFP

SA expected to be at forefront of fight for free world trade

(74) BD 7/4/98

Louise Cook

THE World Trade Organisation's (WTO's) round of talks next year will see SA at the forefront of a fight for international free trade in agricultural products and the scrapping of European Union (EU) farm subsidies.

The WTO was set up four years ago to monitor international trade and sort out trade disputes between countries, following the successful completion of the Uruguay round of trade negotiations in 1993.

At the time most first world countries, including SA, the US and Europe, agreed in principle to open up their markets and gradually to bring down import tariffs on products.

However, because of the the EU's common agricultural policy, which allows EU farmers to receive generous production and export subsidies totalling R250bn a year, SA subsequently joined the Cairns group of countries, a lobby group which plans to challenge the EU on these issues at the next round of WTO trade negotiations.

Agriculture department deputy director-general Steven Cornelius said in Pretoria yesterday the Cairns group was relying on SA to fight on behalf of other African countries to force the EU to scrap the subsidies.

Cornelius said SA became an official member of the group last week at its 18th ministerial meeting in Sydney. The other members are Argentina, Australia, Brazil, Canada, Chile, Colombia, Fiji, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, Thailand and Uruguay.

"Our first objective is to ensure that agricultural trade is included on the agenda of the next round of talks of the WTO. We have targeted the WTO ministerial meeting in Geneva next month to ensure that issues like export subsidies, market access and domestic support in agriculture are on the agenda.

"The Cairns group will work to ensure that the necessary preparations have been undertaken so that the negotiations begin on time, and are completed as soon as possible."

The outcome had to put trade in agricultural goods on an equal footing with trade in other goods, he said.

Adviser to the agriculture ministry, Tracy Simbey, warned that SA agriculture would be "doomed" unless the Cairns group could force the EU to reduce tariffs and eventually eliminate agricultural subsidies. The group had the unofficial support of the US, a factor which was expected to strengthen its case.

SA and China to sign trade deal

(74) Sowetan 7/4/98

By Shadrack Mashalaba

SOUTH Africa and the People's Republic of China (PRC) are expected to conclude a trade agreement within the next four months, Trade and Industry Minister Alec Erwin announced in Pretoria yesterday.

Erwin was speaking after his return from a three-day trade visit to the PRC and Hong Kong.

He said substantial progress had been made in trade talks with both Hong Kong and China.

"This was an important trade mission which I hope the private sector will follow up on," he said.

Mechanisms have already been put in place to ensure that trade between China, Hong Kong and South Africa were successful. Discussions on a variety of issues, such as agriculture, mutual recognition on technical standards and dumping, were held, added Erwin.

Commenting on China "dumping" its footwear in South Africa, the minister said since China was not a member of the World Trade Organisation (WTO) – an international body that settles trade disputes – his ministry would embark on safeguards to protect the local footwear industry.

"The footwear industry in South Africa is important and any form of dumping would have destructive consequences for this important sector of employment," said Erwin.

Among the successes of Erwin's visit are: signed memorandum of understanding between a South African company and a Chinese firm for a joint-venture stone crushing plant, a truck assembly plant in SA valued at R210 million and a ceramics and building material manufacturing plant worth about R40m.

Last year's exports between South Africa and China, including Hong Kong, stood at R3,08 billion compared with imports of R5,95 billion.

The two countries combined are South Africa's 11th largest export market.

Development 'linked to neighbours'

BD 9/4/98 (~~279~~ 74)

SOUTHERN Africa would have to strive towards a regional trade agreement, particularly in the light of recent developments in talks for an SA free trade area with the European Union, the SA Institute for International Affairs said yesterday.

Presenting the institute's annual report, chairman Conrad Strauss said such an agreement would serve to advance SA's development and stabilise the southern African region by giving people and governments an incentive to work hard for African prosperity.

Strauss said that SA's fortunes were inextricably entwined with those of southern Africa — especially the states of the Southern African Development Community (SADC). SA could therefore not develop its economy in regional isolation.

"As with states elsewhere, we face huge developmental obstacles in our quest to realise our full potential," Strauss said.

"In southern Africa, the principal challenge remains the alleviation of poverty and the enhancement of human development." Sub-Saharan Africa and south Asia stood out as the poorest regions worldwide, where about 800-million people did not have enough food.

SA fell behind SADC member state Seychelles in life expectancy, adult literacy, educational enrolment ratios and real per capita gross domestic product. "Our position in the region has been strengthened through the growth of human relationships, economic interdependence and by academic and educational interchanges."

Strauss said closer ties had also been encouraged by a new approach to security in the region. "Whereas SA was in the past perceived as a source of threat, today there is a need to embark on collaborative programmes to improve understanding and reduce tension that might exist."

Strauss said that to develop southern Africa, the region had to continue to rely on both bilateral and multilateral relationships.

SA was in a position to play a significant role in influencing the global arena, he said.

"The United Nations (UN) will only be as effective as its members permit," he said, adding that SA could play a significant role in ensuring that both regional representation as well as veto powers remained high on the agenda of the UN.

The nonaligned movement heads of state summit meeting is scheduled to be held in SA between August 29 and September 3.

Strauss said the meeting would provide an opportunity to "break the mould and provide a fresh policy agenda for the 21st century". — Sapa.

Sino-SA trade prospects are looking good

Members of delegation upbeat after top-level political and economic talks

By Jovial Rantao and Sapa

Upbeat officials predicted at the weekend that the superpower of the 21st century, China, would become one of South Africa's top economic partners, while Deputy President Thabo Mbeki continued to consolidate political ties with Chinese leaders.

Mbeki is due to meet President Jiang Zemin and newly elected premier Zhu Rongji today for talks aimed at consolidating Sino-SA political and economic relations.

On China's domestic reform and restructuring efforts, Mbeki said: "This opens up the possibility for co-operation."

Chinese vice-president Hu Jintao said earlier that "as two developing countries China and SA should learn from each other in national construction".

Mbeki's bilateral negotiations are expected to finalise the basis for exchanges in the military, mining, housing and science and technology sectors.

Mbeki has already held talks with Chinese Defence Minister Chi Haotian about a possible reciprocal arms deals.

Mbeki said the Chinese were interested in SA's technologically advanced weapons but emphasised that there would be no exchange of nuclear technology. "We're signatories of the non-proliferation of nuclear weapons treaty," he said.

He said a delegation from the People's Liberation Army which was undergoing a process of transformation, would arrive in South Africa later this month to exchange ideas on demobilisation and on how the Chinese army's weapon capabilities could be enhanced to make up for the 500 000 Chinese soldiers who are to be retrenched.

The Chinese delegation and their South African counterparts would identify the needs of the Chinese army as well as those of the SANDF.

"If you want to maintain defence capabilities you need greater effectiveness from your weapon system. They say that they look forward to working with us," Mbeki said. Yesterday Mbeki and his wife Zanele led the SA delegation up the historic Great Wall of China.

Before arriving in China, Mbeki spent four days in Japan where he signed an agreement leading to a bi-national commission which will attend to political and economic relations between the two.

The SA delegation leaves tomorrow for South Korea.

Mbeki has indicated that SA is keen to establish relations with North Korea.

The SA embassy said the new diplomatic status had led to many visits to SA by potential investors and traders.

Total trade with China, including that with Hong Kong, was expected to reach over R17-billion this year.

Mbeki said SA and China thought this would increase and that within 10 to 15 years China would be one of SA's top trading partners.

US bids to soften terms of its Africa trade bill

CT(BR)15/4/98 (74) (100)

PETER FABRICIUS

Johannesburg — Some of the congressional sponsors of the US's controversial Africa trade bill were discussing ways to soften the language of the bill to make it more palatable to African countries, said Rosa Whitaker, the assistant US trade representative for Africa, in Johannesburg yesterday.

Whitaker is visiting South Africa to try to win greater support for the bill and for the Clinton administration's parallel initiative to boost trade and investment between the US and Africa.

She recently attended the Organisation of African Unity's (OAU) ministerial meeting in Harare, and said OAU members had expressed reservations about the conditionalities of the Africa Growth and Opportunity Act.

But she said that once she had explained some of the "misconceptions" about the bill, they had confirmed the OAU secretariat's endorsement of its principles.

The bill aims to promote trade and investment with Africa by measures including the lowering or elimination of US tariffs for a wide range of African products.

It offers unique duty-free access to the US market for African textile and clothing exports from countries that meet specified conditions — essentially to do with liberalising their economies and protecting foreign trade and investment.

During Clinton's recent visit to South Africa, President Nelson Mandela bluntly told the US president that the bill was "unacceptable".

Whitaker said yesterday: "We really don't have conditionalities as such. What we have are general eligibility requirements which represent the global best practices for attracting trade and investment."



UNDER FIRE *Health Minister Nkosazana Zuma's new laws are worrying US drug makers*

She said there was discussion among some of the sponsors of the bill "to rephrase it in a way that does not raise the ire of African countries".

She pointed out this was a unique trade bill because the US was offering African countries enhanced tariff reductions without demanding reduced tariffs for entry of US goods into Africa.

Whitaker said she had held "extensive" discussions with Health Minister Nkosazana Zuma this week about the row between the US and South Africa over Zuma's new legislation which permits the import and use of generic medicines.

US pharmaceutical companies have complained that the bill violates their patent rights.

Whitaker said the discussion was "constructive", but could not say any progress had been made towards a compromise. She said the US agreed with Zuma's goal of providing affordable healthcare and to equalise access to it, but did not believe it was necessary to impinge on intellectual property rights of medical manufacturers to achieve these goals.
— Independent Foreign Service

Erwin to attack trade diplomacy in Geneva

(74) BD 20/4/98

John Dludlu

EXTRATERRITORIAL trade diplomacy, like the now infamous US Helms-Burton law, will come under strong attack when Trade Minister Alec Erwin tables SA's trade and investment policy in Geneva tomorrow.

SA's trade policy and those of its Southern African Customs Union partners — Botswana, Lesotho, Namibia and Swaziland — will come under harsh scrutiny at the World Trade Organisation (WTO) this week.

All WTO members have to submit their trade policies for occasional appraisal by the Geneva-based trade watchdog and its members.

During the policy statement, forming part of SA's first post-apartheid policy review, Erwin will also express support for the rules-based multilateral trading system and measures to strengthen it. Unilateral action by trading partners and policies that undermine other WTO members' sovereignty will be condemned by Erwin in the policy statement.

The Helms-Burton law, which seeks to discourage trade with Cuba by punishing companies doing business there, has been vehemently criticised by WTO members.

Government officials say the policy statement seeks to position SA's challenges as those of a developing economy. The WTO classifies SA as developed thanks to the past government's desire to be seen as such. "We want to say that although we're fulfilling our (developed country) obligations, our challenges are those of a developing country," an official said. "We are liberalising because we think it is the way to achieve competitiveness."

Erwin and SA, which chairs the United Nations Conference on Trade and Development, have emerged as champions of the cause of the developing world, drawing international organisations to the threat of marginalisation of Africa amid globalisation.

Erwin is also expected to tell SA's trading partners that Pretoria has taken steps to open farm trade by passing laws scrapping control boards. It has scrapped some of its WTO-illegal subsidies (such as the general export incentive scheme), it is cutting industrial tariffs, the investment regime has been liberalised and it is bringing trade policies to WTO requirements.

The government statement will show that SA's support for agricultural marketing is among the lowest: at 12% in 1995, SA's producer subsidy equivalent is lower than Japan's 77%, Europe's 49% and the US's 15%.

Ironically, the WTO policy review coincides with an admission by government that there have been delays in implementing industrial tariff cuts.

"Overall, we've done fairly well (in meeting our obligations)," says a government official. However, it will be known only later in the week, after the WTO report, whether SA's policy impresses the general agreement on trade and tariffs successor.

Though SA officials are confident their policies are compatible, other WTO members are expected to raise questions on trade and investment in SA, including intellectual property laws, supply-side measures, and competition policy and development.

Mission to boost trade with Irish

Business Day Reporter (74)

TRADE delegates from Northern Ireland's Industrial Development Board (IDB) and 12 companies would be in SA between April 21 and 30.

The companies plan to explore business co-operation in areas such as trade, joint ventures and technology transfer with SA companies.

IDB CE Bruce Robinson said the mission offered an extensive range of products and services in areas such as civil engineering, construction, waste water treatment and software.

Robinson said that Northern Ireland was a perfect base from which SA companies could develop trading links with the European Union.

□ For further information on the trade mission please contact the British Information Services on tel (011) 327-0015, fax (011) 327-0156.

World trade body plans to review SA's trade policies

(74)

Simon Barber

BD 20/4/98

WASHINGTON — SA's trade policies are to be scrutinised with those of its customs union partners by the Geneva-based World Trade Organisation this week.

At a three-day session starting tomorrow, the WTO secretariat will submit detailed reports on the countries' policies, which Southern African Customs Union (Sacu) officials will then discuss with the WTO's trade policy review body.

The review, called for under the Uruguay round agreements and to which all WTO signatories have to submit periodically, is "not intended to impose new policy commitments" on the members concerned, according to the treaty language. However, both the review body's evaluation and the secretariat's reports will be made public, and can be expected to highlight problem areas.

The session comes as the Sacu agreement is being renegotiated, with members seeking to revise the union's management structure and revenue-sharing formula.

The WTO secretariat is understood to have found Sacu's tariff structure, chiefly representing SA's interests, to be unnecessarily complex. The result is that some of the union's members — SA, Lesotho, Swaziland, Botswana and Namibia — may be losing export opportunities.

The secretariat is also believed to be worried that while SA's moves to rationalise tariffs may simplify the system for all of the Sacu, they may lead to an increase in the union's import duties and a higher effective rate of protection.

The review body is likely to take a close look at Sacu's ties with the Southern African Development Community.

The international review body will also look at SA's policies on intellectual property, a vexed subject in light of US complaints that SA is violating its WTO obligations by reducing patent protection for drugs.

Trade reforms page 17

Govt falls behind in its schedule to reduce tariffs (74)

John Dludlu BD 20/4/98

GOVERNMENT's tariff reduction programme, agreed to with the World Trade Organisation (WTO), has been delayed in what sources believe to be a case of bureaucratic inefficiency.

The delay is likely to tarnish government's track record, which has seen Pretoria being accused by labour and business of accelerating tariff liberalisation beyond WTO obligations.

The SA Revenue Service, which includes the customs and excise department, admitted that SA's tariff reduction programme had fallen behind in at least three areas: machinery, electrical machinery and appliances.

The service said the delay was caused because draft notices were first submitted to the Board on Tariffs and Trade to verify the content. "As some of the board's previous recommendations were superseded by subsequent recommendations some confusion arose regarding the correctness of the draft notice and it had to be carefully scrutinised for a second time."

Attempts to scale back tariff protection on plastics had also run into "various problems", the service said. "The (tariff) reductions for these products are receiving urgent attention."

The delays in the implementation of SA's commitments could prompt a reprimand from the WTO, the Geneva-based global trade watchdog.

The admission of the delay comes as SA's trade and investment policies are due to be scutinised by its trading partners and the WTO this week.

A trade official said SA had by and large, implemented its obligations.

The delays will also undermine government's efforts to remove protection faster, notably in cases where no economic justification exists. Danie Jordaan, chairman of the Board on Tariffs and Trade which advises government on tariff reductions, said the board had recommended an accelerated cut to reduce cost structures in certain cases. This had been done, for example, where items were not produced locally.

Erwin to attack policy: Page 3

SA-EU talks on fisheries 'constructive'

(74) BD 20/4/98

John Dludlu

SA AND the European Union have opened serious talks on a fisheries agreement to address growing frustration by certain EU states that not enough progress was being made on nontrade aspects of the trade, development and co-operation negotiations.

An EU source described the talks as "very constructive" pointing out that there was "now an understanding of what each of us is trying to achieve".

An official at the SA embassy to the EU in Brussels said at the weekend last week's round, also attended by EU member states, had shed more light on the complex negotiations.

"The (EU members) appreciated the direct access to information. They realised that we are different from other African countries (with whom the EU has 'first generation' fishing agreements) which have excess quotas and no fleets," she said.

Last week's round of talks agreed to a future working programme. Two further meetings are planned for May and July.

Although central to the current free trade area talks, the fisheries agreement does not necessarily have to be concluded simultaneously with the free trade negotiations. The EU is seeking access to SA's fishing waters, but progress in talks has so far been hindered by the fact that SA is still writing its fisheries policy.

The EU source said the two sides agreed to search for imaginative ways of establishing EU-SA "partnerships" in the fishing sector without necessarily duplicating existing EU fisheries accords with third countries.

"We want a recipe that would work for SA," the SA official said.

The "first generation" fisheries accords with Brussels' African, Caribbean and Pacific partners, give EU fishermen access to their waters. In return, the EU — via its common fishing policy kitty — compensates the partners.

However SA, which is still trying to allocate its quotas for disadvantaged fishermen, has made it known there will be no "outright quotas".

"South Africans will be served first," the SA diplomat said.

A possibility of using a portion of the EU's aid package and the fishing budget to SA to support "joint (EU-SA) enterprises" was discussed. "This (use of both sources) would ensure coherence between the fishing and development policies," the EU source said.

The EU is also keen to have co-operation with SA on a range of fisheries issues, including marketing, monitoring, control and surveillance.

The fisheries talks are important to the present free trade area negotiations for a number of reasons.

One of these is that other EU countries, like Spain, would like to see some progress being made on fisheries before backing the mooted free trade area due to be concluded in June.

The other reason is that lack of progress on fisheries talks could delay agreement on fish-based items currently the subject of discussion under the free trade area. The understanding to search jointly for a "unique" EU-SA fisheries accord, with no guaranteed quotas for EU fishermen, suggests a softening of the EU stance.

Trade agreements 'should not result in marginalisation'

BD 21/4/98

John Dludlu

(74)

CO-OPERATION between the World Trade Organisation (WTO), the United Nations and the Bretton Woods institutions should be strengthened to ensure their policies did not worsen the plight of developing countries, says an SA government official.

SA's trade and investment policies and those of its customs union neighbours — Botswana, Lesotho, Swaziland and Namibia — are to be reviewed by the WTO today.

Interviewed at the weekend, Xavier Carim, the deputy director in charge of multilateral trade relations at the trade and industry department, said Trade Minister Alec Erwin would call for deeper co-operation between multilateral institutions to prevent the further marginalisation of Africa.

SA, which chairs the UN Conference on Trade and Development, has used this forum to champion the cause of developing countries although it is treated as a developed country by the Geneva-based watchdog.

Carim said that although the institutions are working together, the co-operation has to go beyond operational level to ensure coherence in policies.

Because of economic crises in east Asia, SA will call for co-ordination between the multilateral trade system and the governance of international financial flows.



I Bjork-Klevby, an executive director at the African Development Bank and the bank's Nordic representative was at the bank in Sandton yesterday to attend a seminar on regional integration. Picture: TYRONE ARTHUR

'Cross-border initiative imposed on African govts'

John Dludlu

THE cross-border initiative, a fast-track trade liberalisation plan sponsored by the Bretton Woods institutions and the African Development Bank yesterday came under attack at a bank seminar, with one speaker hinting it was imposed on African governments.

Mfundo Nkuhlu, in charge of Africa trade relations at the trade department, said SA was hesitant to join the initiative as its benefits were merely "impressionistic" and the gains "difficult to analyse".

The programme appeared to be driven by an "article of faith" rather than tangible benefits accruing to participants.

SA is one of a few countries not participating in the initiative sponsored by the World Bank, the European Union (EU) and the bank. Participating countries receive budgetary support from the programme's sponsors to continue economic reforms including facilitating payment systems.

Nkuhlu said initiatives like the fast-track programme stemmed partly from the indebtedness of African governments to the multilateral institutions.

Pretoria's hesitation on participation also stemmed from a desire to have latitude in policy choices, raising questions about policy discretion of some of the participating African countries.

Projects such as the cross-border initiative could lead to African countries losing their gains, albeit small, from the World Trade Organisation, Nkuhlu said.

Investment growing: Page 4

SA probes dumping by five countries

BD 23/4/96

John Dludlu (=74)

GOVERNMENT has instituted an antidumping action against five countries, including China, in a move that is likely to put pressure on Beijing and Pretoria negotiators to conclude a mooted bilateral trade pact.

In a government gazette notice, the Board on Tariffs and Trade said it had initiated an investigation into allegations of the dumping of blankets from China, Hong Kong, India, Korea and Turkey.

The petition, published on April 8, comes weeks after the high-profile visit by Trade Minister Alec Erwin and a two-week working visit to Asia by Deputy President Thabo Mbeki.

Since establishing diplomatic relations with China and after dumping Taiwan last December, SA has been negotiating what the trade department calls a "foundation" agreement with Beijing.

A key part of this economic and co-operation accord, which government officials hoped would have been concluded by the time Erwin and Mbeki visited China, was to deal with antidumping issues. What complicates matters is that China — one of the new markets being targeted by SA — is not a member of the World Trade Organisation (WTO).

This makes it difficult to determine when dumping happens. A "surrogate" country, for example Korea, is used to calculate if dumping did occur in China, which is considered to be a non-market economy.

Themba Rubushe, a trade and industry department spokesman, said last night the planned agreement would provide a guide to SA's future dealings with China.

The petition on blankets of acrylic fibre or partially containing acrylic fibre was lodged by the Textile Federation on behalf of Aranda Textiles, Waverly Blankets and Acrytex.

Dumping normally occurs when an exporter sells in foreign markets at prices far lower than those charged in the domestic market. Antidumping measures are among the few legal instruments still permitted by the WTO, the Geneva-based global trade watchdog, which seeks to open world markets. The measures provide relief to industries suffering from unfair trade.

The products originated in or were imported from China, Hong Kong, India, Korea and Turkey.

The petitioner alleges that it cannot compete with the low prices charged by the importers and that imports are causing it material injury or are threatening to cause material injury. An investigation is only instituted if the petitioner submits enough evidence, suggesting injury.

Rubushe, who accompanied Erwin on his China mission, said the Chinese government had expressed concern at the restrictive measures, including footwear quotas, to the SA delegation. "The minister explained it (SA's position) and they understood."

One of the attractions of the Chinese market is its size: it provides a market of more than 1-billion people. The country has been experiencing exponential rates of growth in recent years, further bolstering its status as an investment destination.

Trade policies under fire for 'violating labour rights'

(473) (74)

John Dludlu

BD 23/4/98

SA's trade policies and those of its neighbours in the customs union have been sharply criticised by an international labour federation for "deliberately violating labour rights".

In a report published yesterday, the Brussels-based International Confederation of Free Trade Unions says SA and other members of the customs union — including Lesotho, Namibia and Swaziland — are "riding roughshod over core labour standards" to improve trade and investment opportunities.

The drive to attract investments in export processing zones has also "spurred governments into crushing workers' rights" in some of the customs union countries, including in Swaziland, says the report.

"In Swaziland, which has a long record of seriously harassing, imprisoning and even trying to assassinate trade unionists, police intimidation and violence against trade union demonstrations are ruthless," says the report, quoting a 1994 case in which workers demonstrating for higher wages in an export processing zone were attacked with teargas.

The report alleges that strikes are banned in Namibian export processing zones to allow Windhoek to attract investments.

The report coincides with the World Trade Organisation (WTO) review of trade policies followed by the customs union countries.

The report is likely to be used by SA labour unions to put pressure on Pretoria to get its customs union counterparts to enforce labour standards more vigorously.

Labour representatives in SA, who scored an important victory a year ago when government and business agreed to encourage SA's trading partners to uphold labour standards, have been concerned that Pretoria is not doing enough; a charge that is denied by government officials.

A WTO report and questions from SA's trading partners are due out today.

The labour report, prepared with affiliates from the customs union countries, says the WTO should request the International Labour Organisation to work closely with the customs union governments to ensure compliance with labour standards.

"In Namibia and SA discrimination is clearly racial as well as gender-based, because of the legacy of apartheid. In Namibia, there is a staggering difference between wage levels of black and white citizens: many of the poorest black citizens earn under $100 a year, compared to white citizens' $14 000," the federation says, pointing out that the situation is the same in SA thanks to similar reasons.

The report cites research by an institute aligned to SA labour federation, Cosatu, which estimates that the difference between a manager's salary and that of a worker is a stunning 15 to 20 times and 60% of national wage and salary bill goes to salaried staff or white collar workers.

Additionally, the report says, it seems investment by SA, Taiwanese and Hong Kong companies is based on guarantees that they will be able to disregard labour legislation.

The international workers' federation says child labour and discrimination against women are widespread in the customs union area.

The "core labour" standards labour wants upheld include a ban on child labour and all forms of discrimination; and the rights of unions to organise and to negotiate with employers, the report says.

A spokesman for the federation said yesterday the report was also part of a campaign to get the WTO to include labour standards in its agenda.

All the customs union countries have ratified the "core labour" conventions, although violations are continuing.

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AFRICA AND THE EAST

Clearing the overgrown path of trade

(74)

Mbeki goes east in search of new gold

FM 24/4/98

In 1415, an African king, probably from Malindi on the east coast of Africa, shipped a gift in the form of a giraffe to a Chinese emperor in the Forbidden City of what is now Beijing. Nearly 600 years later, Deputy President Thabo Mbeki, on a tour of East Asia, ventured to explain why the gentle giraffe was sent, rather than the more powerful elephant, lion or leopard.

An *indlulamthi* ("the animal that towers above the trees") was chosen, Mbeki suggested to Hong Kong business leaders, to pay tribute to a leader who could see into the distance, beyond the trees of his forests.

In 1424, when a Chinese fleet under Admiral Cheng Ho landed on the east coast of Africa, it reinforced the foundations for relations between Africa and Asia.

"They (the Cheng Ho fleet) . brought a message of co-operation, mutual respect and trade in commodities, which would have an impact in improving the lives of the peoples of both continents," Mbeki said.

His message was that "we have a task to repair the breach and refuse to tolerate a chasm between Africa and Asia" — the result of negative stereotypes of each other fostered later by Western colonialism

While the popular belief is that Africa is characterised by political turmoil, social unrest, dictatorships, coups, genocide, disease, refugees, corruption and backwardness, Mbeki said, 'the Africa of today is one of hope, a continent that has resumed its journey out of the period of despair It is for this reason that we have spoken of an African Renaissance, of the rebirth of our continent"

In the past decade, he said, 25 sub-Saharan countries had established multiparty democracies. Whereas in 1992 only 17 of the 47 sub-Saharan economies grew by more than 3%, the number had risen to 37

"A new, indigenous and energised African movement for the liberation of the continent has surely emerged," said Mbeki "It is set to change the face of the politics and governance of the economies of Africa."

The private sector (domestic and foreign), he said, was being given "primacy in the struggle to achieve economic growth and development". This could be seen in the privatisation programmes that many African countries had embarked on.

It was vintage Mbeki and, like his tour as a whole, which included visits to Tokyo, Beijing and Seoul, was undoubtedly significant, say foreign affairs observers Mbeki himself described the trip as an unqualified success, saying there was a clear commitment among all his hosts to "strengthen their ties with the African continent".

The tour reflected new thinking at both the Departments of Foreign Affairs and Trade & Industry on the importance of other emerging markets to SA, says SA Institute of International Affairs research director Antoinette Handley. These markets are important because of their high import growth relative to other countries, notwithstanding the Asian currency crisis.

The tour was aimed at introducing SA and the rest of the continent as an investment destination and trading partner to East Asia It reflects the normalisation of SA foreign policy — securing new markets in addition to traditional ones.

SA is to form binational commissions with China and Japan, similar to the one with the US.

The naive, impossibly principled early approach based on fostering human rights seems to have taken a back seat Mbeki did not (and as a seasoned diplomat would not) raise the issue of human rights or ethnic cleansing in Tibet with his Chinese hosts. He told journalists in Hong Kong he did not feel it was necessary

The Asian financial crisis, says Handley, could perhaps lead to a rethink of the region's model of economic development — which is marked by an interventionist approach to the economy, crony capitalism (whose lessons should be borne in mind as SA privatises State assets) and a deregulated labour market (one aspect economists urge SA to adopt)

East Asia accounts for about 25% of SA's trade — more than trade with North and South America combined and second only to the European Union, says Foreign Affairs' chief director for the Far East, Les Labuschagne. Japan is SA's fourth most important trade partner, accounting for 31% of SA exports to Asia

Aside from the importance of the region as a trade destination, says Labuschagne, China is an emerging superpower with which SA should have good relations.

A significant part of the tour was for Mbeki — widely expected to take over from President Nelson Mandela next year — to meet the new leadership in China, Hong Kong and Korea as well as to consolidate existing relations in the case of Japan. Personal contact is said to be particularly important in dealing with the East.

Mbeki met Chinese President Jiang Zemin and Prime Minister and economic kingpin Zhu Rongji In Hong Kong he held talks with the territory's chief executive, Tung Chee-Hwa; in Seoul with the Mandela of South Korea, Kim Dae Jung, who was inaugurated as President in February, and acting PM Kim Yong Pil Mbeki also had an audience with Emperor Akihito in Japan The high level at which the Deputy President was received is an indication of the importance these countries accord SA In his final address in Hong Kong, Mbeki said Africa and Asia should not wait another day to rekindle a 600-year-old partnership "We believe that Africa's renewal through her native-born Renaissance presents an enormous opportunity to Asia"

Amarnath Singh



Jiang Zemin and Thabo Mbeki *. . commitment to strengthen ties*

EU takes trade battle with Pretoria to WTO

John Dludlu

BD 24/4/98 (74)

THE European Union (EU), which is negotiating a free trade agreement with SA, took its battle to open up SA's markets to the World Trade Organisation (WTO) this week.

The EU used the WTO review of SA's trade policies to call on Pretoria to "put into effect and implement quickly" a legal framework for competition which would be responsive to today's needs in SA.

Like several other trading partners, the EU believes SA's economy is dominated by a few conglomerates which are undermining competition.

The current internal review of competition and antidumping policies have slowed progress in the EU-SA talks.

Brussels says also that while it respects SA's goal of affirmative action, it called on SA to welcome competition in government procurement, saying this could be an important step in growth prospects.

Preferences in state tenders has been one of the differences between the EU and SA.

It is understood the EU has offered to allow SA to practise affirmative action for a specified period, but this has apparently failed to extract concessions from Pretoria.

The EU criticised SA protection of intellectual property rights, saying although SA officials painted a rosy picture of these laws, reality showed a different scenario.

Canada expressed concerns at the recent increases in import duties on commodities, including wheat and poultry.

Canada requested clarity on the reforms to antidumping measures and tariff rationalisation programme, especially instances where this exercise could increase tariffs.

Labour costs 'limit benefits of reforms'

(74)

BD 24/4/98

Simon Barber

WASHINGTON — The World Trade Organisation (WTO) says the benefits of government trade reforms on SA's competitiveness are being eroded by rising labour costs.

The secretariat of the Geneva-based WTO, which polices international trade, concludes in an exhaustive report on SA and Southern African Customs Union trade policies that structural reforms have laid a "credible foundation" for making SA's products more competitive internationally.

However, the report says the competitiveness of SA manufacturers, shielded by tariffs averaging 16%, is being hurt by "upward pressures on unit labour costs resulting partly from a lack of skilled labour".

It also voices concern that government's effort to simplify and rationalise tariffs, while aimed at lowering costs for SA manufacturers and reducing price distortions, may conflict with its goal of creating new jobs.

"By escalating rates from primary to final products ... the (tariff rationalisation) process may increase effective protection, and thus perhaps raise the capital intensity of manufacturing," the report says. Rates of 10%, 20% and 30% are, generally, the limits for imports of raw material, intermediate goods and finished items respectively.

The report suggests that government needs to move faster to privatise or restructure state-controlled monopolies on services such as transport and telephony. "Further liberalisation of services should improve the efficiency of other sectors such as manufacturing and tourism; it would also help the competitiveness of SA's exports."

In spite of reforms, the WTO notes that SA's and the customs union's tariff regime remains complex. "Based on minimum import prices, formula duties, designed to combat 'disruptive competition', are still used, although SA also applies antidumping actions. Protective tariffs can also be introduced relatively easily."

Pretoria is reforming its antidumping law to bring it in line with WTO standards. This month it notified the WTO that, as of December 31, it was enforcing antidumping duties on 43 products from 20 countries. Seventeen of the duties were imposed last year.

The WTO report is likely to be music to the ears of US steel producers as they initiate their own round of antidumping suits against foreign competitors. It says SA exporters of secondary steel receive rebates from primary producers, and SA's domestic prices are higher than export prices — the basic definition of dumping under US law.

The WTO report also questions whether SA's tariff policies are in the best interests of the rest of the customs union — Namibia, Botswana, Lesotho and Swaziland. It warns that SA, which devises its tariffs "primarily (to) reflect its policy priorities and industrial structure", may be "imposing an anti-export bias" on its partners.

Customs union members have also complained that the SA-dictated tariff structure is difficult to implement and administer, the report says.

It also sounds a warning about sys-

Continued on Page 2

WTO

(74)

Continued from Page 1

BD 24/4/98

tem overload, with SA negotiating a trade deal with the European Union, and the customs union renegotiating its own treaty while simultaneously reviewing its "operational relations" with the Southern African Development Community.

"There is a risk ... that the evolution of this complex set of relationships could create a structure, preferences and rules of origin that could well lead to future trade distortion."

John Dludlu reports that the WTO also urged SA's customs union partners to forge ahead with trade liberalisation. It says outward-orientated trade policies and freer markets would benefit the members' economies.

The review urges Botswana to open trade in services, including telecommunications, finance, insurance and transport, saying liberalisation will bolster the country's trading position.

The WTO report was the basis of three days of discussions this week between the customs union and the WTO's trade policy review committee.

EU negotiations: Page 3

Trade has become more liberal but 'selective protection' must stop

WTO praises SA policy

(74)

PETER CAPELLA

Geneva — The World Trade Organisation (WTO) praised South Africa's overall progress in liberalising trade in the past four years, but also warned that it must stop using its tariffs for "selective protection" and must simplify its arrangements under the Southern African Customs Union, along with its fellow members — Botswana, Lesotho, Namibia and Swaziland.

In its first review of the new state's trade policies, released yesterday, the WTO said South Africa still maintained a system of duties that "is frequently changed for selective protection".

The report said a revised structure was essential to conform to WTO obligations, to attract more foreign investment and to ease new regional agreements.

The three-day review of South Africa's trade policies to ensure they complied with the WTO's free trade rules ended yesterday.

Alec Erwin, the trade and industry minister, rejected the criticism of South Africa's system of duties on the grounds that the report was completed last year. "I think many of the member states based their deductions on that report and we would argue that it's incorrect in the current circumstances," he later told journalists.

He said most of the barriers to trade had been eliminated or were not effective. The remaining ones would be removed in the coming year, he said.

Erwin dealt out some criticism of his own, warning that if the WTO did not improve the institutional capacity of developing countries to implement WTO rules it would contribute to "severe developmental distortions".

Erwin in effect said now that developed countries had grown rich through protectionism, they were denying it to developing countries when they needed it. He said the only government export support measures which were permitted under WTO rules — such as support for research and development and protective measures, such as anti-dumping rules — required a level of institutional sophistication which most developing countries lacked. — Independent Foreign Service

Erwin's team dismisses WTO's trade queries

BD 20/4/98

74

John Dludlu

SA HAS dismissed most of the accusations levelled at its trade and investment policies during the recent international review of its policies.

In a detailed response to questions raised by its trading partners and the World Trade Organisation, SA has dismissed as misleading some remarks of the WTO and has highlighted some policy reforms overlooked by the Geneva-based trade watchdog.

A delegation headed by Trade Minister Alec Erwin also took issue with the organisation's comments that privatisation had slowed down.

SA argued that reference to maximum ceiling rates of almost 400% on farm products was misleading as it related to only 12 lines.

However, government accepted its tariff structure on about 1 900 lines in clothing and textiles was complex.

As part of its offer to the General Agreement on Tariffs and Trade (GATT), the WTO's predecessor, government undertook to simplify its tariff structure and reduce lines.

Only 28 formula tariffs remain in place out of about 8 000 lines. "All of these are to be removed in 1999," the delegation said. Contrary to claims that tyres were still subject to import controls, these were lifted last year.

As part of its obligations to the WTO, SA has had to scrap GATT-illegal export subsidies like the general export incentive scheme, which was terminated last year.

The delegation told the review panel it was developing supply-side instruments to encourage investment, development and competitiveness.

"SA does not consider these measures to be in conflict with the WTO agreement. SA maintains that the WTO report has, unjustifiably, inferred that the perceived anti-export bias in SA's trade is related to perceived anomalies in the tariff structure," the delegation said.

The SA team also pointed out that most agricultural marketing boards were phased out last year, although there were "statutory remnants to assist in the liquidation of assets".

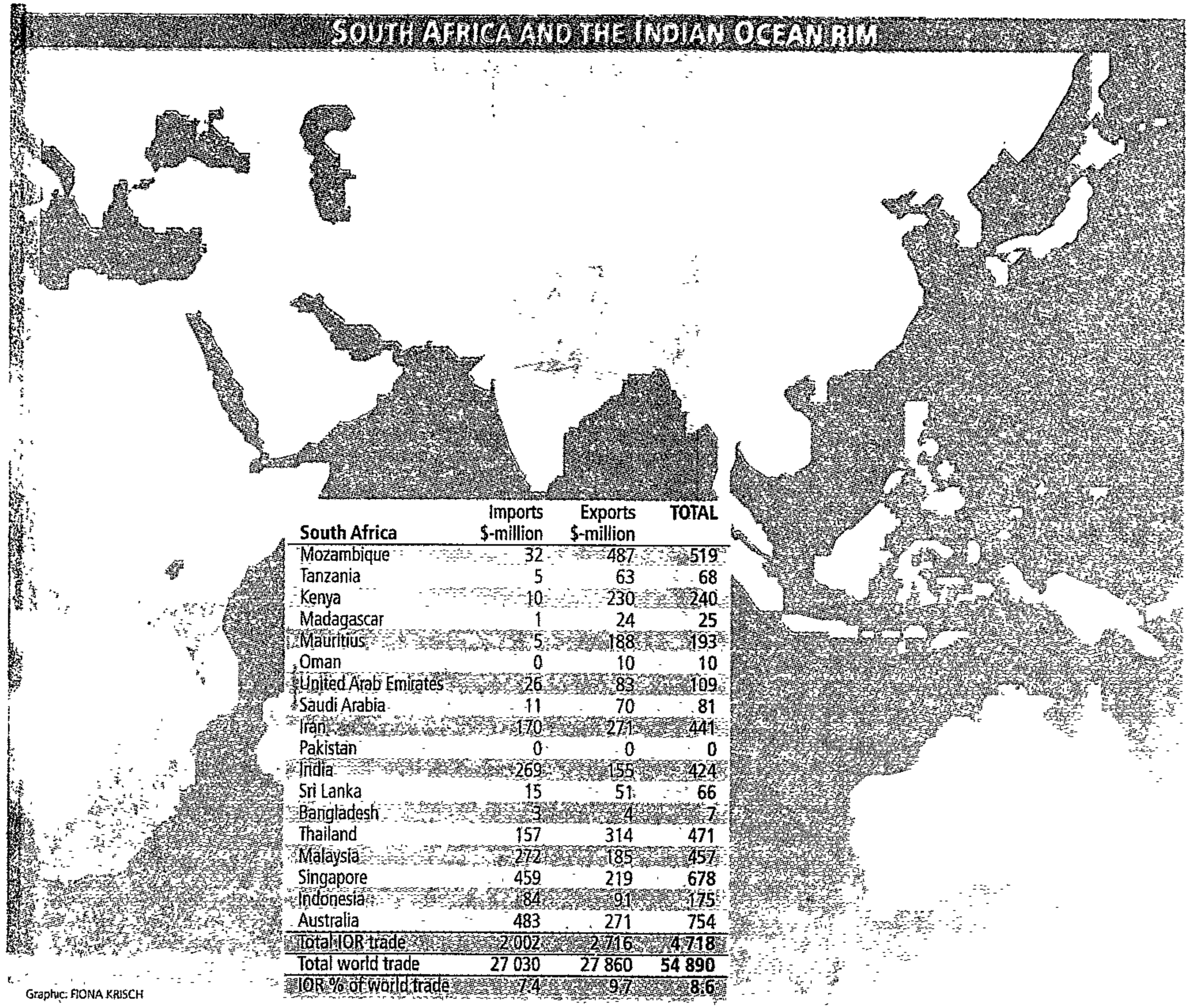
Erwin again expressed SA's commitment to tariff reforms and reduction of protection.

Government would announce a dispensation for the motor and clothing and textiles industries — SA's most protected sectors — later this year.

Erwin, who has championed the cause of developing nations in his role as chairman of the UN conference on trade and development, also called for more attention to be paid to the problems of least-developed countries.

Although classified as a developed economy, SA has aligned itself with developing nations, arguing that its challenges are the same.

Comment: Page 17



South Africa	Imports $-million	Exports $-million	TOTAL
Mozambique	32	487	519
Tanzania	5	63	68
Kenya	10	230	240
Madagascar	1	24	25
Mauritius	5	188	193
Oman	0	10	10
United Arab Emirates	26	83	109
Saudi Arabia	11	70	81
Iran	170	271	441
Pakistan	0	0	0
India	269	155	424
Sri Lanka	15	51	66
Bangladesh	3	4	7
Thailand	157	314	471
Malaysia	272	185	457
Singapore	459	219	678
Indonesia	184	91	175
Australia	483	271	754
Total IOR trade	2 002	2 716	4 718
Total world trade	27 030	27 860	54 890
IOR % of world trade	7.4	9.7	8.6

Graphic: FIONA KRISCH

Indian Ocean countries largely isolated from major trading blocs

Tentative steps are being taken to strengthen ties between some of the 18 countries that fall within the area, writes DON ROBERTSON

ST (BT) 3/5/98 (74)

SOUTH Africa is one of the largest trading partners in an ill-defined Indian Ocean Rim (IOR) group of countries — yet only 8.6% of its total international trade is conducted in these areas, says a report produced by the Reed Business Information group.

The report says the IOR countries have largely been isolated from the major trading blocs in Europe and North America and continuous progress to strengthen ties between them will be both time-consuming and bureaucratic.

As a result, the 240-page Reed report is an effort to encourage the private sector to initiate closer co-operation for two-way trade between these countries.

No one has satisfactorily defined which countries might fall within the IOR, but the report defines these as all countries located on the Indian Ocean or served by an Indian Ocean port.

Total population in the area is estimated at 1.5-billion people.

Indeed, tentative steps have already been taken to strengthen ties between some of the 18 countries, including South Africa, which might qualify.

For instance, the Indian Ocean Rim Association for Regional Co-operation has been established recently and a number of working groups have developed from this association.

There is also the Indian Ocean Business Forum, and IOR Business Centre, an IOR Chair in Indian Ocean Studies as well as co-operation in standards, accreditation, human resource development and tourism.

In addition, smaller groups such as the Gulf Co-operation Council, the Association of South East Asian Nations and the Southern African Development Community have been formed, but have been of little actual economic importance until recently.

Other countries which would qualify are Mozambique, Tanzania, Kenya, Mauritius, Madagascar, the United Arab Emirates, Oman, Saudi Arabia, Pakistan, India, Sri Lanka, Bangladesh, Thailand, Singapore, Malaysia, Indonesia and Australia.

The report, Business Opportunities in the Indian Ocean Rim, consists of a comprehensive information list detailing each country's trade with other IOR nations, individual business opportunities, likely exports and imports that will be required this year, a list of trade exhibitions and a brief comment on the country.

For instance, India will require mining machinery and equipment worth $480-million this year, Pakistan wants telecommunications equipment worth $258-million, Sri Lanka needs power supply equipment worth $1.8-billion and the United Arab Emirates wants building products worth $1.5-billion.

South Africa has a trade surplus with the IOR countries with imports of $2-billion and exports of $2.7-billion for a two-way trade of $4.7-billion.

The surplus, though, is largely the result of favourable trading conditions with countries in the rest of Africa.

IOR trading, however, represents only 8.6% of South Africa's two-way trade total of R54.8-billion.

This percentage, says the report, would increase if the various land-locked countries of Southern Africa were included within the definition of the rim.

"It should be remembered that South Africa's official trade with most of these countries is still relatively new, but is growing rapidly.

"It seems likely that the IOR's share of South Africa's total trade is set to increase."

The untapped market potential of the rim is enormous for South Africa, offering huge and real business opportunities.

It is possible that South Africa's two-way trade with the rim countries could reach 25%, says the report.

"The spin-offs of this ratio for every sector of the economy would be remarkable and the IOR would at last become one of the great trading regions of the world," it says.

Reed Business Information is part of the giant Reed Elsvier plc group in the UK and was formed after the unbundling of the SA Foreign Trade Organisation about two years ago.

It specialises in publishing — Kompass SA — and a variety of trade development research programmes on a commissioned or multi-client basis.

Govt identifies 400 investment projects

BD 4/5/98 (74)

John Dludlu

GOVERNMENT has identified almost 400 potential investment projects totalling about R83bn which will further its objective of increasing SA's participation in global trade.

Figures supplied by Paul Jourdan, the deputy director-general in charge of special projects at the trade and industry department, show the development initiatives could generate more than 68 000 jobs if implemented.

Among the projects are the Maputo, Lubombo, West Coast, Wild Coast, Platinum, Fish River, Durban and Phalaborwa investment projects.

The trade department said more than 100 of the initiatives were in the prefeasibility stage; 151 were at the feasibility stage; 98 were approved; finance was being arranged for 12 others; 15 were under construction and 17 were already operational at the end of last month.

Financing of the projects is a key consideration and it is understood help could come from the reconstruction and development project fund or privatisation proceeds to resolve serious infrastructural backlogs.

Most of the projects are resource-based — that is, using minerals, agriculture and tourism as anchor projects for industrial development — although the intention is to move towards human resource-based ones.

Jourdan said some projects stretched into neighbouring countries. However, SA's involvement in the region would only be in response to the needs and priorities of its neighbours.

Two provinces which do not yet have such projects — the Free State and the Northern Cape — have approached the trade department to assist them in finding growth areas.

The Platinum Corridor, initially running from Pretoria to Rustenburg, has now been extended to Botswana, while SA could participate in the Namibian corridor linking Walvis Bay and Windhoek.

Jourdan said a lack of skills was one of the main problems limiting investment initiatives, along with infrastructure backlogs inherited from the previous government.

The process of identifying development initiatives is financed by a R30m budget, which will rise to R40m this year and enjoys top level government support via a cabinet committee set up by Deputy President Thabo Mbeki, which serves to fast track projects and cut legislative red tape.

Southern Africa needs support, not criticism, from the WTO

(74) (~~[illegible]~~) BD 4/5/98

John Dludlu

ONE of the most important outcomes of the 50 years of multilateral trade negotiations leading up to the establishment of the World Trade Organisation, was its members' agreement to subject their trade policies for a review by the WTO.

Apart from ensuring transparency in members' trade and investment policies, the reviews also examine the effect of these policies on the multilateral trading system.

They present an opportunity for trading partners to raise concerns about the reviewed state's policies.

The WTO's leading members, such as the European Union (EU) and the US, are reviewed every two years, while middle-income members are reviewed every four years. SA falls into the once-in-four year category. The reviews are closely followed by the investment community.

Together with the policies of its partners in the Southern African Customs Union — Botswana, Lesotho, Namibia and Swaziland — SA's trade an investment policies came under the harsh international spotlight last week.

Predictably, members' questions — including the EU's concerns on SA's perceived insufficient protection of intellectual property and preferences in government procurement — and the secretariat's report made the news, obscuring government statements.

The WTO criticised union's external tariff system — set by SA — as being complex and "often fluctuates, sometimes hampering the export interests" of other union members. The WTO noted that the tariff structure sometimes imposed an anti-export bias on union members' economies.

Most crucially, the report warned that the overlapping trading arrangements in southern Africa could create preferences and rules of origin that led to trade distortion.

The WTO encouraged the union to further liberalise their markets and reorient the tariff structure towards external markets.

Though useful, the report overlooked the reforms and liberalisation customs union countries have undertaken, often in the face of strong opposition by labour and business.

Apart from having scrapped General Agreement on Tariffs and Trade-illegal subsidies, SA has also accelerated tariff reduction.

Having chosen globalisation as the path to competitiveness, SA's struggling neighbours, such as Botswana, face the challenge of formulating complex laws, such as those on competition and intellectual property, with no assistance.

The scale of change can only be assessed by looking at the 1993 report of SA's polices. Though not taken seriously, this report painted a laager economy: massive export subsidies; more than 50% of effective industrial protection; 12 600 tariff lines; a complex web of quantitative restrictions and formula duties; and a footnote of forward-looking policies.

Today, only 28 formula duties remain; hopefully, we have WTO-compatible industry support measures; about 8 000 tariff lines; and tariffs are at 11% on a trade-weighted basis.

Although their growth rates are making a small dent on growing unemployment, no extensive economic dislocation has occurred in the customs union area. Despite massive challenges, customs union economies have embraced the multilateral trading system.

Perhaps, what they need now is a pat on the back and more technical assistance to fulfil their WTO commitments faithfully.

Talks on free trade deal with EU hit major obstacle

(74) BD 5/5/98

John Dludlu

TALKS on free trade between SA and the European Union have hit a major obstacle, possibly placing the midyear target for a conclusion out of negotiators' reach.

The two sides, which have been negotiating for more than two years, agreed yesterday that last week's round "achieved very little". Sources said that although the EU had signalled a willingness to improve its offer to cover 95% of trade exchanges (from the current 89%), no new deal was tabled because the Pretoria delegation was not prepared to improve its offer to 85% of trade. SA's coverage is understood to be 81%.

One negotiator said it was no longer possible to conclude the trade talks by June, as was hoped.

In their deadlock-breaking meeting in February, Trade Minister Alec Erwin and João de Deus Pinheiro, the EU commissioner in charge of relations with Africa, reconfirmed their commitment to agreeing to a deal on trade, development and co-operation in June.

The mid-1998 date, coinciding with the end of the UK presidency of the EU, was also part of London's plan to assist SA obtain a better deal. Apart from failing to record progress on trade liberalisation last Thursday, the two sides have yet to agree on a series of trade-related issues, including competition policy, antidumping and government procurement.

"We've lost one month (of work)," a Brussels source said, adding that the political momentum had not been lost.

An SA official said the June deadline should not be a barrier. "It's better to have a good agreement," he said.

The concern now is that the impending change of EU presidency could slow down the process. Austrians, traditionally neutral, are due to take over the six-month EU presidency in June.

SA wants the EU to improve its offer, accelerating the opening of its markets to Pretoria's industrial and agricultural exports. "We are hardly a threat (to the EU)," said an SA source. However, the EU was not prepared to improve its offer formally until SA had taken the first step, a Brussels source said.

NEWS

North Africa next on SA's trade relations list

CTOOR) 5/5/98 (74)

PETER FABRICIUS

Johannesburg — South Africa is hoping to break into North African export markets now dominated by Europe, Deputy Foreign Minister Aziz Pahad said yesterday after leading a groundbreaking trade and investment mission to Libya, Algeria and Tunisia.

Pahad said in a telephone interview from Tunisia before returning home that these countries of the Maghreb — the region between the Mediterranean and the Sahara — had very little commercial contact with sub-Saharan Africa and even less with southern Africa.

Yet South Africa had much to offer, particularly in agricultural, scientific and industrial research, mining technology, engineering and construction. Representatives of oil companies Energy Africa and Soekor were among the business leaders accompanying Pahad, seeking opportunities in exploration and in downstream enterprises in these oil- and gas-rich countries.

Pahad said the three countries imported about 90 percent of their needs, mostly from Europe, but after his extensive meetings with government ministers, they seemed well disposed to consider sourcing part of their requirements from South Africa.

His mission was to send the signal that as part of Africa, the Maghreb must play a role in the rebirth of Africa. But he stressed that he did not go asking favours, instead pointing out that South African industry and commerce were competitive and that it was a profitable place for investment, commerce and joint ventures.

In mining, he said the Maghreb had rich reserves of phosphates and probably also gold, which South African mining houses were keen to explore.

Pahad said he had seen at least seven cabinet ministers in each of the three countries. In these countries it was necessary to pave the way for trade and investment by political contact.

He had discussions on several political issues including the Middle East negotiations, as the three countries were also part of the Arab world. He had also discussed the Lockerbie issue with Libya and endorsed its new offer to give up the officials suspected of complicity in the bombing, for trial at The Hague by an international court under a Scottish judge and Scottish law.

Commenting on the row over the sale by South Africa of pilotless spotter planes to Algeria — when it is suspected of planning to use them against dissidents — Pahad said he had not discussed this. — Independent Foreign Service



PERSUASIVE *Deputy Foreign Minister Aziz Pahad*

there is any surge in EU exports. SA believes that such a clause is indispensable for the successful implementation of its industrial restructuring policies. The EC fears that such a provision could allow SA to backtrack on trade liberalisation.

The commission is also pressing SA to tighten its rules on competition policy and especially the granting of government subsidies to industry SA, meanwhile, is unwilling to accept EU demands that it should sign up a list of international conventions on protecting intellectual property rights.

Discussions are also continuing on a separate agreement on trade in wines and spirits and another pact on fisheries On the plus side, however, both sides have agreed on about 75 articles, or two-thirds of the draft agreement. These include issues like the general objectives and principles of the treaty, the provisions for intensified political dialogue and closer economic and development co-operation.

However, it's the trade sector that continues to be the focus of attention. Commission officials say they understand SA's difficulties in coming up with a new offer because in the end "we have the same problems when it comes to making the improved market-opening moves".

But the warning is clear: the free trade agreement under negotiation must be made sufficiently attractive for all players. If not, it may not be a deal worth negotiating.

Shada Islam in Brussels

ZIMBABWE

Collapse sends depositors running for cover

Banking crisis throws economic forecasts out of kilter

Zimbabwe's banking crisis has all the elements of a thriller There is fraud, along with political intrigue, bureaucratic bungling, the potential for high-profile sackings — and far-reaching economic consequences. And it looks set to run and run.

When news leaked out in mid-April that a bank was in serious trouble, it was hardly a surprise, as bankers had been warning of an accident waiting to happen at the small United Merchant Bank, owned by controversial business tycoon Roger Boka.

Boka, who had bankrolled the ruling Zanu-PF party and promised to smash the "stranglehold" that he claimed white and foreign-owned business held over the economy, had become a high-profile player, in mining, tobacco and banking

After the Reserve Bank of Zimbabwe sent in the inspectors last month, the bank closed — but just for a day. Boka's bankers dishonoured an estimated Z$1bn (US$58m) and more of his cheques, but still the doors stayed open Then, last week UMB's licence was cancelled. At the end of the week, Boka was declared a "specified person" under the Prevention of Corruption Act — taking the matter out of the hands of normal commercial judicial management procedures and puts the government in the saddle. RBZ Governor Leonard Tsumba has been tasked with conducting an inquiry into the bank.

Meanwhile, contagion spread from UMB to other banks with the small, newer, black-owned organisations feeling the draught as there was a "flight to quality" — primarily to Barclays, Standard Chartered and Stanbic. The crisis deepened when it was revealed that UMB had fraudulently issued more than the Z$250m it had been mandated to for the State-owned Cold Storage Commission — stretching the figure according to some estimates to more than Z$1bn.

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EU/SA TALKS

Eyeball to eyeball on trade

Both camps expect concessions and greater flexibility

The only remaining question in the fraught negotiations between SA and the European Union (EU) is who will blink first. Each side is dug into its particular trench and nobody can predict when, or even if, either side will sue for peace.

The European Commission is demanding quicker action by SA to liberalise imports as part of the free trade treaty negotiations being held between the two sides.

Commission chief trade negotiator Philippe Soubestre and his team have told SA ambassador and chief negotiator Elias Links that the EU is ready to make additional trade concessions — provided there is a reciprocal move by Pretoria. SA is arguing that its offer is already more flexible than the EU's. New concessions, therefore, could be more difficult to hammer out.

Speaking after the 18th round of EU-SA talks held in Brussels last week, Soubestre warned that unless SA moved rapidly to improve its market-opening offer, there was little hope that the deal would be clinched by midyear.

The deadline for concluding the negotiations was set by SA Trade & Industry Minister Alec Erwin and European Development Commissioner Joao de Deus Pinheiro when they met in Pretoria in February. Both men were hoping to inject new political momentum into the negotiations, which have now been under way for almost three years. But they underestimated the technical difficulties in the way of a breakthrough

The big battle is still over trade, with each side insisting that the other must make new market-opening moves. The commission has identified nine outstanding issues to be resolved, but officials stress that the main difficulties are still over market access As one EU negotiator put it, "substantial changes and improvements of negotiating positions are necessary on both sides"

He adds that "EU governments won't agree to any new liberalisation moves towards SA unless Pretoria also makes an effort. If SA doesn't budge, the new EU offer won't be formalised."

The commission has said it is ready to improve its trade liberalisation proposal so that 95% of EU-SA trade takes place without tariffs, instead of the current 89%. The commission intends to make the changes by including up to 30 industrial goods and 480 farm products like wines, spirits and dairy products on its liberalised list.

These products are considered "semi-sensitive" and are on a so-called waiting list because EU governments have been unable to decide on their pace of liberalisation However, the controversial "exclusions list" of farm products where trade is not being freed will remain unchanged.

Soubestre says he is disappointed with SA's efforts so far to improve market access for European goods, adding that the Brussels meeting represented a missed opportunity to make progress



Elias Links

"I had hoped our negotiations would be more result-orientated," the chief EU negotiator continued. "We have a window of opportunity now to conclude our talks. After September, the EU agenda will become more clouded."

Soubestre and other commission officials argue that once the EU starts negotiations on eastward enlargement, reform of the Common Agricultural Policy and the Lomé Convention, EU governments will have little time to focus on relations with SA.

Also, once they are under pressure to start making trade concessions to eastern European states or African, Caribbean & Pacific (ACP) nations, they may become even more reluctant to liberalise trade with SA.

Finally, though the current British "presidency" of the EU is anxious to get a new deal with SA, there are no guarantees that Austria, which takes over the EU top job in

TRADE

Spotting the main chance

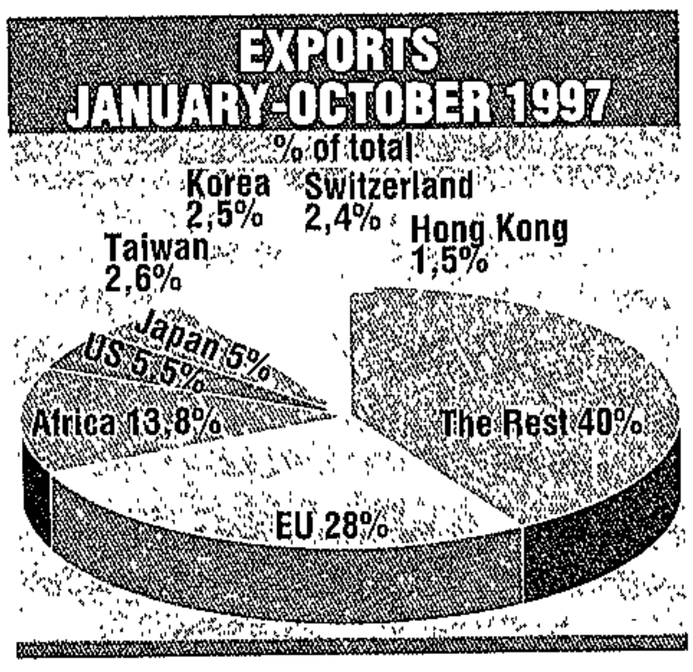
Export growth is sluggish. The R32,7bn worth of goods sold outside SA's borders between January-March is only about 12,5% higher than the revenue earned in the same three months of the previous year.

Imports have grown at about the same pace to R32bn. As a result, the cumulative trade surplus for the year is only about R700m, an indication that the year's export performance may be weak.

What a pity then that negotiations with the biggest buyer of SA's exports, the 15-nation European Union, are stalled.

Especially as the sound and fury surrounding SA's future trade relations with the bloc centres on agricultural products. They are far from being the major source of income earned from exports to the EU.

Customs & Excise (C&E) figures for January-October 1997, the latest country breakdown available, show that only R2,9bn, out of a total of R34,1bn exports to the EU were in the category that includes fruit and vegetables. And exports of agricultural products which fall into other categories are negligible.



The biggest single export to the region, category XIV, is the one that includes precious metals and stones. It was worth R9,9bn in the period, which represented nearly 30% of total exports to the EU.

An analysis of C&E figures is always bedevilled by two reporting failures.

Private sector 'destroying jobs' by not using plans

BD 8/5/98

John Dludlu

GOVERNMENT has accused the private sector of "destroying jobs" by not taking advantage of state support programmes aimed at shoring up the outward orientation of SA's firms.

Trade and industry director-general Zavareh Rustomjee also launched a spirited defence of government's supply-side measures yesterday, saying the taxpayer was getting value for his money.

Government, which has been accused of sending firms to the wall by its tariff reduction programme, said it created 77 000 new jobs last year, thanks to firms using its range of supply-side measures.

From April to September last year, state support for industry saw 45 000 new jobs created, said Rustomjee.

"We are showing that government support of industrial investments is yielding 70 000 to 80 000 jobs even at this stage.

"As fast as we are creating jobs, the private sector is destroying jobs," he said, referring to the retrenchments and closures in the industrial sector.

Central Statistical Service data would show losses of thousands of jobs in the industrial sector this year.

Rustomjee said certain parts of industry were not responding fast enough to government's call to be outwardly orientated.

"We are saying 'look outside ... extend your horizons. That is really your challenge. We are there to support you if you do that'," he said.

The restructuring of the industrial base would depend largely on the response of the private sector.

Rustomjee's statements coincide with the conclusion today of parliamentary hearings to assess the efficacy of government's support for industry amid restructuring. Rustomjee is due to attend hearings by the trade and industry portfolio committee today.

Government's tariff policy has been blamed for job losses in manufacturing, where the state has accelerated reduction of protection.

With external agencies, government runs about 33 schemes to support investment, restructuring, jobs and exports.

NEWS DIGEST

ZIMBABWE

CT(MR) 13/5/98

Mugabe complains SA is 'unreasonable' in cross-border trade relations (74)

Zimbabwe President Robert Mugabe has accused South Africa of being unreasonable over trade relations between the two countries and holding back on tariff reductions.

The state-controlled Herald newspaper quoted Mugabe yesterday as saying that Zimbabwe could not continue to sustain a negative balance of payments with South Africa. He said South Africa was unwilling to be reasonable. Zimbabwe and South Africa have been locked in discussions since 1987 over a renewal of the 1964 trade agreement between the two countries. Last year negotiating teams concluded agreements on tariff reductions on textiles and agricultural products which were regarded as significant breakthroughs in the series of talks.

Mugabe, in Cairo for the Group of 15 summit, was addressing staff at the Zimbabwean embassy in Egypt when he referred to the controversy. "We hope the South Africans will be more reasonable than they have proved to be in the past," he said. Mugabe said it was unfortunate that history had conditioned Zimbabwean businessmen to look to South Africa all the time. The government would urge them to vigorously seek out new markets. — *Sapa, Harare*

Mugabe slates SA

ZIMBABWEAN president Robert Mugabe has accused South Africa of holding back on tariff reductions and being unreasonable on trade relations between the two countries.

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Mugabe said it was unfortunate that history had conditioned Zimbabwean businessmen to look to South Africa all the time. The government would urge them to vigorously search for new markets. – *Sapa.*

DIPLOMACY *Amassador argues that SA is 'not entirely opposed' to act after Mandela's criticism*

Sonn defends Africa trade bill to US Senate

(74) CT(BR) 14/5/98

RICH MKHONDO

Washington, DC — Worried that President Nelson Mandela's criticism could doom the chances of the US Africa trade bill being ratified by the Senate, Franklin Sonn, the South African ambassador to the US, has embarked on a crusade to explain South Africa's position.

In a letter sent to senators and circulated countrywide, Sonn said the South African government was not entirely opposed to the African Growth and Opportunity Act. The act is now going through legislative formalities before being submitted for a vote in the Senate.

"South Africa supports passage of the African Growth and Opportunity Act, particularly the provisions relating to duty-free treatment for textiles and apparel, the further extension of the generalised system of preferences debt relief initiatives, and the provision of overseas private investment corporation funds," Sonn said in the letter, submitted to a congressional hearing on Tuesday.

"During the press conference held in Cape Town by President Mandela and President Clinton ... (there was a question) related to the conditionality clauses which form part of the ... act. In his response, President Mandela confirmed his opposition to them. The president also went further, however, to emphasise that the conditionalities will remain a subject for ongoing discussion."



RAPPROCHEMENT *President Nelson Mandela with President Bill Clinton in Cape Town earlier this year*

But Professor Joel Barkan, a fellow at the US Institute for Peace, said: "It appears that President Mandela was not appropriately briefed on the provisions of the Africa bill because South Africa will be a direct beneficiary of the act if it becomes law.

"It would seem that the president was referring to the conditions imposed under the Helms-Burton Act, which seeks to restrict US allies from trading with Cuba and other rogue states. These are the conditions President Mandela did not like.

"What is unknown is who failed to brief President Mandela fully on the content of the bill."

Sonn's letter was submitted to the House Africa Subcommittee, which had been holding public hearings on Africa in the world economy. It was used as an example of the growing support for a new US relationship with Africa which emphasises trade rather than aid.

"Engaging Africa in trade, in order to boost its exports and thereby create government revenue and jobs, is the best way to integrate the continent into the global economy," said Rosa Whitaker, the assistant US trade representative for Africa, when releasing Sonn's letter.

The bill, which was passed by the House of Representatives on March 11, is aimed at rewarding countries that are moving towards free markets and democracy after years of civil strife.

But the bill is facing resistance even within the US. Some lawmakers and unionists have expressed fears that efforts to help Africans could come at the expense of job losses.

The bill's final fate within the US Senate is not known. — Independent Foreign Service

WORLD TRADE ORGANISATION

Washington and European Union take off the gloves

SA, developing world caught in the middle of world trade row

Trade & Industry Minister Alec Erwin had better come prepared when he travels to Geneva for the May 18-20 celebration of the 50th anniversary of the multilateral trading system. The stately soiree looks set to turn into a fierce, decidedly unfestive debate over the future direction of world trade.

At the centre of the expected storm is a European Union (EU) proposal to start a new "millennium round" of trade discussions that would abolish all remaining tariffs and other world trade barriers in one decisive stroke. The union proposal, tabled by European Trade Commissioner Sir Leon Brittan, has riven the WTO's 132 members. Most importantly, the heavyweights are warming up in opposite corners of the ring — the union proposal is vehemently opposed by the US and Canada.

At the heart of the debate is the preparation for increased manoeuvring and competition between the world's two major trading blocs — the EU and the North American bloc, led by Washington, which also includes Canada and Mexico.

The developing world is caught in the middle. Latin American governments favour the idea of a new trade negotiation. But many Asian countries say the focus should not be on more liberalisation. Instead, they urge consolidation of the achievements of the last trade agreement — the Uruguay Round of talks — completed in 1994.

SA trade diplomats in Pretoria and Geneva say that SA occupies the "middle ground" between the positions held by the EU and US.

"We are sympathetic to the view that there are built-in obligations to continue negotiations on certain issues. But we also believe the process should be slowed down," says Xavier Carim, deputy director of multilateral trade relations in the Department of Trade & Industry.

Carim argues that not enough attention has been given to implementing global trade deals. "The WTO needs to address the issue of implementation. We are finding that the implications of agreements have not been fully understood. For many developing countries these have been onerous. Agreements should facilitate rather than penalise developing countries for bringing down trade barriers."

Given its de facto leadership role in the African group of WTO members, SA's stance will have repercussions for the entire continent. "If SA agrees to the millennium round, it's difficult to see how other African countries could oppose the move," says an EU trade official.

"We see our role as strengthening the bargaining power of African countries," confirms Tshediso Matona, SA's deputy trade representative in Geneva

Brittan's proposal calls for the start of new "broad-based and comprehensive" trade negotiations that could turn out to be even more ambitious than the Uruguay Round. He wants the negotiations to be launched at the end of 1999 The May 18 meeting, he suggests, should draw up a "road map" allowing such a decision to be taken.

In many ways, a new round seems inevitable There is already a range of issues on which WTO members are committed to start negotiations on further trade liberalisation before 2000, including trade in services, agriculture and trade-related intellectual property rights.

In addition, there must be a WTO review of progress made by the working groups on trade and investments, competition and government procurement that were set up by the 1996 WTO ministerial meeting in Singapore.

The EU and the US have called on the WTO to start discussions on a basic set of principles to ensure that goods and services traded on the Internet are kept free of tariffs Washington believes that an agreement on new global rules for electronic commerce would be an appropriate way to mark the WTO's 50th anniversary.

SA will have to choose sides on the basis of its trading interests "For us, agricultural trade liberalisation is an absolute priority," says Matona "We want a further reduction in farm subsidies and better access to markets in Europe, America and Asia."

In a move designed to increase its international clout, SA recently joined the Cairns Group of countries, which is campaigning for subsidy-free farm trade. The Cairns Group played a key role during the Uruguay Round in pressing for reform of the union's Common Agricultural Policy.

Though negotiations on further agricultural trade liberalisation will start in Geneva before 2000 — even if the millennium round is never launched — EU officials say that making trade-offs in the sector will be easier if other non-farm issues are also up for discussion SA officials concur.

Pretoria is also interested in international efforts to eliminate industrial tariffs. But for now its own tariff-liberalising moves will be limited to the free trade treaty being negotiated with the EU and its SA Development Community neighbours

"It is important to note, however, that in textiles, we have stepped up our tariff reduction programme from 10 years to four," insists Matona

A review of antidumping measures aimed at punishing countries that sell their goods at below-cost prices would be welcomed by Pretoria The US is investigating allegations that SA is dumping steel and has also started an inquiry into Pretoria's industrial support programme

In addition to these traditional trade issues, the EU says that subjects like the liberalisation of cross-border investment flows, competition policy, government procurement, trade facilitation and electronic commerce must be discussed by the WTO.

Shada Islam in Brussels and Caroline Southey

ISSUES UP FOR WTO DEBATE

Old issues still on the agenda

- Agriculture
- Services
- Trade related Intellectual Property Rights

WTO working parties on

- Government procurement (anti-bribery)
- Trade and competition policy
- Trade and environment

Other issues to be discussed

- Electronic Commerce
- Liberalising investment
- Getting rid of textile quotas
- Anti-dumping policy
- Regionalism
- Labour standards
- Trade facilitation — harmonising customs procedures
- Reducing industrial tariffs

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MOTOR INDUSTRY EXPORTS

Brave new world if peace prevails

FM 15/5/98

Labour holds key to VWSA's contract

If ever there was an incentive for management and unions to overcome traditional shopfloor enmity, it lies in Volkswagen SA's R5bn UK export programme.

The company, based at Uitenhage, Eastern Cape, has won an 18-month contract to supply 68 000 new-generation Golfs to the UK. The initial contract runs from July this year to the end of 1999. If extended, VWSA will become the sole manufacturer of right-hand-drive Golfs for the European market.

The benefits of a long-term deal are enormous, says MD Hans-Christian Maergner The initial R5bn contract will create 1 000 new jobs at Uitenhage and rescue another 400 which were about to be lost It will pump an extra R60m a year in wages into the local economy

Under industry rules allowing export earnings to offset import duties, the deal will allow VWSA to import several new models to SA These include the Passat, the Sharan minibus and the Golf Cabriolet

VWSA is investing R160m in the project, which more than doubles current annual production of about 56 000 vehicles.

The first 8 000 Golfs will be delivered to the UK this year, the other 60 000 in 1999.

Another German-owned car company, BMW SA, has just completed a R920m expansion programme, and hopes to export up to 25 000 vehicles worth R4,2bn a year, says MD Peter Foster.

Uitenhage is the only VW plant in the world not operating at full capacity. For the order, it will move to a three-shift cycle, working 24 hours a day, six days a week, producing 240 new Golfs a day. Each week, 400 containers with parts will arrive at Port Elizabeth's harbour. They will carry the built-up Golfs back to Europe. Later, SA suppliers could provide local components.

That, at least, is the theory Success of the project depends on labour co-operation.

Previous export programmes by several companies have been disrupted by labour disputes — often unofficial But, as VWSA financial director David Powels says. "Europe won't wait for us to deliver " If orders aren't met, other VW plants will take over and the contract won't be renewed.

Mbuyiselo Ngwenda, general secretary of the industry's main union, the National Union of Metalworkers of SA (Numsa), hopes the VWSA order will encourage investors to put their money into "the productive sectors of our economy, not in the JSE" But that depends in part on Numsa members

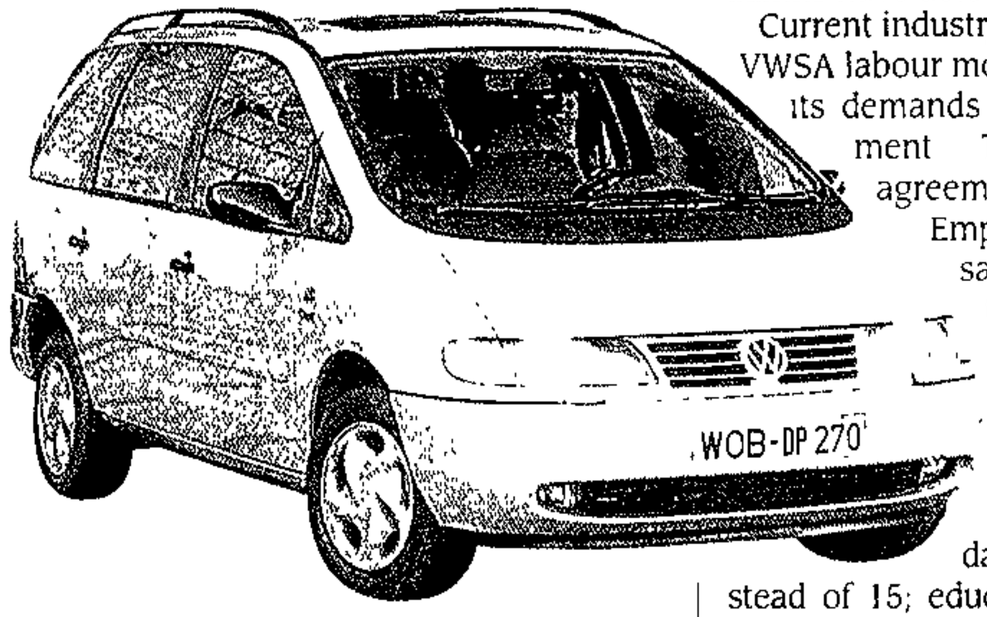
Though employers say Numsa is committed to building SA's export integrity, the same can't always be said of its members.

"I have never seen a strike without a reason," Ngwenda says But the union has often been slow to act against groups that it admits have acted illegally

Current industry talks will help dictate the VWSA labour mood Numsa has just tabled its demands for a new annual agreement The existing three-year agreement expires on June 30. Employers and Numsa both say they want another long-term agreement but Numsa's initial demands are for next year only

They include a 10% pay rise for semiskilled workers and 8% for artisans, 20 days' paid annual leave instead of 15; education and training on full pay in company time; and doubling of retrenchment packages

Employers will respond soon. **David Furlonger**



***The Sharan** . . . VW's multi-purpose vehicle is on its way*

EU free trade agreement 'on track'

BD 18/9/98

(74)

Linda Ensor

CAPE TOWN — Trade and Industry Minister Alec Erwin told Parliament last week he was confident SA would conclude a basic agreement on free trade with the European Union (EU) by the end of next month.

The negotiations were "finely tuned" and SA would have to make the greatest structural changes to finalise them.

"A negotiation is an exchange, and if the EU can rise above the multiplicity of its own vested interests in the short term and provide real benefits to SA ... it will help fast-track our growth and development.

"This is not a competitive threat to the EU, but a critical contribution to economic stability in Africa and, through that, to the world economy," he said.

Negotiations on a proposed free trade agreement with the Southern African Development Community (SADC) would kick off in July with SA offering "significant, immediate and nonreciprocal market access" to its regional trading partners.

"SA has to rise above any short-term interests that we have and build a vibrant zone of growth and development in the SADC," Erwin said.

To encourage investment flows vital for the region's development, SA was willing to work on cross-border investment projects such as the Lubombo initiative. Work was in progress with Namibia and would gather momentum with Zimbabwe and Angola.

Legislation to be tabled in Parliament included a bill to establish a framework for industrial development zones, under negotiation at Nedlac, and the draft Competition Bill, which would be released for public comment this week. The controversial Liquor Bill would try to achieve a balance between social, commercial and empowerment policy interests.

Erwin stressed that the bill would retain the three-tier licensing system and mechanisms would be introduced to ensure that efficiency benefits were passed on to the consumer.

"I must make it clear that many current practices in the industry are regarded as being anticompetitive and will not be allowed to continue," he said.

During the debate, National Party MP David Graaff blamed government's "inflexible" labour policies for the annual 2% growth in unemployment. These, t and its intervention in the economy, had scared off foreign investors, Graaff said.

Meanwhile, president's office spokesman Parks Mankahlana said yesterday Mandela would focus on the needs of the developing world when he addressed the 50th anniversary of the World Trade Organisation in Geneva tomorrow. Mankahlana said Mandela would reaffirm SA's commitment to eliminating poverty in the next millennium.

SA traders must prepare for euro onslaught

BD 18/11/98 (74)

Melanie Sergeant-Haape

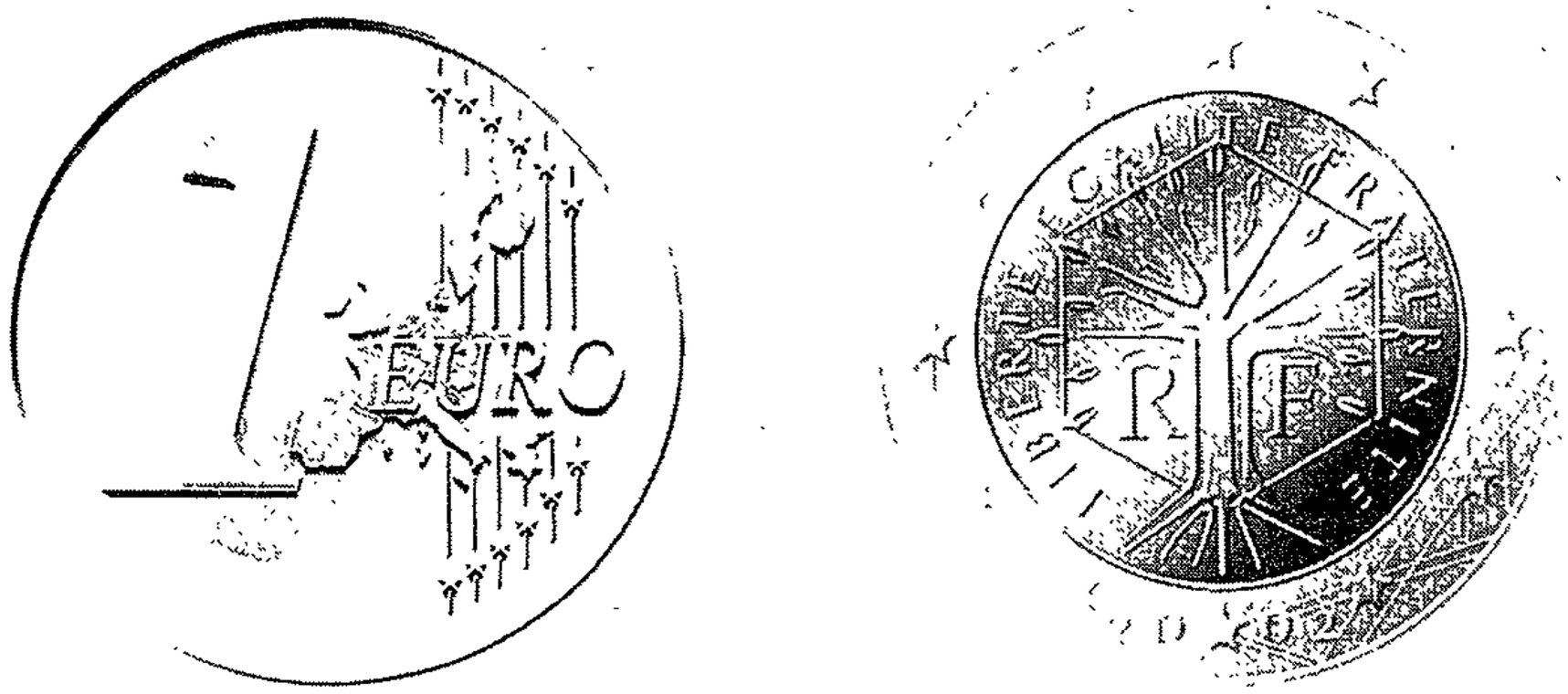
MUNICH — Trading with Europe takes on new dimensions with the introduction of the euro in 2002 — from dual invoicing to new keyboard and printer software to handle the Greek E-sign for the new currency.

Long-term contracts with fixed pricing should be re-evaluated, while SA goods may need repackaging as "rounding off" prices to the new currency make products less attractive to consumers in old sizes.

While European Union (EU) politicians and the European parliament thrash out the macrostrategy for the new European Monetary Union (EMU), consultants, printing houses and software companies are rubbing their hands as businesses call for the right tools to handle the transition phase.

Deutsche Bank spokesman Armin Niedermeier said: "The uncertainty about the euro's launch made smaller companies less concerned about implementing the necessary changes, but now that the dates are set, we expect a rush of inquiries as they realise the scope of adjustment needed during the transition phase up to 2002."

Research by Germany's umbrella trade and industry organisation, the Deutscher Industrie und Handelstag, shows that by January this year, only 54% of industrial concerns had started preparation for the euro's introduction, but this figure fell to 21% for construction, 41% for the service sector and 33% for companies in the trade sector.



The first euro coin, with the French motto 'Liberty, Equality, Fraternity' was minted at Pessac, France, last week. The euro coins are the first to be minted in Europe, and will start circulating on January 1 2002. Picture: AP

Euro specialist at the Handelstag, Günter Lambertz, said that double invoices would be necessary from SA companies trading with European concerns and although single-currency invoicing might be possible until 2002, many larger corporations in Germany would call for dual invoices prior to this.

"Because of price transparency across Europe, there is also likely to be pressure on pricing from suppliers," he said. Many SA exporters previously charged differently for each European country they dealt with and he believed this would no longer be acceptable.

Good news for printers is that catalogues and price lists will need to be longer as prices are quoted in local currencies and in euro.

The issue of package sizes is also a thorny one, but definitely lucrative for the print and packaging industries — and entire production lines may need to be altered.

For example, where a tube of toothpaste cost DM1,99, it will now cost roughly 1,05 euro. It is questionable whether customers will accept this or whether one should apply a "shaved" price of 0,99 euro. Lambertz said if the market would not accept rounded-up prices and manufacturers wanted to avoid rounding down prices, they might be forced to change packaging sizes.

Unquestionably, he said, the most significant impact of the euro for businesses would be on software changes. "The transition will affect almost all the figures in finance and accounting systems. During the three-year transition period, software programs must be capable of handling all values in the relevant European currencies and in euro."

As far as longer-term supply contracts are concerned, he said SA companies should insert an adaptive clause into any contracts lasting beyond December 31 this year.

"Also, it will be worthwhile for suppliers to attempt to co-ordinate changeover dates because this will help to cut down on invoicing and payment errors, as well as the likelihood of misunderstandings." The potential for queries is high, given the complex six figure rounding-off formula for the euro.

Mandela set to call for stricter WTO rules (74)

BD 19/5/98

John Dludlu

PRESIDENT Nelson Mandela is expected to call for the multilateral trade rules enshrined in the World Trade Organisation (WTO) to be strengthened against unilateral action by other trading partners.

Mandela flew out last night to attend the 50th anniversary of the multilateral trading system in Geneva today. Like other heads of state, Mandela is due to address the WTO's 132 members and the 31 wishing to join the Geneva-based trade watchdog which replaced the General Agreement on Tariffs and Trade (GATT).

He may speak out against unilateral trade actions, for example the US's anti-Cuban laws. He is also expected to align SA, which is classified as a developed country by the WTO, with the developing countries which support the rules-based system.

SA, which chairs the UN Conference on Trade and Development (Unctad), has used this forum to highlight the plight of developing countries.

Mandela is expected to confirm SA's commitment to genuine attempts to address problems faced by the world's poor nations. SA will suggest better coordination between multilateral institutions, including the WTO, Unctad, and the World Bank.

This call will coincide with a renewed debate on what role the multilateral trade system can play in resolving financial crises, given the growing interrelations between trade, development, environment and finance.

At their second meeting since the WTO's inception in 1995, trade ministers are expected to discuss the implementation of GATT agreements and issues arising from the 1995 Marrakesh agreement. They plan to prepare for a new negotiating round on agriculture due to start next year.

Developed countries are expected to push for discussion of so-called "new issues", including multilateral rules on government procurement, the relationship between trade and competition policy and the link between trade and labour standards.

The system: Page 13

Trade offer for SADC to be in place by July

THABO LESHILO (27 ~~JUL~~ 11) (74)

CT(PR) 20/7/98 BUSINESS EDITOR

Johannesburg — South Africa would table a comprehensive trade liberalisation offer to the Southern African Development Community (SADC) in July, Marina Meyer, the department of trade and industry's deputy director for the SADC, said yesterday.

The offer would provide full details of the goods for which it was prepared to remove tariffs immediately, those for which liberalisation would be phased down and those for which it wanted tariff protection to continue because of their sensitivity to competition.

The proposals would be tabled at a meeting of SADC ministers of trade in Luanda on July 17. Meyer said South Africa would offer a five-year phasing-down period compared with the eight years required by the World Trade Organisation (WTO) because of the large trade imbalance with its neighbours. The imbalance is 6:1 in favour of South Africa.

The list of sensitive products is expected to include sugar and beef, plus some clothing and textiles.

Alec Erwin, the minister of trade and industry, said at the weekend South Africa could not ratify the 1996 SADC protocol on free trade without specific details pertaining to the lowering of tariffs.

It's time for action

As far as international trade is concerned, there is now a 'small window of opportunity' for Southern Africa. **Sharon Chetty** evaluates the possibilities...

THE POSITIVE and self-assured mood that prevailed throughout the three-day World Economic Forum-Southern African Development Community summit in Windhoek was tempered in the closing session when business and political leaders were warned of the region's shortcomings.

During the summit this week, which attracted about 800 delegates from 60 countries, much was made of the need to fundamentally change the way business is done in the SADC countries.

Everyone agreed that the public and private sector should be partners and there was little debate over which areas needed reforming.

In fact, a lot that was discussed this year was repeated from last year's Harare gathering.

However, the reality check came from Malcolm Hughes of Proudfoot Plc, an international consultancy.

Pointing out that current general opinion of the region and the continent as a whole "was and will remain negative", Hughes said Africa's share of international trade represented a small fraction.

It was also unlikely that the Asian crisis would have multinationals switching to regions like SADC as, with the exception of Indonesia, Asia was still attractive to investors.

It was "pointless" to complain about the negative media coverage Africa receives, he said, adding that the challenges faced by African countries also existed elsewhere in the world where investment was wanted.

Confirming world ignorance of the geography of the SADC – Jeffrey Sachs, the director of the Harvard Institute for International Development, said Americans would not be able to place Africa on the world map, let alone the individual countries.

Hughes said the region had to market itself more and tell the world who and what the SADC was It was significant, he said, that the South American regional grouping Mercusor, although newer than SADC, was better known to international business.

Hughes reiterated Sachs' view that there was now a "window of opportunity" for Africa, especially in the wake of the visit by United States president Bill Clinton, but said that window was narrow and would not stay open for long.

The strong consensus between politicians and business people and the unifying voice of the SADC to the outside world, could not be challenged.

However, he said that such consensus was evident last year in Harare and the year before in Cape Town, "with little sign of progress".

Plans had to be executed, and not merely created, he emphasised



Deputy President Thabo Mbeki at the World Economic Forum-Southern African Development Community summit in Windhoek. PIC. AFP

"If at next year's forum we are still talking about the potential of this region, the challenges will be even more difficult to overcome," he said.

It was equally important that the rest of Africa not be used as the benchmark for change, as the only comparison that mattered was against countries that represented global standards, he said

There will have to be a radical transformation of African economies, he said, adding that change had to be wholehearted as "halfway is no way at all".

This continent also worked on a different concept of time, Hughes asserted.

Companies should be producing quarterly results and businesses had to operate on shorter time frames

Whereas things happened in days in the rest of the world, "here it took weeks, weeks which become months, and months become years".

He used the example of port delays While delays were reduced in one of the regional countries to a few weeks, the rest of the world was talking about days and hours, he said.

More international business would also only come into the region if they were convinced that markets here were less restricted, he said.

Hughes' negative assessment was strongly challenged by Deputy President Thabo Mbeki. He cited the example of German car makers Volkswagen and BMW moving more of their manufacturing to South Africa and the Mozal smelter in Mozambique as signs of increasing confidence in the region.

He again highlighted the need for the region to communicate better about itself, saying that it was no use "decrying the reality" of negative perceptions but that it was "essential what we do about it".

An investment advisory group comprising the South African Government, local and international business was being set up, he said, and it was "particularly inspiring" that several senior executives of international companies had asked to serve on the body.

Mbeki, who in another session said it was imperative to convert the conference deliberations into action, suggested that there would be more movement if specifics were identified, instead of concentrating on the general.

Whether it was taxation or black economic empowerment, he added, it would attract investment once there were specific plans. Once things are looked at closely and are realisable, pessimism recedes, he said.

SADC general secretary Kaire Mbuende said that while a lot had been achieved in regional integration, movement was still not fast enough.

Although the SADC governments had committed themselves to regional development, he saw little efforts to do so in their national development plans.

The disparities among the different countries in simple areas (for example the grading and storage of petrol) could easily be overcome, Mbuende added

Nedcor chairman Chris Liebenberg, repeating that "business needed to be successful for the region to be successful", conceded that there were times when politicians did hear the voice of business, but that business was not always sensitive to the political implications of their demands.

It was no coincidence, he said, that Mauritius, which had a government and business council working together successfully, was rated number one on the continent in competitiveness

There was no doubt about the need for the region to work together to attract foreign direct investment, Liebenberg said.

Cape firm to set up free trade zone

(74)

CHARL DE VILLIERS

ST(cm)24/5/98

A STELLENBOSCH company is aiming to set up a R1,5-billion free trade zone to service oil-rich West African states from an island in the Gulf of Guinea.

The West African Development Corporation says it is ready to move on to Principe as soon as it and its investment partner, ABC PROMO, are registered by the government of Sao Tome and Principe, Wadco chief executive officer Dr Willem Steenkamp said yesterday.

Plans for the 50km² free zone concession include a deep water harbour, oil storage facilities, airport and light industrial and tourism infrastructure in one of West Africa's most spectacular island settings.

But environmentalists, including Wadco's own consultants, have warned that the development could have a significant effect on the island's fragile flora and fauna.

Steenkamp, a former SA ambassador to Libreville, said draft regulations on company registration would be handed to the island government on Wednesday.

"The partners in the development project are sufficiently endowed with cash to take us at least through the initial phase. The one remaining hurdle is the regulatory framework," he added.

Steenkamp said the World Bank had endorsed Wadco's framework for environmental assessment, adding that only 500ha or about 10 percent of the Agulhas Bay Free Zone were suitable for development.

The rest, mostly mountainous rain forest, would be managed as a nature conservation area on behalf of the island government.

The Agulhas Bay Concession (ABC) Free Zone lies at the heart of the Gulf of Guinea with its oil, minerals, timber and agriculture and a market of 160-million consumers.

All investors need is R25 000 to establish an offshore company, R2 500 a year for an operating licence and a 10-year tax holiday followed by a levy of 1,5 percent on turnover.

Trade duplication set to end

ST 24/6/98 (74)

THE Departments of Foreign Affairs and Trade and Industry are talking about pooling their resources to establish an "integrated foreign economic service", writes **ANDREW TRENCH.**

Documents now circulating in the departments anticipate proposals made in last week's Presidential Review Commission report which recommend that foreign trade become the responsibility of the Department of Foreign Affairs.

The process is so advanced that all South Africa's foreign economic representatives and key foreign affairs representatives in Europe are meeting in Stockholm, Sweden, to discuss closer co-operation this weekend.

The move would emulate the practice in countries like Australia, the United Kingdom and Canada.

Trade and industry spokesman Themba Rubushe said: "We have to share resources. Why should we have a DTI office with its own secretary, telephones and fax machines when we have an embassy that can share?"

SA's decision to delay trade talks alarms EU

(74)

JOHN FRASER

Brussels — European Union (EU) officials were alarmed that South Africa had postponed a round of trade negotiations scheduled for the end of this week, it emerged yesterday.

The meeting would have given the parties a chance to improve the atmosphere after discussions in April ended with Philippe Soubestre, Europe's chief negotiator, rounding on Ambassador Elias Links, his South African counterpart, about the lack of movement from the South African side.

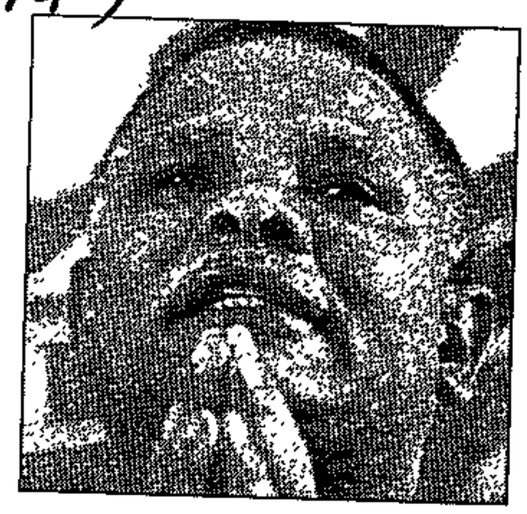
South African officials said they asked for the delay because many members of the South African negotiating team had been unable to fully prepare for the EU talks. This was because they had to spend most of last week at the World Trade Organisation's meetings in Geneva.

They said the extra time would give both sides a chance to "fine-tune" their positions.

EU officials said yesterday little progress could be made unless both sides sat around the negotiating table again. The original aim was to conclude a deal by the end of next month, when Britain hands over the revolving EU presidency to Austria.

"Now that we are not holding our next meeting before next month, there is a serious danger of slippage," said a senior EU source. "This is not a disaster, but we are losing time just as we should be speeding things up."

The source said trade tariffs were not the only matter under discussion. There were also talks on a new wines and spirits accord and on trade-related issues such as competition policy, rules of origin, public procurement and on fisheries.



FINE-TUNING *Elias Links*

CT(BR) 26/5/98

"The European political agenda is crowded. Our aim is to make as much progress as we can before the end of June. That will take movement from both sides," the source said.

Brussels had been exploring an offer that would have allowed 95 percent of South African exports to enter the European market free of any duties. In return, South Africa had offered the EU access to its markets for about 81 percent of exports.

After the April meeting, South African officials claimed that the EU had put little real interest in its improved offer and that the seemingly generous figures floated by Soubestre concealed serious remaining protectionism, particularly in agriculture.

They claimed South Africa had already made a series of concessions in earlier rounds of negotiations, and suggested it was now up to the EU to show more flexibility. The South African team was also concerned that the planned trade deal would take 10 years to come into effect and that there would be few advantages in the early years.

There will be a debate on the trade talks in the European parliament tomorrow. — Independent Foreign Service

SA, UK trade campaign starts

(74)

Patrick Wadula

BD 27/5/98

A TRADE promotion campaign titled British and SA: partners in opportunity, is to be launched today to underline the importance of trade relations between the countries.

The UK government will fund the campaign to the tune of R17m over three years.

British Consul-General Nick McInnes said new partnerships would be encouraged when the investment promotion and protection agreement signed by SA Trade Minister Alec Erwin and his British counterpart last November, was ratified at the launch.

The campaign kicked off in Britain with a series of sectoral workshops on health care and automotive components.

Talks with EU must resolve 'big seven' issues

(74) BD 28/5/98

Wyndham Hartley

CAPE TOWN — The vital 19th round of negotiations between SA and the European Union (EU) on June 11 and 12 for a free trade agreement will have to resolve seven key issues if the agreement is to be concluded on schedule at the end of June.

Wilhelm Smalberger, head of the EU desk at the department of trade and industry, told a joint meeting of two parliamentary committees yesterday that the "big seven" were sticking points to the conclusion of an agreement. He said he was positive about the outcome of the 19th round in Brussels in two weeks' time.

He also announced that SA's qualified accession to the Lomè Convention would kick in on Monday and that in July the department would hold workshops around the country to advise businessmen on how they could gain access to the R45bn of contracts on offer over the next five years from the European development fund.

The seven outstanding issues include anti-dumping and countervailing measures, safeguards for SA industry during the implementation of any agreement, maritime transport, SA's government procurement policy, competition policy, intellectual property rights and agricultural policies.

On the anti-dumping issue, where one country challenges imports from another on the basis that they are selling their product for less than it costs the importer to produce, Smalberger said SA wanted to be consulted by the EU before any anti-dumping investigation was launched against an SA product. The EU was having difficulty acceding to this request.

He explained that SA wanted an interim protection "mechanism" for SA industries which might be harmed and this was still to be negotiated.

EU requests with regard to the maritime industry were not happily received by the SA delegation and were also outstanding.

Smalberger said the department was committed to supporting the constitutional provision that government contracts should be used to reward previously the disadvantaged and this was also scheduled for further discussion.

Agreement on competition policy had not been possible because SA had not yet settled its policy or passed legislation giving expression to that policy. The draft competitions bill was only published for information last week.

The EU also wants SA to accede to a number of international intellectual property rights conventions as part of the agreement. Smalberger said that SA had no problem with this but had pointed out that some of the EU member countries were not all signatories to the conventions themselves.

Smalberger said there had also been developments on the issue of the exclusion of SA agricultural products from European markets in the agreement. He said about one third of those could be included if SA accepted a further speeding up of tariff reduction on industrial products.

No final agreement had been reached. Agricultural policy, particularly the subsidies paid in terms of Europe's agricultural policy, remained on the table.

Boost for investment as SA and Britain launch joint trade drive

ARG 28/10/98 (74)

Britain has launched a new trade promotion campaign with South Africa and ratified an investment promotion and protection agreement to protect British investment here.

Britain is South Africa's biggest trading partner.

Margaret Beckett, President of the Board of Trade, yesterday told guests at a simultaneous presentation in London, videolinked to Cape Town, that Britain looked forward to a new partnership with South Africa in both the public and private sector.

"It is vital to assist this process as South Africa restructures her economy and starts to influence development in the southern African region," she said.

Ms Beckett said she was looking forward to co-hosting a partnership week in Johannesburg in September.

Minister of Trade and Industry Alec Erwin said South Africa valued Britain's support.

Mr Erwin said South Africa was looking forward to selling more to its former colonial master.

"What we seek with the United Kingdom is a partnership that will also allow you to purchase from us a huge variety of industrial and manufactured products," he told the presentaton guests – Reuters

PORTS *Inefficiencies and extra volumes at Durban derail operations*

Foreigners may desert SA because of delays

CT (BR) 29/5/98 (74)

RAVIN MAHARAJ

Johannesburg — Foreign buyers of raw materials threatened yesterday to stop their buying spree in South Africa because of port inefficiencies and extra volumes in Durban port — much like the overcapacity in 1995.

Labour problems and bad weather have derailed port operations at Durban, Africa's largest port, despite interim upgrades in recent months.

Industry leaders said the flip side was that importers of raw materials could not meet production schedules, and customers, in turn, would look elsewhere for business.

They described the problem as a Catch-22 issue that would derail the country's international competitiveness and give South African ports a bad name.

In addition, they could not discount the possibility of introducing an additional import/export surcharge on late deliveries if the problem was not eliminated in the short term. This would signal the deathknell of many smaller companies, industry leaders said.

Exporters said foreign customers — especially in the Far East — were tired of the "tardiness" at the Durban port, which delayed delivery schedules and affected production flow, at great cost.

Bruce Addison, the managing director of Zimco Aluminium, a company which exports aluminium ingot to the Far East, said that problems at the port had resulted in a two-week delay in deliveries.

"It's simple. Customers in the Far East can no longer rely on Durban. They are threatening to pull out, and start buying only in the East.

> *'It's simple. Customers can no longer rely on Durban and are threatening to pull out'*

"This means we can say goodbye to jobs and foreign revenue," said Addison.

He said if Durban could no longer function, exporters from Gauteng would have to use Port Elizabeth as an alternative port, which had additional capacity.

But this would result in hefty transport costs, which could sink businesses, Addison warned.

Charles Kingon, the cargo operations manager of Safmarine, said ships on the European trade routes had been delayed by between eight and nine days, resulting in the rationalisation of a port call in Europe.

He said late deliveries had added $100 million to Safmarine's fuel bill.

Kingon said Durban would continue to feel the pressure. It was the first port of call from the East, the nearest port to Gauteng and tended to attract additional container growth.

Shipping commentators said they would meet the board of Portnet, the state ports authority, and Transnet, its parent, to seek solutions to the problem.

In the meantime, the undercapacity at other ports would have to be examined to ensure the smooth flow of goods, they said.

SA's WTO tariff review goes well

CT(BR) 1/6/98 (74)

ROY COKAYNE

Pretoria — South Africa had not experienced any real problems with its trade policy review by the World Trade Organisation (WTO), although the group had highlighted some problem areas, Xavier Carim, the deputy director for multilateral trade at the department of trade and industry, said last week.

Carim said questions raised over South Africa's trade policy during the review, which took place in Geneva from April 21 to 23, included the Control of Medicines and Related Substances Bill, some tariff peaks in the trade regime and anomalies in tariffs.

"South Africa's response was that these tariff peaks and anomalies did not characterise the trade regime, and there was a need to see where the country had come from.

"It was pointed out that South Africa had moved fairly dramatically to reform its trade policies since the last review in 1993. It had come from being a protected, inward-looking economy."

Carim said this was the first time the Southern African Customs Union countries as a group had had a trade policy review.

He said the review had a positive effect, served its purpose and was successful.

South African representatives had answered 70 percent of the questions asked by WTO members. In addition, they had prepared a document in which much fuller responses to all the questions raised were provided.

These responses and comments would become part of South Africa's trade policy review document, he said.

The country had 30 days from the time of the review to submit its final comments and responses. These were submitted two weeks ago. He suspected it would take another month before the final trade policy review document was published.

"The publication will comprise the WTO secretariat's report, which is a technical, detailed report on South Africa's trade regime, tariffs and measures; and a government report compiled by the trade and industry department, which is a policy statement providing a vision and trajectory of where this policy is going and the main challenges and strategies.

"These reports formed the documentary basis for the review in Geneva, where WTO members had an opportunity to raise questions about the various documents. The proceedings of the (three-day meeting) and South Africa's response to comments and questions will constitute the full review," Carim said.

The publication would be a reference document for the next four years, when the next trade policy review would be done.

He stressed the review was an overview of a country's trade policy, and countries were not put in the dock and challenged.

"The purpose is to enhance transparency," Carim said.

SA 'must plan' for EU's agro dumping

(74) CT(BR) 1/6/98

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — The private sector and trade unions should do more to monitor possible dumping by the European Union (EU) to prevent the collapse of local agro-processing industries, Paul Goodison, the director of the Brussels-based European Research Office, said last week.

Addressing a workshop in parliament on the proposed free trade agreement (FTA) with the EU, Goodison said the EU remained reluctant to grant South African agricultural products easy access because of strong lobbying by EU farmers.

But the EU was eager to see its heavily subsidised agricultural products gain greater market share in South Africa, even though they posed a threat to jobs and industries in South Africa.

This made it vital that South African business and trade unions monitor EU imports and quickly alert the government if anti-dumping measures were needed to protect local industries.

Goodison said EU imports also affected neighbouring countries. Namibia, for example, was already badly affected by the rapid growth of subsidised beef imports to South Africa.

The situation would worsen as the EU tried to reform its agricultural policies and devolved greater discretion to member countries on how to support its agro industries, said Goodison.

During the workshop, it emerged that competitive pressures were greatest from southern European states such as Portugal, Spain, Italy and Greece. Some blatantly misused EU farm support funds to dump cheap processed agricultural products in South Africa, while others were pushing hard to get fishing concessions from South Africa. Both had knock-on effects on local industries and jobs.

The workshop heard that the canning industry had been hardest hit domestically and abroad.

Monde Mayekiso, the chief director of Sea Fisheries, said the EU had tried to link a fishing agreement with the FTA negotiations. But South Africa had pointed out it was still in the process of restructuring its fishing industry.

Mayekiso feared that countries such as Spain and Portugal could hamper progress with the FTA if they did not get their way with fishing rights. But Goodison said he doubted they would go so far.

Mayekiso said quotas for hake were being fully used by South Africans, and the government was not keen to see an influx of foreign vessels in its waters.

He was concerned that EU fishing companies continued to build new and more efficient fishing vessels even though there was overcapacity and overfishing in EU waters.

Representatives of the red meat industry told the workshop that although it was not a net exporter, the industry was "at great risk" from dumped red meat from Europe. This threatened jobs in the local industry and in neighbouring countries.

Because of structural changes within the industry following deregulation, it was badly placed to send warning signals to government to take anti-dumping measures.

The workshop heard that in trade in wine and spirits, the main dispute with the EU concerned intellectual property rights. Southern European states were opposed to South Africa using the words "port" and "sherry" on its products. Cheap, highly subsidised EU wine posed a major threat to the South African industry, which had already appealed to the government to reinstate import duties.

Agriculture must beef up lobbying as world eyes SA in EU trade talks

(FH) CT(PA) 1/6/98

South Africa's highly sensitive, stop-start trade negotiations with the European Union (EU) dominated several meetings in parliament last week. It all left one with the impression this country is not yet fully aware of what is in store for it in any new trade dispensation with that northern giant.

But what was clear was that the EU is pushing hard to gain concessions for its highly vociferous agricultural sector and that South African negotiators are having to fight a tough rearguard action in trying to protect their own interests.

The trouble is that South Africa is not as well equipped in terms of market muscle power, access to information and the existence of strong and united lobby groups as the EU negotiators are, especially when it comes to the super-sensitive area of agricultural products.

As Paul Goodison, the director of the Brussels-based European Research Office, told a special parliamentary workshop on Friday: it has nothing to do with economics, but is all about the emotion and political clout wielded by agricultural lobby groups in Europe. They have their ministers running scared and unwilling to grant any meaningful concessions to countries that could offer even the slightest bit of competition.



LYNDA LOXTON

Tracey Simbi, special adviser to Derek Hanekom, the agriculture minister, admitted that although South African farmers were constantly discussing numerous domestic issues with Hanekom, they had not yet developed the kind of specialised lobbying over foreign trade matters that the Europeans had down to a fine art.

Goodison said farmers should not only be lobbying Hanekom, but also the trade unions and industries in Europe, pointing out the job losses and plain human suffering that could be caused by aggressive EU trade policies.

Firms that imported plant and machinery from European companies should try to recruit their aid, pointing out there would be no more lucrative orders if South African agro-processing firms went bust.

Clearly, the trade pact that is finally agreed on will not please all parties and there will probably have to be some give and take on both sides. But, even at this late stage, the South African side will have to use all the guile at its disposal to secure the best possible deal.

The problem is compounded by the fact that the EU appears to be treating the negotiations with the South Africans as a trendsetter for the negotiations not only with the Southern African Development Community (SADC) but also with the much larger African-Caribbean-Pacific group for the successor to the Lomé Convention. This places a triple burden on South Africa not to set a precedent and not to give an unnecessary inch in its negotiations with the EU.

At the same time, as the portfolio committee on trade and industry will hear on Wednesday, South Africa is also negotiating new trade agreements with the SADC and its Southern African Customs Union (SACU) partners. All this is stretching its capacity to the limit — trying to remember, let alone cater for, all the sensitivities involved must be a nightmarish task.

Spurred into action by my comments last week about boring budget vote debates, the media liaison people in the office of Lionel Mtshali, the arts, culture, science and technology minister, have arranged a special event to mark his budget vote today.

Before speaking in the national assembly, Mtshali will announce plans, complete with scale model, for a multimillion-rand telescope at the South African Astronomical Observatory's Sutherland outstation.

Mtshali's grab-bag of odds and sods portfolio has always fascinated me, ranging as it does from the obscure to the very real challenge of ensuring South Africa remains at the technological cutting edge in a highly competitive world environment.

It will be interesting to see whether he comments on the recent recommendation by the Presidential Review Commission that his ministry, with several others, should be "disestablished" and "reconfigurated" into a ministry of higher education and technology and a ministry of education and culture (including sport and recreation).

The Central Energy Fund's (CEF) board is scheduled to appear before the portfolio committee on minerals and energy today. Many will be watching to see who turns up, given the ructions in that board recently, mainly over the dismissal or non-dismissal (depending on who you listen to) of the flamboyant chairman, Don Mkhwanazi.

Then there is the issue of oil reserves being sold off to unnamed buyers at an undisclosed price. Penuell Maduna, the minerals and energy minister, had been scheduled to answer questions about this and other CEF-related "scandals" during question time last week, but he had to pull out at the last minute because of ill-health.

This was disappointing as he had pointedly refrained from making any comment about the shenanigans at the CEF during his budget vote debate the week before (much to the disappointment of many).

One hopes he does not have the "boomerang" flu that has been flooring many in and around parliament during the last few weeks.

The SADC has to learn from Mercosur

The growing regional synergy between southern Africa and Latin America is likely to be fostered by President Nelson Mandela's visit there next month, writes Greg Mills

PRESIDENT Nelson Mandela is scheduled to attend the summit of Mercosur (Southern Cone Market) states in Ushuaia, Argentina, at the tail end of his trip to Latin America next month that will also take in Brazil.

In Ushuaia, he will hold bilateral talks with the other Mercosur members — Uruguay, Paraguay, Chile and Bolivia — and attend the multilateral meeting in his capacity as chairman of the Southern African Development Community (SADC).

Twenty years ago the southern part of Latin America was an economic and political backwater. Today, military dictatorships have given way to civilian democracies, and tariff protectionism and at times hostile bilateral relations to a flood of trade.

The move towards regional market integration came largely from two sources: first, through domestic liberal macroeconomic reforms that coincided with a period of increased international interest in developing economies and provided a push for reduced state intervention and greater openness; and second, through the creation of Mercosur in 1991.

Mercosur has involved a two-stage process: in a transition period until 1994, tariffs were removed from 85% of regional trade. Then, in 1995, Mercosur's customs union came into effect. A common external tariff has been established, with each country temporarily being allowed to exempt 300 goods (399 for Paraguay), with a tariff convergence deadline in 2006. Today Mercosur's average tariff is 14%. The reduction in protectionism has resulted in a massive increase in intraregional trade from $4bn in 1990 to more than $15bn last year.

By comparison, the SADC has moved ahead in fits and starts. Only one state (Botswana) has ratified all of its eight key protocols. The protocol to establish a free trade area by 2004 has been ratified by just three countries out of the 14 members. Its central institution remains only as strong as the political will of its members, yet many are locked in combinations of political rivalry and transitions from authoritarian rule.

Closer ties with Mercosur offers the SADC both lessons from its regional integration experience and certain opportunities. What are the lessons?

The creation of Mercosur was successful due to (and in spite of) a number of factors:

□ First, there was a high degree of political commitment to the process, particularly by Argentina and Brazil which between them account for 97% of Mercosur's gross domestic product. Distrust between these two large partners and fears of Brazil's hegemony were set aside;

□ Second, the liberal regional trade policy environment was preceded by the development of more outwardly oriented trade regimes through the General Agreement on Tariffs and Trade/World Trade Organisation;

□ Third, there is a natural partnership between the countries involved, which was previously hidden behind and repressed by the protectionist development;

□ Fourth, the logic adopted at negotiations permitted no exceptions to the free trade area, preventing stalling around sensitive sectors;

□ Fifth, the growth of Mercosur coincided with a period in which international financial resources were freely available in order to finance current account deficits.

□ Sixth, sound personal relationships between the respective presidents along with ministers of foreign affairs and finance helped to overcome hurdles;

□ Seventh, related to the last point, decision making was (and still is) vested in an intergovernmental process rather than a supernational body;

□ Eighth, Mercosur has added to its own process through an overlay of regional ties including: free trade areas with Chile and Bolivia (which both have associate membership status), the similar arrangements under negotiation with both the Andean Community and Mexico, the framework trade agreement with the European Union and discussions with 35 American states to create a Free Trade Area of the Americas.

Aside from interesting parallels about the process of trade integration, for southern Africa these lessons can be simply distilled into the need for key actors to recognise the benefits of co-operation and bury differences. For Argentina and Brazil read Zimbabwe and SA.

It also highlights the need for a gradualist approach focusing on achievable goals with functional decision-making instruments.

These lessons are an opportunity in themselves, illustrating what can be gained from what ambassador Enrique Pareja has described as a "cross fertilisation process" between economies as they share experiences around regionalism and domestic reform.

Others such as Turuato di Tella of Argentinia's Foreign Service Institute see additional benefits of closer contact, identifying the imperative for developing nations to join together in what he terms the "club of the rejected" to mobilise in the global economy.

The African National Congress's Blade Nzimande has echoed the need "to forge strategic partnerships to challenge global realities to improve the fortunes of developing countries in a rapidly globalising world". In this vein, Fernando Mourao of Sao Paulo's Centre for African Studies sees cross-regional linkages as a "counter balance to globalisation".

More realistically, there is clearly much potential to build trade. SA's trade with Latin America increased by an average 30% between 1996-97.

Yet only about 1% of Mercosur's trade is with SADC countries and 85% of that figure is with SA. This does not accurately reflect Mercosur's status as the world's fourth largest integrated market after the North American Free Trade Agreement, the European Union and Japan.

Transregional SADC-Mercosur investment ties have until now been mainly in the mining field though there is promise of expansion into the retail and services (especially banking) sectors.

Co-operation in the marketing of beef (Zimbabwe and Argentina together control 30% of the export market) and hake (where SA, Uruguay, Namibia and Argentina monopolise 80% of the earth's stocks) could reap dividends.

But the links do not only begin and end with trade and investment. At the time that US President Bill Clinton is calling on the world's nations to "create a global community of crime fighters", there are shared experiences in dealing with transnational crime issues, particularly drugs, weapons smuggling and money laundering.

With the unveiling before the recent Group of Eight summit of the US's International Crime Control Act, crime-busting strategies are increasingly likely to demand greater global co-operation and become a crucial determinant of interstate relations.

Also in the security domain, Mercosur states can share experiences about peacekeeping, particularly in Africa.

For example, Argentina has participated in missions in Angola, Mozambique, Equatorial Guinea, the Western Sahara and Rwanda. It also dispatched naval forces to the Gulf.

There are important differences between the SADC and Mercosur which need to be acknowledged, however.

For one, the SADC's progress towards regional free trade is hampered by the reality of SA domination. Although Mercosur members also fear Brazil's relative regional giantism, trade relationships in Mercosur exhibit greater balance than they do in southern Africa in which SA imports just 5% of the value of its exports to SADC states.

It is important also to recognise that Mercosur-SADC ties are not being encouraged by those across the South Atlantic for purely altruistic reasons.

Some analysts have interpreted the push as coming from Brazil's wish to give impetus to its African policy through Mercosur. The Southern Cone still only makes up 15% of Brazil's trade and thus it remains dependent on access to and diversification of its other markets.

Mercosur and SADC contain countries that are on a similar trajectory. Mandela's trip reinforces this growing regional synergy.

Fostered through a shared transition from authoritarian rule to democracy, this mutual understanding has been strengthened by burgeoning trade and investment ties as well as co-operation on security issues.

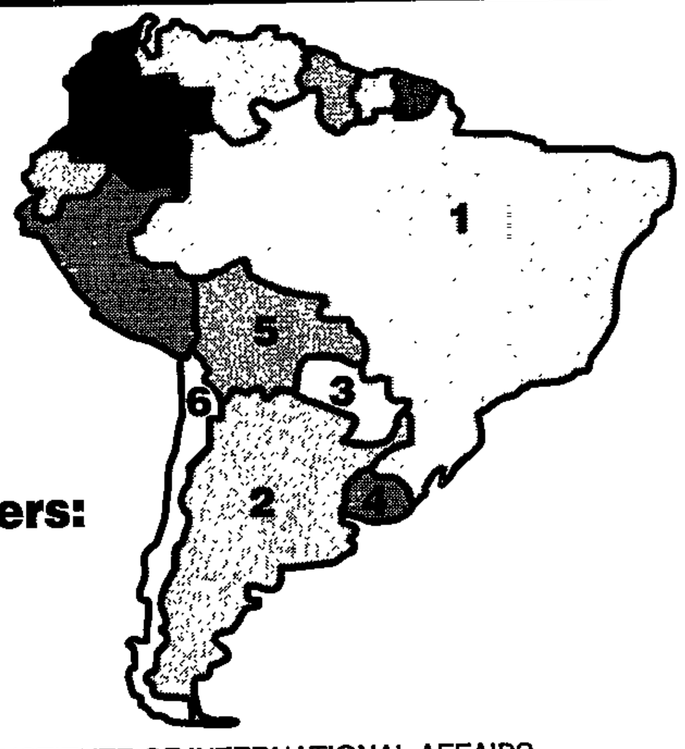
The Mercosur process highlights common problems and new opportunities that exist between the regions.

□ *Mills is national director of the SA Institute of International Affairs who is doing research in South America.*

Mercosur

Members:
1 Brazil
2 Argentina
3 Paraguay
4 Uruguay

Associate members:
5 Bolivia
6 Chile



Graphic: KUBEN DAVID Source: INSTITUTE OF INTERNATIONAL AFFAIRS

Border formalities still hamper SADC trade

FROM REUTERS

Windhoek — Non-tariff trade barriers, high transport costs and border formalities continue to hamper regional trade in southern Africa, an independent policy unit said in Namibia yesterday.

The Windhoek-based Namibia Policy Research Unit said its survey underlined the need for a co-ordinated regional strategy to promote trade among countries of the Southern African Development Community (SADC).

The study, commissioned by the Konrad Adenauer Foundation in Harare, said businesses in the SADC region were commonly confronted with high interest rates, high inflation, bureaucracy, a high crime rate and immigration regulations.

While the SADC was seen as a vital link in the region to facilitate and enhance trade, businesses favoured the removal of non-tariff trade barriers. They also wanted to reduce transport costs and bureaucracy at border posts.

"These findings call for a co-ordinated macro-economic policy framework aimed at the creation of a conducive environment in which businesses can flourish within the SADC region," said Jacob Ntintin Oranje, who led the survey.

"A consultative approach between governments and the private sector is desired to foster better relationships."

The study showed that in the SADC region, South Africa, Botswana and Namibia had the most favourable conditions for potential investors.

BANKING *EMU will end currency exchange red tape, but put pressure on banks*

SA's euro preparations are 'advanced'

(74) CT(BR) 8/6/98

RICHARD STOVIN-BRADFORD

Johannesburg — South African banks were already quite advanced in their preparations for the introduction of the euro, Europe's new single currency, Herman Groeneveld, a senior manager at ING Barings, said last week.

He was visiting South African financial institutions to advise them on the practical implications of the advent of European Monetary Union (EMU) in 11 of the 15 states in the European Union (EU) on January 1 next year.

EMU would benefit the EU economy enormously by eradicating much of the red tape and book-keeping associated with trade and currency exchange rates among the member states. It was the first step towards the completion of the single European market.

"At the beginning, the European economy will have to adjust itself to the new currency, but the payback period will be less than six years."

The euro, as a new-born currency, was already prompting change at all levels throughout Europe's financial markets. "We've only seen the tip of the iceberg of financial institution mergers in Euroland, and they are being driven by the launch of the euro.

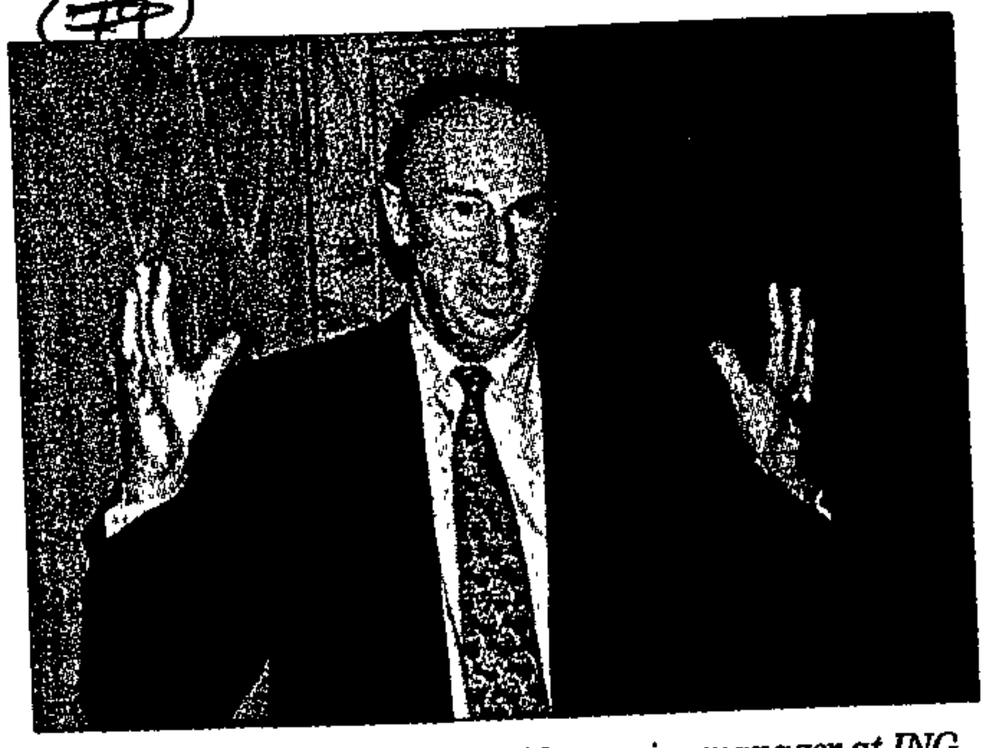
"The clear advantage of the euro is exchange rate stability, but there has already been some success with the exchange rate mechanism (ERM) in place." Currency exchange between the EMU member states would no longer be necessary, and it would become a transparent market with much-simplified record-keeping. He also thought and hoped the euro would become a reserve currency.

Euroland would be a single market with one currency but with decentralised budgetary policies. "However, the EMU growth and stability pact means it is in everyone's interest to keep their economies under control." But it remained to be seen how an economic recession might affect implementation of the pact.

"The main disadvantage of EMU is the cost of introduction." ING Bank itself had provided ecu 250 million for the introduction of the euro and for year 2000 compliance, and had appointed euro steering committees and task forces within each business unit.

EMU would lead to increased competition between banks as currency transactions dwindled in a new, broader home market. Banks would lose income and there would be downward pressure on the fees charged for transactions. Non-banks, including credit card companies and Internet operators, would try to take business away from the banks.

There would also be a concentration of banking relationships, as already demonstrated by merger activity in the EU.



EXPANSIVE *Herman Groeneveld, a senior manager at ING Barings* PHOTO SELWYN TAIT

SA now France's number one trading partner in sub-Saharan Africa

(74) BD 8/6/98

Claire Pickard-Cambridge

SA HAS become France's main trading partner in sub-Saharan Africa with trade between the two countries almost doubling since 1994, a French Trade Commission report says.

The sale of French products into SA was worth R4,7bn last year — an increase of 27% against the previous year — and French market share for goods in SA rose 4%. Services are excluded from the figures.

However exports from SA to France amounted to only R1,8bn, so it is understood that the trade deficit is an issue of concern for SA.

The commission said more than 125 French companies now had a subsidiary in SA, three times the number five years ago.

French investment in SA had become more diversified and partnerships had been formed with black business groups — notably France's Alcatel with the Rethabile group and France's Sodexho with Pamodzi. Companies listed on the Johannesburg Stock Exchange such as Basil Read and Fransaf have been bought out by French firms, and companies in SA for many years, such as Total and Air Liquide, have increased their financial commitments to the country.

Nine French banks are now situated in SA, either as a subsidiary, a joint venture or as a representative office.

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LINKS

SA to make significant trade concessions to EU — Links

Tim Cohen, John Dludlu (74)
and Louise Cook BD 8/6/98

LONDON — SA would make some significant concessions on automotive and textile products in free trade talks with the European Union this week, bringing its overall offer to more than 81% of SA's trade with the union, SA's EU ambassador Eltie Links said yesterday.

He said SA would make its improved offer in the hope that the EU would, among other things, improve the timing of its concessions, which account for about 95% of its SA imports.

SA's concessions would really "cut to the bone" and be painful if they were not done surgically. "We are touching the most sensitive areas," Links said.

Originally, automotive products and textiles were to be dealt with in separate agreements. This would still be the case, but some products might now fall within the main agreement.

SA was still pushing for concessions on some agricultural products and there was a strong chance that oranges would be included in the deal, he said. Canned fruit was still a contested area.

SA was seeking the strongest possible "front-loading" so that changes would take place soon within the 10-year period in which the EU would have to liberalise its products.

SA postponed the previous round of negotiations to consult with a range of constituencies, especially some of its neighbours who have emerging automotive and textile industries.

Links conceded that there was very little chance of reaching a conclusion which could be presented to the EU's general council before the end of the British presidency this month.

But he said the process was unpredictable and "we could break the back" of the agreement, reaching consensus on the trade aspects of the deal and leaving the relatively uncontroversial technical issues to be resolved during the European summer. These issues would include such things as rules of origin and competition policy, but could be swiftly agreed upon.

Continued on Page 2

Trade talks

(74)

Continued from Page 1

BD 8/6/98

Agriculture department trade chief Rolf Otto said the economic value of the EU's concession on oranges was effectively "nil" as the present import tariff in EU countries on SA oranges was 4%.

Otto said the EU wanted to place oranges and cut flowers in a category that would effectively only allow free trade coupled to a zero tariff six and 10 years down the line. The concession was worth even less due to the EU's planned reform of its Common Agricultural Policy.

Braam Roodt, director in charge of multilateral trade relations at the SA trade department, said at the weekend SA's new proposals could safeguard both parties' interests if there was a will on Brussels' part to compromise. The previous round of talks went "horribly wrong" as both the EU and SA had shown an unwillingness to improve their product coverage.

SA pushes regional free trade

CT 10/6/98

(74)

SOUTH AFRICA'S proposals for a free trade protocol in the Southern African Development Community within eight years were presented to Parliament's Trade and Industry Committee yesterday.

Trade and industry department chief director of African trade relations Mfundo Nkhulu told the committee the deal would see SA abolishing almost 80% of import tariffs within five years. SADC trading partners would phase down more slowly: "The intent is to implement (the new trade protocol) early in the new year."

Nkhulu said the trade offer would be placed before SADC trade ministers at a meeting in Angola next month.

Only 10,1% of SA's imports are from the SADC, the bulk being minerals, precious stones and metals.

Committee chairperson Rob Davies said MPs supported the principle of SA granting SADC trade partners generous concessions. — Sapa

Although a deal is not likely to be concluded in the latest round of EU-SA trade negotiations today, major strides forward are likely, argue London correspondent Tim Cohen and trade reporter John Dludlu

BD 10/6/98 (74)

SA and the European Union (EU) negotiators entered their 19th round of trade negotiations yesterday, two-and-a-half years after discussions began, in circumstances that are, as usual, as clear as mud.

Reluctant to give their interlocutors across the table an advantage, and afraid of angering special interest groups back home, neither the South Africans nor the Europeans have been particularly forthcoming about the specifics of the deal.

This is understandable, but it is consequently almost impossible at this stage to predict accurately how much progress has been made in the negotiations, let alone which industrial sectors might benefit or lose as a consequence of the deal. Officials are guarded and opinions vary.

But it is clear that at least the free trade aspects of the deal, by far the most difficult to resolve, are moving forward in a stuttering sort of way Yesterday the EU indicated it had received tantalising fresh proposals from SA. The new proposals, sources say, cover about 86% of EU imports. Previously, the SA offer stood at just a touch above 80%, making it difficult for Brussels to table its offer to raise its coverage of SA exports to 95%.

Brussels officials indicated that the SA offer would prompt the EU to improve its offer as well.

With an average of 90% of all trade in hand, both sides now stand a better chance of striking a free trade deal that will pass the World Trade Organisation (WTO) test. Pre-WTO regulations cover far fewer trade exchanges than the 90% or "substantially all trade" between contracting parties as the Geneva-based trade watchdog says.

The increase is likely to be unpopular among some constituencies in SA, particularly because its now appears that some automotive and textile products will fall within the deal and not be included in separate agreements.

This change was apparently necessary in order to achieve the WTO coverage requirements and is therefore essential for the deal to go ahead. But SA will be pushing hard for the actual changes to take place well into the 12-year transition period, which means both industries, which have already been significantly restructured, will probably have sufficient time to adapt.



SA's ambassador to the EU, Eltie Links

It is also becoming clearer that SA's agriculture industry will probably not get a lot out of the deal, which will lead to bitter complaints from SA's farmers and some members of the agriculture department.

Agreement on the trade chapter of the trade, development and co-operation accord will be a confidence-building exercise. It should give impetus to a range of trade-related issues, including co-operation on competition policy, economic sphere, antidumping and government procurement.

This round was in fact meant to deal with these issues, which the EU sees as guarantee for fair trade. Consensus on these has been difficult because most are still being reviewed in SA.

Signs of compromise are there: the EU's willingness to allow SA to use procurement to empower blacks, women and the disabled for a specified period; and the release of a competition bill in SA.

Unfortunately for SA, any deal with the EU must take into account the EU's common agricultural policy, an abomination of spectacular proportions, which eats up about half of the EU's $90bn budget.

SA has understandably been unable on its own to breach this wall of subsidies and its vocal dependants, but help may be on the way in the form of the EU's own desire to expand its membership.

The generosity of the agricultural subsidies makes them impossible to provide to new eastern European states keen to join the union, so the EU will have to reduce the subsidies to provide for all member states.

Consequently, the EU has itself launched a programme called Agenda 2000 which aims at cutting back the subsidies, but of course this does not help SA's farmers who have had to face the onslaught of subsidised agricultural imports from the EU.

One other important change that has taken place since the beginning of the talks on the free trade area is the fall of the rand. Originally, the costs of cutting a deal with the EU might not have seemed worth the candle, but now exporters who have good contacts and the right products are in a much better position to invade the European markets.

This helps to explain why political support for the deal among SA politicians, who originally blew hot and cold on the deal, appears a lot stronger now.

So hopefully, when President Nelson Mandela raises the issue at the EU's Cardiff summit next week, European leaders will confidently predict a conclusion to the negotiations at the end of the summer. But don't hold your breath.

'New momentum' in trade talks with the EU

THE slow-moving trade talks between South Africa and the European Union appear to have regained momentum after two days of negotiations in Brussels this week.

Both sides reported "a new momentum" on the back of a revised offer from SA which seems to have broken the deadlock. The two will meet again in Pretoria on July 14 and 15 for the 20th round of talks.

SA's revised offer includes increased coverage, fast-tracking of tariff dismantling and tariff reduction on sensitive products such as the automotive and textile sectors.

The inclusion of textiles and automotive products — which were going to be dealt with in separate protocols — enables SA to move its coverage to 85% from 81% of total imports from the EU that would enjoy duty-free access to SA. The EU had proposed to increase its coverage to 95% which would reduce

ST (BT) 14/6/98 (74)

TARIFF NEGOTIATIONS

By THABO KOBOKOANE

the value of SA goods that did not enjoy duty-free access from 4% to 3%.

SA is hoping its improved offer will spur the EU to make similar concessions, particularly with regard to agricultural products.

Brussels' initial offer excluded 46% of SA's agricultural products from a possible free trade accord on the grounds that these products would hurt its own industry. However, about two weeks ago the EU signalled its intention to make concessions, reducing the list of exclusions from 46% to about 34%.

Although still to be accepted by EU members, the revised agricultural offer represents an important breakthrough. The two sides have also agreed to hold talks on the wines and spirits and fisheries agreement ahead of the Pretoria round of talks.

SA's trade-off may seal pact with EU

ET(BE) 15/6/98 (74)

JOHN FRASER

Brussels — A free trade deal between the European Union (EU) and South Africa continues to elude both sides, but negotiators say painful South African concessions could pave the way for the signing of an agreement within months, it emerged at the weekend.

It had been hoped there would be a breakthrough last week, but there was disappointment that there was not enough progress at the talks in Brussels, despite pledges by both sides to try to smooth negotiations.

South Africa presented Europe with its most liberal offer so far, including concessions that would hurt the South African car, steel, textiles, leather, footwear, chemicals, tyres and agriculture industries.

The South African offer now covers over 85 percent of EU exports into South Africa, which is the minimum needed for an accord to meet world trade rules.

The European side made an exploratory offer that covers 95 percent of South African exports to the EU. The EU is South Africa's most important trading partner.

But Philip Lowe, the EU chief negotiator, now has the tough task of persuading European governments to approve this negotiating stance and improve it.

There has been some flexibility by the Europeans over South African exports of oranges, flowers, processed fruits and cereals, but some important South African exports would still face high EU tariffs if the current EU offer were to be accepted.

The political pressure for a deal will be stepped up on Tuesday when President Mandela lunches with EU leaders at the summit in Cardiff.

Elias Links, South Africa's chief negotiator, is also embarking on a series of meetings with his counterparts from the 15 EU nations to try to win much-needed political support for a more generous European offer.

"We had a useful round of talks. The ball is now in the EU court," said a weary senior South African official. — Independent Foreign Service

SA trade talks concessions win review

Tim Cohen BD 15/6/98 (74)

LONDON — The SA trade negotiations with the European Union (EU) last week will result in about a quarter of the 1 400 tariff lines being re-examined, say officials.

The 19th round of the SA/EU trade negotiations ended last week on an upbeat note after the SA delegation made significant new concessions.

The European delegation acknowledged after the meeting that the talks formed the basis for new concessions from the EU side.

President Nelson Mandela is sure to press for these concessions when he meets EU leaders at the European summit in Cardiff today and tomorrow. Mandela will be meeting almost all the EU leaders, including those from southern European countries who are said to have been the toughest opponents of an SA/EU trade deal.

Including the new concessions, officials now say that more than 85% of SA's trade with the EU and 95% of the EU's trade with SA will be covered by the deal.

Officials hope the negotiations, will be finished during the European autumn later this year.

WORLD TRADE OPPORTUNITIES

Exporters' lack of interest in support schemes disappoints govt

John Dludlu

GOVERNMENT has challenged serious exporters to take advantage of its export support measures. Trade and industry director-general Zavareh Rustomjee says government's 36 industry support programmes are delivering measurable results, but it is disappointed at industry's response.

The department has spent the past four years putting in place a coherent policy and support programmes and institutions.

Government has stopped what it saw as a wasteful general export incentive scheme which, Rustomjee says, cost the taxpayer almost R25bn in today's money over a five-year period.

"The impediments lie increasingly on the side of the private sector, because there is still a sense that people are not serious about exporting on a sustained basis," he says. "We have quite a lot of resources for those industry federations willing to set up export councils."

Rustomjee rejects complaints that there are no matching grants to support the exporting effort and urges industries to take advantage of the department's support under the export marketing and investment assistance programme.

The department has shut down 14 offices but new missions aligning SA with rapidly expanding economies are being opened in co-ordination with foreign affairs.

The changes are intended also to diversify SA's investment and trading partners.

In keeping with the "African renaissance" theme, the department was engaged in processes such as the renegotiation of the Southern African Customs Union and getting the Southern African Development Community (SADC) free trade area signed.

Talks are under way on the SADC tariff dismantling programme. SA and customs union partners are due to unveil a five-year liberalisation offer to other SADC countries next month.

Rustomjee challenges financial institutions to take a share of the risk involved in funding small business. Government would maintain its stake in the Small Business Development Corporation, but it was not in a position to carry the full risk of lending to small business.

Khula Finance Corporation, a state-owned finance wholesaler, has supported more than 20 000 jobs since its inception a year ago, while Ntsika, which provides non-financial support to small business, has helped about 20 000 enterprises. The department's industry support measures helped create about 77 000 jobs.

Alan Hirsch, chief director for industry and technology strategy, says the department is expecting to maintain this job-creating trend, if not do better this year.

(74)

BD 17/6/98

EU pledges trade pact in three months

Tim Cohen

CARDIFF — President Nelson Mandela has elicited a pledge from European leaders that the SA-European Union (EU) trade deal will be finalised in three months.

UK Prime Minister Tony Blair, who chaired a summit meeting of EU leaders in Cardiff, struck an upbeat note yesterday on the trade talks, saying only 1% of trade between SA and its biggest trading partner was still in dispute. "We have clearly agreed that by the (European) autumn we will have in place the EU-SA agreement. There have been difficulties to iron out, actually on both sides, but now we are very close to the conclusion."

At a news briefing yesterday, Mandela said the International Monetary Fund (IMF) supported SA's position in trade talks with the EU. Europe's agricultural subsidies were contributing to poverty in Africa.

Mandela said IMF MD Michel Camdessus had spoken strongly at the Organisation of African Unity's recent meeting about the need for the reform of Europe's agricultural industry. Camdessus had supported SA's point about the need for a reduction of European agricultural subsidies.

Camdessus had said industrial countries had to accept that they had a tremendous responsibility to help Africa through their economic policies and that they had to phase out sooner rather than later subsidies for agricultural exports.

Unlike the UK Mandela refrained from criticising the pace of the trade negotiations with the EU, saying only that progress was being made.

"Some of these matters are not easy ... but the negotiations will end in a result which will be acceptable to all parties," he said.



President Nelson Mandela conducts the singing of a nursery rhyme by school children who greeted him at his arrival at Cardiff Castle in Wales yesterday. Mandela was at the castle to receive the freedom of the city. Picture: AFP

Spokesmen for Blair have commented negatively on the pace of the negotiations, saying Mandela's presence at the summit would serve to "concentrate the minds" on the issue.

At the closing news conference, Blair denied that the EU was sending Mandela away with only "a stream of words", saying he was convinced that the SA-EU trade deal would be concluded during the European autumn when Austria would be president of the organisation.

Reuter reports that Britain had hoped to clinch a deal to coincide with Mandela's visit. But the 19th round of trade talks in Brussels last week failed to resolve all differences and the two sides meet again next month.

"The EU should respond positively, in good time for the next negotiating round, to the flexibility shown by SA in its recent revised trade offer," the European council said.

Mandela met leaders of three European states on Monday and four more yesterday, mainly to bid farewell before standing down next year.

He was treated like a hero in Cardiff with crowds applauding wherever he went. Mandela was granted the freedom of the city yesterday.

Millennium preparations: Page 10

EU leaders promise Mandela a deal by October

(74) ET(PR) 17/6/98

MARK ASHURST
LONDON CORRESPONDENT

Cardiff — European leaders promised President Nelson Mandela yesterday that a trade deal between South Africa and the European Union (EU) would be agreed by October.

The pledge will put an end to recriminations from South African officials, who have accused their largest trading partner of reneging on a political commitment to help the country increase its share of world trade.

Tony Blair, the UK prime minister who brokered the agreement, announced the promise at the close of this week's European summit in Cardiff.

"We have clearly agreed that by the (European) autumn, we will have an agreement," he said.

This follows new concessions put forward by South African negotiators in Brussels on June 11. Jacques Santer, the president of the European Commission, said the prospects for a settlement had been enhanced by "a new spirit in the negotiations". Less than 1 percent of the issues in dispute had still to be settled, he said.

The pledge follows three years of arduous negotiations, which have been described by European diplomats as "the toughest" bilateral trade talks yet negotiated.

Less than 1% of the issues in dispute still have to be resolved, says EC president

The proposed free trade accord has encountered fierce resistance from some Mediterranean countries, which are wary of the new competition from South African agricultural exports in European markets. The promise of a settlement came amid growing embarrassment at the delays in reaching an agreement among European leaders who have backed South Africa's bid for improved access to European markets.

Before yesterday's lunch meeting, Göran Persson, the Swedish prime minister, echoed sentiments expressed by British officials when he criticised the delays that had frustrated a free trade accord for more than three years.

Asked whether the delays created an awkward situation for the EU, Persson said: "Awkward is not the right word. It's a big failure." However, the promise of a settlement does not avert the prospect of further tough bargaining during the next round of EU-SA trade talks in Brussels.

In spite of Santer's confidence, British officials failed to secure an agreement on the basic principles of an accord in time for this week's summit.

Mandela steals the summit show

Last goodbyes as president prepares to take it easy

ANDREA WEISS
FOREIGN SERVICE

Cardiff – He is looking forward to reading *War And Peace*, listening to classical music and holding grandchildren on his knee, but before he does that President Nelson Mandela has some unfinished business as he enters the final leg of his political career: to remind world leaders that South Africa still needs their support even after he has stepped out of political life.

Mr Mandela was officially in Cardiff, Wales, for bilateral meetings with European leaders attending the European Council meeting and to receive the freedom of the city.

He had come to Britain from a meeting of the Organisation of African Unity in Ouagadougou, Bukina Faso. On Monday, he paid a courtesy call to the Queen in London. Tomorrow, in Rome, he will meet the Pope.

Yet Mr Mandela characterised the invitation to Cardiff, extended by Prime Minister Tony Blair, as a case of people simply showing respect for old age and not because of any particular qualities on his part.

He said people wished to pay respect to South Africa's achievement and not to him as an individual, but they could not invite the whole country to do so.

The adulation which greeted him every time he stepped out of his car or hotel spoke differently.

The Western Mail, the Welsh national newspaper, devoted its full front page to Mr Mandela's visit, using a series of 10 photographs of him greeting the crowds outside his hotel. The headline declared: "Nelson steals the show."

Mr Mandela certainly appeared to bring a gloss to what otherwise might have been a lacklustre meeting of the European leaders.

Mr Mandela, who turns 80 soon, is doing the rounds of world leaders.

Part of his message, which includes thanks to those who have supported South Africa's transition from apartheid to democracy, was that "poverty and hunger are the single most dangerous threat to peace and stability in the world".

Another objective was to chivvy along a yet-to-be-finalised trade agreement between South Africa and the European Union being negotiated in Brussels.



Walkabout: British Prime Minister Tony Blair and President Nelson Mandela are greeted by well-wishers in Cardiff outside the European Union summit REUTERS

Commenting on his retirement as head of state next year, Mr Mandela told journalists in Cardiff: "I will be 81 (next year). I do not think South Africa should be led by an octogenarian. It requires somebody younger ... who can focus on problems."

He said he would continue to be a member of the African National Congress and "carry out any instructions my president may issue". For the rest, he would be "unemployed".

Apart from that, Mr Mandela said he looked forward to reading novels and biographies and listening to classical music, adding that he had already instructed South African High Commissioner Cheryl Carolus to buy him some books.

On her brief, she said Mr Mandela was a man of very firm tastes and therefore it was a request that was not hard to satisfy. They had already acquired *War And Peace* and he also wanted to return to the classics he had read before his 27-year imprisonment and which he could now enjoy with the benefit of "hindsight and a lifetime of experience".

Ms Carolus, who has publicly stated that she does not wish to have children, added: "And one other thing. The president has been harassing people to have more grandchildren."

Mr Mandela, possibly the only world leader who could get away with it, then gently threatened that unless she obeyed his injunction to have a family, he would fire her.

The mood at the briefing was light and affectionate. At one point Foreign Minister Alfred Nzo rested his hand on Mr Mandela's knee as he emphasised a point about the status of the long-awaited trade agreement with the European Union.

When Ms Carolus broke in to counter Mr Mandela's characteristic humility about his reception in Cardiff, he dismissed her praise, saying: "This is a daughter talking about a father."

What she had said was that Nelson Mandela had the world's respect because he represented "the best of what human beings can be under the most difficult of circumstances".

Blair sees EU-SA deal in months

(74)
ANDREA WEISS
ARG 19/6/98

Cardiff – A European-South Africa trade agreement could be in place by the European autumn, outgoing European Union president Tony Blair said at the end of a two-day EU summit here attended by President Mandela.

Mr Blair gave the assurance yesterday when asked whether Mr Mandela would be happier with a "stream of warm words" from the European leaders who had paid him a communal farewell here, or a firm trade agreement.

Earlier yesterday, Mr Mandela said he believed there were indications that the trade agreement, which has been three years in the pipeline, would lead to a solution which was acceptable to all parties.

Mr Blair said the EU meeting had been informed that only 1% of the conditions of the South African trade agreement was still outstanding.

The deal would be signed when Austria took over the EU presidency, he said.

But on the soccer World Cup bid battle for 2006, Mr Blair made it clear Britain would not be withdrawing in favour of South Africa.

Madiba begins first Italian visit

Rome – President Mandela has arrived here on his first official visit to Italy since taking office.

Mr Mandela travelled from Cardiff yesterday, where he upstaged the 15 European Union heads of state and government assembled for their semi-annual summit.

He was awarded the freedom of the city of Cardiff at a colourful ceremony in the grounds of Cardiff Castle after an enthusiastic reception by thousands of people.

During his two-day Italian visit, he is to meet President Oscar Luigi Scalfaro and his senior ministers, and with Pope John Paul II and the Vatican's Secretary of State, Cardinal Angelo Sodano.

Italy is South Africa's fifth largest trading partner, with trade of about R8-billion last year. – Sapa-AFP

No joy for Mandela in EU trade talks

M+G 19-25/6/98 (74)

Michael White and Liz McGregor

What should have been a triumphant valedictory tour for Nelson Mandela before he steps down as president of South Africa has been marred by European Union failure, under Tony Blair's presidency, to deliver on open trade promises made when apartheid collapsed.

Mandela joined the EU heads of government for lunch in Cardiff after a breakfast on Monday with businesspeople and tea with the queen at Windsor, but there was disappointment in Cardiff that he was unable to seal his visit with the completion of a trade agreement between his country and the EU.

South African diplomats expressed dismay at what they see as EU intransigence in defence of domestic products like fruit and wine.

EU officials admit that countries like France, Spain and Portugal, whose farm produce competes with much that South Africa would like to export to Europe, have been making difficulties during the protracted negotiations.

But they insist that Mandela's negotiators failed until recently to come up with a formula for reciprocal opening of South Africa's long-protected markets, as required under the rules of the World Trade Organisation (WTO).

Downing Street's representative said Blair would have liked to see more done "to take forward EU-South African trade relations, and that is no doubt something President Mandela himself will want to give voice to when he is here. We see that as a useful opportunity because his presence will concentrate minds on it."

Mandela made an oblique reference to his disappointment over the trade deal before an audience of business people.

He expressed his gratitude to the British for funding his defence in the treason trial that put him in jail for 27 years. "I know how generous the British are," he said.

But he reminded them of the R254-billion debt his government had inherited from the apartheid government; how the servicing of that debt swallowed the funds that could have fed and housed 20 000 homeless children "whose hopelessness and anxiety" haunted him.

- At stake in the trade negotiations are key South African exports such as wine, cut flowers and citrus fruits. The South Africans argue that since their seasons are the opposite of Europe's, they do not compete directly, although they pay the same tariffs as the United States.

The EU case hinges on "WTO compatibility". That requires a reciprocal opening of trade to cover an average 90% of products on both sides. It aims to prevent local distortions which, in this instance, could hurt neighbouring African states.

The EU side is offering 95%, including the disputed products, but until this month Pretoria was seeking exemptions on 1 200 mainly manufactured products, reduced on June 10 and 11 to about 100. That puts it within the 85% range — meeting the 90% average. EU companies want to be able to compete for South Africa's infrastructure contracts.

South Africa's complaints amount to saying that European leaders made generous promises when Mandela took power and bask in his reflected glory. But they do not put their money where their mouths are.



LAIDLER

EU casting cloud on deal efforts

BD 24/6/98

(74)

Patrick Wadula

THE European Union (EU) is insisting the free trade agreement being negotiated with SA should include controversial trade-related issues, a move that casts a cloud over efforts to reach a deal in three months.

Michael Laidler, the new EU ambassador to SA, told the British Chamber of Business in Southern Africa yesterday this agreement would not work without a common understanding and agreement on trade-related issues.

These issues, on which agreement has yet to be achieved, include competition, antidumping, government procurement and safeguard measures.

Part of the problem in reaching common understanding is that several of these subjects, which ensure fair trade, are under review.

This comes after the EU Cardiff summit last week, where it was clear both teams of negotiators were politically committed to further refine their respective offers as quickly as possible.

Laidler said both parties were studying each other's proposals and also called for political decisiveness. "We need a political vision to look at the agreement in terms of its overall advantage."

There was confidence from EU and SA officials that the agreement could be concluded in two to three months.

Laidler said provisions were made in the agreement text covering all the trade-related aspects, but a number of problems still needed to be solved.

To date, two-thirds of the about 110 articles in the draft agreement were already agreed upon by the chief negotiators. Progress was made in sectoral negotiations such as wines and spirits, where a deal was close.

Local, South American blocs meet for trade talks

Patrick Wadula BD 25/6/98 (74)

SOUTH American regional trading blocs, the Andean Community and the Mercosur common market, are eyeing SA and the Southern African Development Community (SADC) for bilateral trade, co-operation and investment opportunities.

Representatives from both trading blocs, including Chile, are in SA addressing a two-day international conference on Latin America and its trading opportunities and benefits.

Speaking at the conference in Pretoria yesterday Andean Community secretary general Sebastian Alegrett said the visit to SA was another step towards promoting a better understanding between the Andean Community and the SADC.

The Andean Community consists of Bolivia, Colombia, Ecuador, Peru and Venezuela.

He said South America would be consolidated into a free-trade zone with a market of more than $330m and a gross domestic product of about $1,5-trillion once negotiations between Andean and Mercosur were concluded.

"Our bilateral trade is still small, but I am sure that together we could start to explore our real potential for bilateral co-operation, trade and investment," Alegrett said. The Andean's population was more than a 100-million spread out over a vast territory of 4,7-million km.

FRENCH BUSINESS COOL ABOUT INVESTMENT

Chirac seeks more trade with SA

CT 25/6/98 (74)

PARIS: When it comes to trade and investment in Southern Africa, France is far behind the United States and only fifth on the list of investors in SA, writes **LIESL LOUW** of the Independent Foreign Service.

THIS time it will be "trade and aid", or in more elaborate terms worthy of the French: "Solidarity together with economic exchange." French President Jacques Chirac, preparing for a round trip of four African countries, seems to have packed a fresh set of slogans in his suitcase.

The trip, which starts today, will take Chirac to Namibia, South Africa, Angola and Mozambique.

At a press briefing to announce the trip, Chirac's spokesperson, Catherine Colonna, said France has a strong commitment to Africa and to the Southern African region. "We believe it's not a question of choosing between aid and investment. The two have to go together. Aid remains essential to improve social conditions," she said.

When the French delegation steps off the plane in Johannesburg tomorrow, it will be difficult not to compare the visit with the trip by President Bill Clinton earlier this year. Even more so, because France and the US disagree on many aspects of Africa policy and are seen as rivals on the continent. The controversy surrounding the US trade policy towards Africa was widely criticised in the French press during Clinton's visit in March.

Yet when it comes to trade and investment in Southern Africa, France is far behind the US. France is only fifth on the list of investors in South Africa, behind Germany, Britain, the US and Italy.

According to figures released by the French presidency, France occupies only four percent of the market in South Africa — a figure that the government and business want to improve. "The region has a lot of potential and France can play a greater role with our expertise and knowledge of the continent," said Colonna.

An important delegation of 60 businessmen will accompany Chirac on the trip, some only joining the group for the South African leg, after Namibia, as will be the case with finance minister Dominique Strauss-Kahn.

Chirac will be in Mozambique on Monday and ends the trip in Angola. Among the businessmen accompanying Chirac are representatives of the French arms industry: Dassault, Eurocopter and Thompson CSF.

This is due to SA National Defence Force plans to buy arms worth several billion rands. France is one of six countries on the short-list for this deal.

Still, despite the apparent interest in increasing trade relations with South Africa, the business community in France remains reserved about investment opportunities. The Paris chamber of commerce says South Africa is producing "negative signals" in terms of its social, economic and political evolution. "One cannot consider a 1,8% growth rate as progress."

"Everybody knows that a six to eight percent growth rate is necessary," says Dominique Brunin, responsible for Africa at the Chamber of Commerce.

Brunin says the bulk of new investments from France goes to Asia and South America. "One can only hope that with the problems in Asia some new investment will go to South Africa."

The chamber of commerce has been involved in the creation of a French-South African Technical Institute in Electronics at the Pretoria Technikon, which will be inaugurated by Chirac on Saturday as part of the "aid" side of his trip. The institute is jointly financed by French and South African companies with the help of the Foundation for Research Development, the Paris chamber and French technical institutions.

French aid to South Africa this year will amount to 23 million francs (about R25,07m), half of which goes to culture and education. France has 20 "Alliance Francaises" centres in South Africa and invests a lot in promoting the French language at schools and universities.

Chirac will also award Archbishop Desmond Tutu the grade of Grand Officier of the Légion d'Honneur.



ON AFRICAN SAFARI: Jacques Chirac

EU-SA TRADE TALKS (74)

STEAMING ALONG fm 26/6/98

The wrinkles are coming out

It's probably the political push that European Union and SA negotiators have been waiting for to speed up their three-year-long negotiations on an EU-SA free trade and co-operation agreement EU leaders who invited President Nelson Mandela to their summit talks in Cardiff on June 16 have instructed the European Commission to clinch the deal "no later than autumn 1998".

The original plan was that Mandela and the 15 EU leaders would sign the EU-SA agreement at the Cardiff summit But, since negotiators from both sides have not yet ironed out their differences on market access, Mandela's visit to Cardiff was presented as a high-profile but personal "farewell" to his EU counterparts.

Still, the encounter may have helped to give a much-needed political boost to the long, difficult and highly technical talks British Prime Minister Tony Blair, who played host in Cardiff, promised that the EU-SA agreement would be "in place" in (the northern hemisphere's) autumn "There have been difficulties to iron out, actually on both sides, but now we are very close to the conclusion," Blair said

A communiqué issued by the EU leaders underlines their "determination to bring the negotiations on a comprehensive trade, development and co-operation agreement with SA to a successful conclusion no later than the autumn of 1998."

The statements from Cardiff reflect a more upbeat mood among EU and SA negotiators. After months of marking time, the free trade negotiations appear to be picking up steam EU and SA negotiators, who met in Brussels on June 10-11, say discussions on the new treaty have reached a "decisive phase" The Cardiff deadline is realistic, they say

The new optimism follows SA's decision to table what chief negotiator Elias Links describes as a new "potential offer" that improves access to SA markets for a number of European exports, including steel, textiles, chemicals and some farm products.

But the concessions come with a warning. "The SA offer depends totally on what is reciprocated by the EU," Links insists. The improvements made by Pretoria, he says, mean that now 85% of SA imports from the EU will fall within the ambit of the future free trade pact, instead of 81% as initially suggested "But this movement by SA is dependent on what the EU can come up with"

EU officials say that having received the long-awaited SA package, they can now make a final list of trade concessions for SA exporters

"We've created a new momentum in our discussions," Philip Lowe, the European Commission's director-general for development, says He has replaced Philippe Soubestre as the EU's chief negotiator with SA. (Soubestre now heads a new Commission department in charge of EU aid programmes). "We believe the SA offer is a sound basis for negotiation," he adds



>> Now we are very close to the conclusion. <<
Tony Blair

The statements by Links and Lowe are markedly different from the expressions of irritation that followed the last negotiating round in late April Then, Soubestre told the SA team that the EU was ready to improve its trade liberalisation offer for industrial and farm goods but voiced alarm at SA's failure to make any similar concessions

The new EU plan will include assurances that at the end of the 10-year transition period for the EU, there will be no industrial products on its so-called "exclusion list" This is the list of goods, mostly farm products but also some highly sensitive industrial items like steel and metal products, that Brussels wants to keep out of the free trade pact.

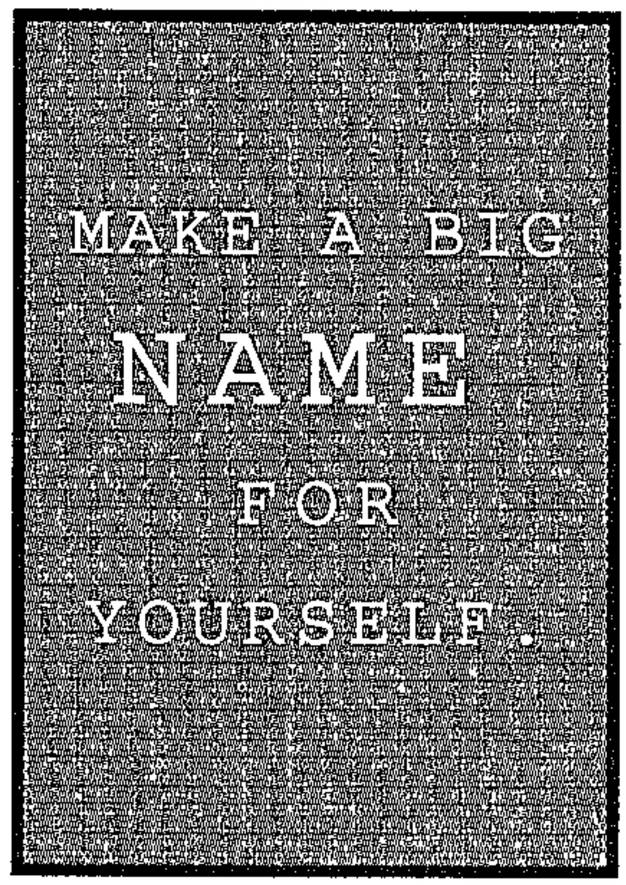
Lowe says the EU is also ready to bring forward some of its tariff-dismantling pledges — so that Customs duties are eliminated at the start of the 12-year transition period for SA, rather than towards the end There could also be some changes in the import regime for SA's processed fruit, cereal, oranges and cut-flowers Overall, with these changes, the EU offer will cover 95% of its imports from SA, instead of 89% as originally proposed, Lowe adds

The next few weeks will be difficult, however. Discussions cover about 20 000 tariff lines and, as Lowe points out, "we're starting to talk about sensitive sectors which require consultation with our industrial and agricultural constituencies". Not to mention governments in France, Spain and Portugal, which may still need convincing that it's time to make new concessions.

But both sides deny that this will involve only horse-trading over tariff reductions "We have to assess our strategic advantages," Lowe insists "We're dealing with substantive issues"

The 20th negotiating round has been set for July 14-15 in Pretoria. But, since EU Foreign Ministers won't be studying Lowe's suggestions for market-access improvements for SA until July this year, the next meeting is unlikely to produce any significant breakthroughs.

Shada Islam, Brussels



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TRADE *Chirac addresses handicaps to forging an agreement*

Aluminium may slow down SA-EU talks

CT(BR) 1/7/98 (74)

JAMES LAMONT AND ANDI SPICER

Johannesburg — The European Union (EU) trade talks may be hampered by a dispute over South African aluminium exports into the region, Jacques Chirac, the French president, said last week.

"There are problems which are difficult to solve both for the European and South African sides," Chirac said. "There are agricultural problems. In Europe we do not wish to put into question the Common Agricultural Policy. There are also problems with everything to do with aluminium and these are not solved either."

European leaders have committed themselves to concluding the agreement with South Africa, a major exporter of the base metal. The Billiton-owned Hillside and Bayside smelters are among some of the lowest-cost and most efficient producers in the world.

The Mozal smelter in Maputo, which will go on stream early next century, will expand Billiton's and Southern Africa's position in global aluminium production.

Because of the EU duties as well as strategic reasons, Billiton exports most of its metal to Asian markets rather than to Europe.

The EU has a 6 percent tariff on imports of primary aluminium to protect local producers and to discourage imports, but South Africa wants better access to these markets. Pechiney, the largest French producer, is a prime mover in maintaining the levy.

The Organisation for Economic Cooperation and Development estimated in a recent report that EU consumers had paid an extra $472 million for their aluminium in 1995 because of the duty.



TREPIDATION *Jacques Chirac does not wish to put the EU's Common Agricultural Policy into question*

North American producers complain that the levy is anti-competitive and, rather than stopping aluminium being dumped in the EU, is designed to protect local industries.

North and South American producers have been circumventing the levy recently by shipping aluminium into Europe through overseas territories in the North Atlantic and the Caribbean.

A loophole in EU law allows traders to pay the 6 percent levy on a small portion of the overall freight cost, and allows free access to third countries which ship through overseas territories. The governments can then keep the duty for development purposes. More than 10 000 tons a month flow from Canada through France's St Pierre and from Brazil through the UK's Anguilla.

New trade blueprint to be unveiled

HARARE — SA is reported to be preparing a trade package embracing the Southern African Development Community (SADC) region.

Pretoria's trade counsellor in Zimbabwe, Hennie Erasmus, was quoted by Ziana news agency yesterday as saying that the blueprint would be unveiled soon.

"SA will classify all products into three categories. The first will include products attracting an import duty in SA of up to 15%.

"These products will immediately go down to zero for all SADC countries," Erasmus said. It was estimated this category constituted about 60% of all tariff lines in customs schedules.

The second category, to be phased out over a five-year period, would include all products attracting import duties of more than 15%.

The third category would be products classified as sensitive industries, including products in categories one and two. This would include sugar, wheat and maize.

Erasmus said contrary to popular belief SA was willing to open its market. — Sapa.

BD 2/7/98

US duty review set to boost trade (74)

BD 6/7/98

Simon Barber

WASHINGTON — SA exports should get a modest boost from the US trade representative's latest review of developing country products eligible for duty-free treatment under the US generalised system of preferences (GSP).

The review has added unwrought gold to the GSP list at the request of the SA government, which petitioned on behalf of a local producer of precious metal dental alloys.

The decision means importers will no longer have to pay a 4,7% tariff on the company's product.

Bell Equipment, an SA manufacturer of heavy construction vehicles, was also successful in persuading the trade representative to grant GSP to its line of articulated offload dump trucks used in the mining industry. The current ad valorem duty on such vehicles is 5%.

Bell, the only manufacturer in the country receiving GSP benefits, told the trade representative that removal of the duty would enable it to ship an extra 150 trucks to the US a year.

Connecticut-based Strategic Minerals Corp received the continuation of GSP benefits for a vanadium compound made by its SA subsidiary, Vametco. The firm shipped $16m worth of the steel-hardening agent to the US last year. Benefits were threatened because SA's share of US imports had risen above 50% but the trade representative granted a waiver. Stratcor said this would enable an increased investment in Vametco.

Less fortunate was Sasol, which saw benefits taken away from its alfa-olefins, a by-product of its synfuel process used to make plastic. SA's exports to the US reached $19m last year and accounted for 85% of US imports of the product. However, the duty involved is a negligible 0,7%.

Several other SA exports that were technically rendered ineligible for GSP were granted waivers because their value fell below a certain threshold.

Call to exploit opportunity for trade with Iraqis

(74)

Patrick Wadula

BD 7/7/98

SA SHOULD exploit business opportunities with Iraq that are in accord with the United Nations (UN) "oil for food" policy, businessman MK Malefane said yesterday.

This follows the UN deal with Iraq that went into effect in December 1996, allowing the Iraqis to sell oil worth $3bn with which to buy food, medicine and other humanitarian needs to help offset hardship caused by UN sanctions.

Malefane, who recently visited Iraq, said the Iraqi government was issuing tenders to companies for general bulk infrastructural development. These covered areas such as power generation, telecommunications, road infrastructure and information technology.

"Iraq has the largest oil reserves in the world, and if sanctions are lifted sooner it could become a strategic long-term supplier of crude oil, petrol and other petroleum by-products to SA at cheaper and affordable prices," he said.

Recently, however, a senior UN official in Iraq, Denis Halliday, said Iraq would not be able to fulfil its commitment to the oil-for-food accord unless it managed to get spares needed to upgrade its oil industry.

Malefane said SA manufacturers, brokers and service providers should take advantage of the opportunities created by the UN in Iraq.

He said an Iraqi delegation would visit SA soon to pave the way for a trade mission to Iraq later this year.

SA may become full member of Lomé

(74) CT(BR) 7/7/98

JOHN FRASER

Brussels — South Africa could become a full member of a reformed Lomé Convention, Elias Links, the South African ambassador to the European Union (EU), said yesterday.

Links was reacting to a new negotiating mandate for a revised accord agreed by the 15 EU foreign ministers last month.

Under this plan, the EU is seeking closer links with its 71 Lomé partners from Africa, the Caribbean and the Pacific (ACP).

Eventually, the EU hopes to negotiate free trade areas with different groupings of Lomé nations advanced enough to envisage such a relationship.

Links said although South Africa was a full member of the political institutions of Lomé, there were economic benefits denied to Pretoria under its "qualified" membership.

For this reason, South Africa had been forced to pursue its second-best option of negotiating a separate bilateral trade, aid and development accord with the EU.

Links said South Africa was "not an ordinary member" of Lomé, but he still would be playing a role in the negotiations on the future of the treaty, the EU's largest development instrument.

It is likely South Africa will seek to modernise and improve the Brussels infrastructure through which the ACP countries form policy and exchange ideas.

In particular, the Brussels ACP secretariat has been criticised for its Third World mentality in the face of slick professionalism from EU governments and officials. The secretariat is characterised by underfunding, inefficiency and a shamefully low profile.

Although Links did not voice any criticisms himself, he stressed the need to "look at the ACP structures for managing the new relationship".

"Our own negotiations (on the EU trade deal) will provide valuable lessons to our ACP partners."

Links said the content of the planned EU-South Africa accord might also give some framework for the free trade areas which could be negotiated under a reformed Lomé Convention.

The EU negotiating mandate could lead to the EU and the Southern African Development Community (SADC) setting up a two-way free trade zone.

If this happened, the South African accord now under negotiation could provide the model for an SADC-wide deal with the EU. South Africa could become a full partner inside the new EU-SADC relationship, replacing and expanding the bilateral accord. — Independent Foreign Service

EWS

EU trade deal talks 'have not failed'

(74) CT(BR) 7/7/98

ROY COKAYNE

Pretoria — Negotiations between South Africa and the European Union (EU) on a new trade deal had not failed, and a strong political will still existed to reach an agreement, Michael Laidler, the new head of the EU delegation in South Africa, said last week.

The next meeting between South African and EU negotiators, the 20th round, would take place in Pretoria on July 14 and 15.

Bahle Sibisi, the chief director foreign trade relations in the department of trade and industry, expected the EU to present proposals that would be in line with the improved offer made by South Africa last time.

Sibisi said the outstanding issues involved the formulation and appropriate drafting, or wording. "There are not many issues where there are fundamental problems."

The new deadline for the conclusion of an agreement is October, set following the inability of the parties to meet the initial target date at the end of June.

But Sibisi said South Africa aimed to conclude the negotiations as soon as possible.

"However, the substantive issues and agreement on substantive issues are more important than meeting the deadline.

"We think the bulk of the issues are behind us. What remains still needs some clear proposals but these are not insurmountable problems.

"Obviously, the political climate reflected in the Cardiff reception of President Nelson Mandela and the statement issued (last month) make us hopeful that Europe will come up with a meaningful improvement of the offer," Sibisi said.

Laidler said one of the reasons a deal had not yet been concluded was the vast amount of work remaining to be done.

"About 20 000 tariff lines had to be looked at during the negotiations. Then both sides needed to consult and clear any concessions with their constituents, which in our case are the EU member states.

"It is a slow and complex process. Neither side realised when we started how far-reaching the negotiations would be. It is one of the biggest and most complex negotiations entered into under the new dispensation."

Laidler said agreement still had to be reached on the mutual trade offers made by South Africa and the EU. "We are now looking at how mutually those offers can be improved. Exploratory, improved offers have been made by both sides. These offers now have to be weighed up, but the process goes on."

Laidler said the political messages exchanged in Cardiff and the subsequent desire expressed to seek a solution were important.

"The mood (between the two parties) is still good, and they are working together very well. There is not a standoff position. Both parties realise they are getting close to an agreement and, with work and goodwill, they will be able to break the back of it."

US-SA Binational commission is loosing steam

(74)

BD 9/7/98

Simon Barber

WASHINGTON — The US-SA binational commission is scheduled to convene in Washington on August 6 in bare-bones form amid growing signs that the institution, chaired by Vice-President Al Gore and Deputy President Thabo Mbeki and originally conceived to deepen working-level ties between the two government, is losing momentum.

The commission, which is supposed to meet twice a year, once in each country, broke the cycle in February when a looming showdown with Iraq prevented Gore from travelling to Cape Town for what would have been the fifth session. An alternative date in SA could not be arranged.

Although the commission will not have met for a year, few or none of the sectoral committees that form its core are expected to be involved next month. Instead, only the ministers and other senior officials who chair the panels, which work on nuts-and-bolts cooperation issues ranging from defence and trade to water conservation, are due to attend.

On the US side, the commerce department has had trouble recruiting private sector volunteers to serve two-year terms on the business development committee which focuses on trade and investment issues.

With 21 seats to fill, the department put out a notice in April seeking applicants, who had to be senior representatives of companies with SA dealings. There were so few takers that the original June 5 deadline had to be extended a month. Even then, well under 21 volunteers had come forward.

One topic likely to be discussed next month is reducing the frequency of meetings to once a year without making it look as though the institution has failed.

SA food union targets EU embassies over trade deal

DEPUTY BUSINESS EDITOR (74)

ARG 10/7/98

The Food and Allied Workers Union campaign to get the European Union to meet South Africa's proposals for a fair trade deal will involve a series of protests targeting European embassies and consulates.

This was agreed by members in the fish, liquor and red meat industries at a meeting this week.

The union also plans to meet labour movements in Europe about the trade negotiations.

Resolutions adopted will be sent to the Government.

Union members said all South Africa's competitive products, notably canned fruit, should be included in the overall agreement being negotiated. EU-subsidised products should not be included.

The union also decided to reject the EU's plan to allow Spain and Portugal fishing rights in South African waters, because of the local restructuring of the fishing industry.

It also rejected the EU's stance of marginalising South African quality wine and spirits products through trade-related property rights and other methods.

Fawu calls for 'developmental' trade deal

Pearl Sebolao

THE Food and Allied Workers' Union (Fawu) decided this week to launch protests aimed at forcing the European Union (EU) to "return to its original commitment to ensure a developmental character" in the trade agreement under negotiation with SA.

The union would target the EU and individual embassies and consulates in SA, Fawu spokesman Katishi Masemola said yesterday.

The decision was taken at an industry meeting attended by union representatives in the fish, red meat and wines and spirits industries in Cape Town this week.

Demands tabled include the inclusion of SA's competitive products, especially canned fruit, in the overall agreement; the rejection of the EU's bid to allow Spain and Portugal access to SA's fishing resources; and the exclusion of the EU's subsidised products from the agreement.

The demands would be forwarded to government's negotiators as soon as possible, Masemola said.

BD 10/7/98

Concern over tax on goods crossing Swazi-SA border

James Hall BD10/7/98 (74)

MBABANE — There is growing unease among Swazi business and government leaders about a proposed SA tax on Swazi goods entering and leaving SA.

Robert Sandla, the director of border management for the SA revenue service, announced that a 14% value-added tax may have to be paid at Swaziland border crossings on all imports and exports. The tax is actually a security against fraud by VAT-dodging SA "exporters" who claim their goods are destined for Swaziland when they in fact never leave SA.

An estimated R500 000 a month in VAT revenue is lost on phoney goods shipments supposedly destined for Lesotho, Mozambique and other countries.

"Similarly, some goods leaving Swaziland escape VAT when shippers claim an overseas destination, but then these goods end up in some Gauteng warehouse", a spokesman for the Swaziland Chamber of Commerce and Industry said.

Jaspher Dlamini, public relations officer for Swaziland's customs and excise department, admitted such abuses did occur, "but they are perpetrated by small-scale crooks, never by major industries".

One Swazi businessman said: "We call the new border payments "bail" instead of a "tax" because the money is to be refunded once a Swazi business proves the legitimacy of a goods shipment at point of destination. But repayment will take we don't know how many months, and that leaves us with a significant cash-flow problem."

Swazi government and business leaders hope for a promised meeting with SA customs officials prior to the introduction of the plan sometime this year.

Among the proposals Swazis will suggest to avoid a border tax collection is the presentation of contracts and official documents to confirm the legitimacy of goods shipments.

Tariffs discriminatory, SA told

(74) BD 13/7/98

Percy Mthimkhulu

VISITING Ghanaian president Jerry Rawlings has expressed "disquiet" at SA's "discriminatory" tariff regime which, he says, is contributing to the trade imbalance between SA and Ghana.

Speaking at a trade and investment forum in Johannesburg on Friday, Rawlings said while Ghanaian exports were increasing at an average rate of 120% a year, the country's exports to SA were far less than imports from SA. However, he acknowledged steps by the SA government to lower tariffs.

Rawlings, whose five-day visit to SA ended yesterday, told the forum that his government had identified SA as a key partner in its programme to steer the Ghanaian economy towards export-led growth.

He said: "Through our programme of economic reform we have achieved an average annual growth rate of 5%, but to lift the standard of living of our people, our economy needs to grow at 8%. We therefore decided to focus on export-led growth."

He encouraged SA businesses to increase their investments in Ghana. "Our markets are competitive, predictable and truly free," Rawlings said.

There was already good cooperation between SA and Ghana in the mining and non-mining sectors. SA shopping chain Pep recently announced plans to start operations in Ghana.

Rawlings encouraged SA to invest in Ghana's energy sector, "knowing you have the technological knowledge we need".

Ghana is widely viewed as the economic gateway to west Africa. SA Chamber of Business president Humphrey Khoza said his organisation encouraged SA businesses to invest in Ghana. "Ghana follows sound economic policies within a proper democratic framework."

□ On Friday, a memorandum of understanding was signed by Yeaboa Amoa, Ghana Stock Exchange MD, and JSE president Russell Loubser,

Erwin turns attention to trade with Canada

(74) BD 12/7/98

Business Day Reporter

GLOBE-trotting Trade Minister Alec Erwin will set off again in September, when he takes a business delegation to Canada to explore trade and investment opportunities.

The mission is timed to coincide with an official visit by President Nelson Mandela from September 23-30.

Bilateral trade with Canada has trebled since sanctions were lifted in 1994, but is still small by international standards at about R3bn a year.

The trade department regards Canada as a "medium-share, high growth and low risk" market for SA exporters.

In recent years the most successful SA exports to Canada have been raw materials and agricultural products. SA imported mostly wheat and capital equipment.

The department says there is "vast potential" for wider trade between the two countries.

"Canada's imports per capita ratio is one of the highest in the world, and Canada is also the ideal country in which to test-market exports for the much larger US market." Apart from agricultural products, there is thought to be a good market for mining equipment, stainless steel and chemical products and motor components.

Direct investment from Canada in SA is growing steadily, and about 60 Canadian companies are represented here. Sectors in which there are investment potential include pharmaceuticals, food processing, motor components, telecommunications equipment, tourism and mining.

The mission will start with a one-day investment conference in Toronto.

Companies that are interested in applying should contact Paul Pieterse before July 31. His numbers are: Tel 012-310-9345; Fax 012-320-8157; or e-mail paulp@dti.pwv.gov.za.

EU trade talks reach 20th round

CT (BR) 14/7/98 (74)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — The 20th round of trade negotiations between South Africa and the European Union (EU) starts in Pretoria today, but observers yesterday doubted whether they would be finalised over the next two days.

Michael Laidler, the EU's ambassador to South Africa, said both sides were expected to come up with "exploratory improvements" to offers made at the last meeting last month, "but are unlikely to conclude all their work".

But it was still possible that the negotiations could be wrapped up by the start of the European autumn, as agreed to by EU heads of state and President Nelson Mandela in Cardiff recently.

The negotiations this week would cover all outstanding trade and non-trade related issues but would mostly be of a highly technical nature. Laidler said he expected the next meeting to be held in September, after the traditional European holiday month of August. Officials would stay in constant contact in between the two rounds.

He said separate discussions of wines and spirits had started in Pretoria yesterday. Discussions on fishing would be held in Cape Town next week.

The Food and Allied Workers' Union has threatened a series of protests during the talks in a bid to influence negotiations. It has demanded all competitive South African products, notably canned fruit, should be included in the trade agreement and highly subsidised EU products be excluded.

It has also rejected efforts by Spain and Portugal to gain access to South African fishing waters.

Talks resume in bid to thrash out trade deal

BD 16/7/98 (74)

by
Louise Cook

PRETORIA — European Union (EU) and SA negotiating teams on a free trade agreement between the two regions were locked in negotiations in Pretoria until late last night in a bid to thrash out the last remaining hitches in the way of an agreement.

Time was running out as yesterday saw the start of the 20th round of talks between SA and the EU. All parties agreed that it was vital that the agreement take effect early next year.

Both sides made significant concessions over the past months after indications this year pointed to a strong possibility that they might fail to reach agreement.

Yesterday's negotiations were aimed mainly at the EU's improved offer to SA. One of the stickiest areas is that of agricultural products, of which until recently, the EU wanted 40% of SA products excluded from the agreement.

However, latest reports from EU negotiators claimed both sides were committed to improving their offers and to "work hard" to avoid any further deadlocks.

Beeld reports that EU ambassador to SA Michael Laidler said there was a chance the respective offers might be improved upon this week.

"I am of the view that both sides significantly improved their offers.

"It is not impossible that it could be further improved," he said.

Last month SA handed its latest offer to the EU which reportedly included improved trade access for vehicle parts and textiles. This would result in 81% of SA's trade with the EU shortly being free of any import duties.

The SA negotiating team was headed by the SA ambassador to the EU, Elias Links, while the EU's director-general of development, Philip Lowe, lead the EU team.

Sapa reports that trade and other issues on development aid to SA will be dealt with by the teams. This includes issues around customs and the countries of origin of certain products.

EU suggests review plan for farm products

BD 16/7/98

Louise Cook

PRETORIA — European Union (EU) negotiators have proposed that a range of farm products so far excluded from free trade talks, be placed on a "reserve list" which would be subject to regular review after a deal between SA and the EU was finalised later this year.

The products included fruit, wine, cut flowers and dairy products.

However, indications were that SA was wary of the level of quotas the EU would establish for some of the products and feared that the rate at which the quotas would be increased each year would not be fast enough.

Both sides said yesterday they were committed to striking a deal on free trade by September this year, but that there were still sticky areas, particularly in farm products, that needed more work.

This week's penultimate round of negotiations had been particularly tough and "very, very exploratory", the teams said.

Negotiations centred mainly on the EU's latest offer in response to SA's revised June offer.

SA was mainly seeking concessions on access for agricultural commodities of which the EU had previously excluded 40% of products from the talks.

EU chief negotiator Philip Lowe said agriculture was one of the most difficult sectors in which to grant meaningful concessions.

This was because "so many regions" in Europe depended on farming for livelihood and employment.

"We are looking at SA's request on a case-by-case basis to try to come up with something specific, like cut flowers.

"But any major concessions to SA could create a precedent that other trade partners may want to exploit."

Meanwhile, SA chief negotiator Bahle Sibisi confirmed SA was considering the "future review" option proposed by the EU, but said the issue was whether the EU quotas would be completely acceptable.

Talks between SA and the EU commission on a free trade agreement and development aid to SA had been marked by slow progress over the past two years, but in June, SA submitted an offer potentially allowing free access for up to 86% of EU products.

Flexibility

However, SA ambassador to the EU Elias Links warned yesterday that improvements beyond those already indicated would be very difficult without some measure of flexibility (from the EU), especially on agriculture and industry.

Of the nonfarming items, agreement was still lacking for products like textiles, clothes, footwear, canned food, jewellery, paper, wood and ceramics.

Yesterday Lowe said that to include wine and spirits, some "lateral thinking" was needed as the EU, like SA, had important wine-producing areas that needed development.

The deadline to strike a deal was September, by which time "both sides will have to agree to disagree on outstanding issues", he said.



European Union chief negotiator Philip Lowe, left, and SA ambassador to the EU Elias Links outline the progress of free yesterday. Both sides say they are committed to striking a deal by September.

TRADE *Participants on both sides are getting ready to 'agree to disagree'*

It's a long walk to free trade

CT(BR)16/7/98 (74)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — South Africa and the European Union (EU) ended yet another round of free-trade area negotiations on an inconclusive note yesterday, saying the going had been tough but progress had been made.

According to agency reports, it was clear the two sides felt they were nearing a point where they would have to agree to disagree on some issues.

Elias Links, the leader of the South African delegation, told reporters after the 20th round of talks in Pretoria that it would not be possible to "cover everyone's ambition, and (we) will have to have the right to withhold the liberalising of trade in certain areas".

This view was echoed by Philip Lowe, the EU's chief negotiator, who said that in the end they would have to agree on the areas "where we can go further and reach an agreement which represents a balanced package".

Lowe said both parties were committed to concluding a trade treaty by September, the target set at the recent EU summit in Cardiff.



THE NEGOTIATOR *Elias Links, who leads the South African team, says the target date for a treaty is still September* PHOTO: JOHN WOODROOF

They had not yet agreed on the final list of points that would form part of the compromise in September, Lowe said.

"There are half a dozen areas on both sides where we would like to see the other side improve their offers," he said.

Sectors where deals still have to be struck include clothing, textiles, footwear, motor vehicles, steel and agriculture, which is particularly sensitive for the South Africans.

Links said it would be "tough to define our positions" for the final offer. He said the EU had given a "thorough presentation on ways in which the (European) Commission thinks it can improve its offer".

Links said Pretoria wanted more concrete offers from the EU on the various outstanding sectors. The Europeans have promised to consult their various governments on where further concessions could be made.

South Africa has privately criticised the EU for wanting to protect its weak sectors, including agriculture, while being unwilling to offer the same to protection to less competitive South African industries.

Links said EU negotiators had made what he called ambitious requests in the previous round of talks into areas such as cars, textiles, clothing and ceramics.

In this week's talks, South Africa clearly outlined the limits it faced in opening its markets for these products.

"We have restated our sensitivities, so it would be very difficult to sign off on these areas in one session," Links said.

He described the results of the penultimate round of talks as promising, although South Africa would have liked more firmness from the EU on where it stood.

He said it would be difficult for South Africa to improve its offer without flexibility from the EU, especially in the agricultural and industrial sectors.

EU trade talks drag on with no deal near

BT 19/7/98 74

TARIFF NEGOTIATIONS

By THABO KOBOKOANE

YET another round of the painstakingly slow trade negotiations between South Africa and the European Union has ended with no deal secured.

Once again both sides reported progress during the 20th round of negotiations held in Pretoria this week, and committed themselves to an agreement by September. This would be in line with calls by the summit of EU heads of state in Cardiff that negotiators reach an agreement by September.

Substantial negotiations and concessions will have to be agreed on ahead of a treaty in September. It will not be made any easier by the sticky matters at issue.

South Africa is still keen to see the EU speed up on front-loading so that liberalisation takes place early within the 10-year period in which the EU must liberalise its products. Both sides also want increased access in areas considered sensitive: agriculture and industrial products.

South Africa wants the EU to broaden agricultural exports covered by liberalisation. The EU has proposed placing these on a "reserve list" that would be reviewed regularly after a deal has been concluded.

The EU's initial offer excluded about 46% of South African agricultural products, but this has been whittled down to about 34% after the EU's revised offer, tabled this week, to increase to 95% products that would have duty-free access into the EU. This had been a condition on South Africa's offer to cover 86% of EU exports.

Brussels is understood to have made "ambitious" requests for South Africa to open up to EU industrial products, a request Pretoria considers "too strenuous".

Previously sensitive industrial products, particularly textiles and automotives, were to be covered by protocols, but South Africa has raised the prospect that it may allow the possibility of partial liberalisation of these for the EU.

Since negotiations started almost three years ago, very little progress has been made. This week the EU said it was starting similar talks with Mexico and the launch of the euro, in addition to requests from the EU heads of state, make it imperative that an agreement is reached by September. Earlier projections had been for a July agreement.

SA should spend more time looking west

There is a lot to be gained, politically and economically, by co-operating with Brazil and other countries in South America, writes **Stephen Laufer**

(74) BD 20/7/98

TO LISTEN to Brazil's ambassador to SA, Otto Maia, there is a new dimension to the old contention that what is good for General Motors is good for the US.

It reads something like this: what is good for a globalising auto industry must be good for future economic and political links between SA and Brazil.

Add Argentina, the other members of the South American trading bloc Mercosur, and SA's partners in the Southern African Development Community (SADC) to the automotive equation, and President Nelson Mandela's trip across the southern Atlantic this week begins to take on sharper contours.

At the heart of Mercosur, Argentina and Brazil grew their trade over a five-year period from $1bn to $12bn annually, in large part as a result of increased co-operation between the automotive industries in the two countries. Maia is confident the same could happen between SA and Brazil.

"I believe the auto industry will play a big role in bringing the SA and Brazilian economies together," he said shortly before leaving Pretoria for Brasilia, where he will accompany Mandela during his state visit.

The trip also takes SA's president to Argentina for a state visit and, on Friday, to the Mercosur summit in Uschuaia, 3 500km south of the capital, Buenos Aires. On another of his multilateral farewell visits, he is the first foreign head of state scheduled to address his counterparts from the member countries — Brazil, Argentina, Uruguay, and Paraguay — and of the associated states, Chile and Bolivia.

The auto industry is not likely to be at centre stage during Mandela's visit, but it provides a solid backbone on which to flesh out the wide-ranging interests shared by the regional powers of the two southern continents.

Already, motor manufacturers in SA, Argentina, and Brazil are co-operating, and there are concrete plans on the drawing boards for further integration.

The Argentinian automotive industry, says the embassy's economic and commercial counsellor in SA Carlos Wydler, is double the size of its local counterpart. Samcor is already importing gearboxes and other components from Argentina, and the existence there of Ford, Renault, Fiat, and VW plants indicates a number of possibilities for co-operation.

The big test will come with Fiat's Palio world car. Specifically designed for conditions and driver preferences in the developing world and eastern Europe by a team of engineers drawn from a number of countries, including Brazil, the Palio is to be produced across the globe.

Factories are expected to achieve huge economies of scale in component production by specialising in a small number and exchanging them with the car's other producers. Factories are to be established in Brazil, Argentina, Venezuela, Poland, Russia, Morocco, Turkey, India, Egypt — and SA, where production is due to start in Rosslyn next year.

Mercedes Benz of Brazil, which is starting production of the mini A-class, sees South America and southern Africa as a single area in marketing terms, Maia says. Hopeful talk, already backed by growing car sales across the south Atlantic.

Brazil's biggest export to SA last year by a long way, accounting for about 20% of total sales, was the Opel Corsa in kit form for assembly here by Delta Motor Corporation. Sales amounted to $78,4m, up from $29,2m a year before.

Automotive trade in the other direction was dwarfed by such exports as coal, ethanol, and chemicals, but the $8,3m worth of BMWs which went west rank eighth on the bilateral trade list and signal bigger things to come.

Still, there is a mindset to overcome which appears to be holding SA business back from engaging more intensely with neighbours to the west, observers agree.

Wydler says SA business still spends too much energy looking north in search of markets. But there is a lot to learn from the Mercosur experience, and a lot to gain by engaging a 300-million strong market where most economies are expanding. SA business complains of language barriers, he says, but the diplomatic services and closer ties between Mercosur and SADC must ensure that more co-operation becomes possible.

"Argentina was like SA," says Wydler. "A closed, heavily protected economy in which business made no effort to compete."

Since liberalisation across wide swathes of Latin America, Mercosur has been a good school for small- and medium-sized companies learning supply and service techniques.

Argentina's exports to Mercosur alone are now valued at $7,7bn a year.

Both Maia and Wydler point to South America's relative proximity to SA when compared with Europe or North America, arguing this is a still highly underrated competitive advantage. Several regular shipping lines and frequent flights make communications and the exchange of goods easy.

And it is not just the auto industry which has a bright future, says Wydler. SA's packaging industry, for example, has quality products which could revolutionise the Argentinian food industry.

Still, to focus exclusively on the economic aspects of Mandela's westward trip is to ignore a number of important social and geopolitical issues.

Brazil and SA are engaged in many of the same social debates. On the one hand those who recognise and accept the need to respond flexibly to the imperatives of globalisation, on the other those who resist reforms in the name of protecting social gains.

Like SA, Argentina and Brazil have in recent years emerged from long periods of authoritarian and often very bloody rule. Like SA, they are faced not only with issues of national reconciliation, but in the long term with the perhaps more testing task of bridging the huge gap between rich and poor.

Brazilian President Fernando Cardoso's Real Plan has economic reform at its core. But SA foreign affairs sources say that far from relying on growth and integration into the world economy alone, Cardoso has embarked on a programme of constitutional reform he sees as equally central to the creation of a more just and prosperous Brazil.

Aside from observing at close quarter Cardoso's successes and failures in domestic affairs, Mandela will be seeking to consolidate Brazilian-SA co-operation in international affairs. As the primary political and military powers in their respective regions, the two are increasingly emerging as key players in the reshaping of the post-Cold War world.

Despite the fact that all roads now lead to Washington, and that most attention has been paid internationally to the enlargement of the North Atlantic Treaty Organisation and the European Union, it is in many ways a more self-confident, multipolar world in which regional powers in the developing world have room to set their own agendas.

Freed from the constraints of bloc thinking, countries like Brazil and SA have begun to assert their own or regional independence. Last week's SADC meeting to formulate a joint approach on World Bank development aid is a case in point; Cardoso's letter to the G-8 nations on the regulation of international financial markets and the growing debate around democratisation of the United Nations are others.

The task, says SA foreign affairs director general Jackie Selebi, is to build alliances with nations of a similar economic and political importance.

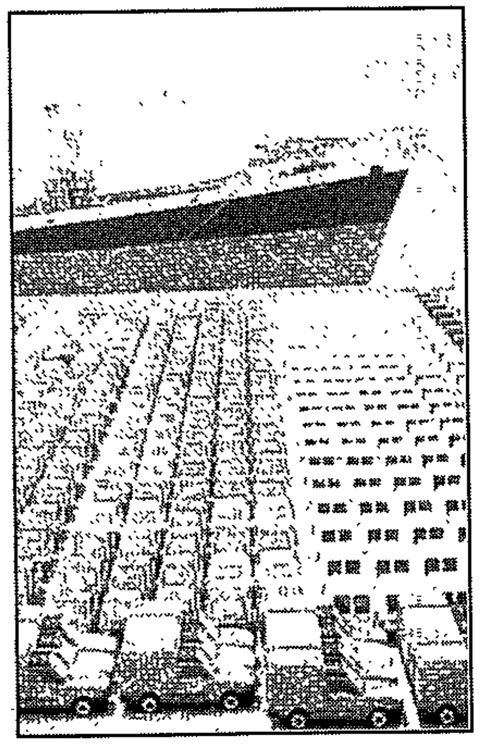
Brazil and SA are natural transatlantic allies, many believe. Maia points to the fact that his country has the world's second largest black population after Nigeria, and a very strong African element in its culture. A shared language ties Brazil to Mozambique and Angola, and mining and oil investments in the south-west African country mean Brazil shares SA's concerns about developments in Angola.

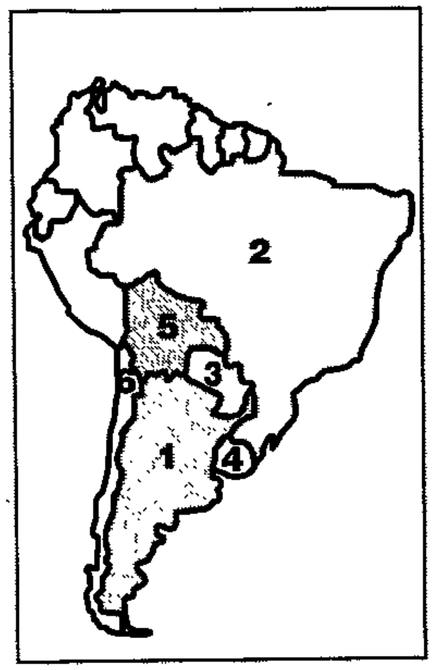
Already, the two countries have joined six others in a call for a new international debate on how to achieve a nuclear-weapon free world. They are active together on environmental issues.

Most importantly, perhaps, both are seen as serious candidates for permanent UN security council seats and Mandela and Cardoso can be expected to discuss how to increase the pace of change at the UN.

So for all of the ceremonial aspects of Mandela's trip this week, there is serious business to be done.

A comparison of Mercosur countries





	(1) Argentina	(2) Brazil	(3) Paraguay	(4) Uruguay	(5) Bolivia	(6) Chile
US$ billion	278,0	717,0	8,9	17,8	6,8	67,3
Population (million)	34,3	155,8	4,9	3,2	7,4	14,2
GDP per capita	8 105	4 604	1 816	5 563	920	4 739

Graphic: KUBEN DAVID Source: THE BRAZILIAN INVESTMENT GUIDE

Speed needed for tariffs to stop dumping

BD 22/7/98 (74

Louise Cook

TARIFF adjustments needed to kick in "very quickly" if they were going to be effective antidumping measures, Rob Davies, parliamentary portfolio committee chairman on trade and industry, said yesterday.

He told an agribusiness conference in Midrand: "It is necessary that the impact of new tariffs take effect before the damage is done.

"The 30% tariff on imported tomatoes last year is an example of an adjustment that probably took too long."

Last year the Board on Tariffs and Trade slapped a 30% tariff on canned tomatoes which were being dumped on the local market from Italy.

Before making a recommendation on a new tariff to the trade and industry ministry the board consults all local stakeholders.

The proposed new tariff is also run past the finance minister, and in some cases the agriculture minister, before it takes effect — a process that takes several months and has sometimes taken years to get off the ground.

While a decision is awaited, cheap imports like US poultry cuts or European Union (EU) dairy products or beef continue to stream onto the local market.

Tracey Simby, adviser to the agriculture ministry, backed the view that the drawn-out tariff adjustment system needed streamlining.

At a special meeting in Johannesburg on future agricultural policy she said the agriculture department recognised the need for greater interaction between the department and the Board on Tariffs and Trade when tariffs on farm products were reviewed.

The issue would be dealt with in a draft policy document on agricultural policy which is soon to be released.

Meanwhile, Davies said the EU's common agricultural policy — a system of subsidies and refunds to European farmers and exporters which supported exports of surplus production and amounted to billions of rands a year — would not "wither away".

"The European Commission has declared that it is seeking to reform the policy to reduce surpluses and lower prices.

"There will be a shift to less direct forms of support and there could be a shift towards a more discretionary use of EU funds by member states.

"This could make the system less transparent and more difficult to detect," Davies said.

EU and SA confident of trade accord by September

(74) ET(BR) 23/7/98

JOHN FRASER

Brussels — Officials from the European Union (EU) and South Africa are confident that the end to tortuous negotiations on establishing a free trade area is in sight.

After the 20th session, held last week, Europe is beginning to offer serious concessions to South Africa in crucial areas, and there is a real chance that an agreement in principle on the whole trade package could be reached at the next session in September.

"There is a clear sense that we are accelerating into the final phase," said an EU official.

"We are confident that a package can be worked out by the European Autumn. We may be able to wrap up the negotiations in September, but we would then need the 15 EU governments and South Africa to politically endorse the agreement."

He said the EU was to bring down trade barriers for certain South African exports far earlier than had been offered originally.

The EU was also prepared to offer tariff-free access for a certain quantity of South African exports of wines, dairy products and cut flowers under so-called "tariff quotas".

EU concessions on European imports of vehicles and textiles could also be promised for the future — to be reviewed later.

Meanwhile, some progress is also being made in parallel negotiations on wines and spirits and on fisheries. New meetings on both topics will be held before the next full negotiations.

"Obviously, if we are to reach a deal, both sides will have to bring down their ambitions," said the Brussels official.

South African officials confirmed that progress was being made, particularly in agriculture. But they warned the EU negotiators would have a tough job winning the approval of their governments. "We are getting there. There is real momentum," said one. — Foreign Service

Mandela's visit aims to 'inject momentum into bilateral trade'

Trade with Argentina boosted

(74) CT(BR) 24/7/98

RICHARD STOVIN-BRADFORD



FLYING VISIT *Guido di Tella, Argentina's foreign minister, and President Nelson Mandela review a guard of honour at the Buenos Aires airport earlier this week* PHOTO AP

Johannesburg — Trade between Argentina and South Africa rose to $404,6 million last year, the Argentine embassy said this week.

Argentine exports increased by 22 percent to $295,4 million and imports from South Africa were $109,1 million.

President Nelson Mandela is presently in Argentina, and has visited Brazil. Mandela has signed bilateral agreements in Buenos Aires on drug traffic control and on reciprocal investment promotion and protection to encourage greater investment flows between the two countries.

A memorandum of understanding on political consultations and an accord on visa exemption for South African passport holders were also signed.

Today, Mandela will attend a meeting of Mercosur member state presidents in Ushuaia, southern Argentina. Mercosur is the world's third-largest trading bloc, comprising Argentina, Brazil, Paraguay and Uruguay. Bolivia and Chile are associate members.

The bloc's gross domestic product (GDP), including the associates, is about $1,27 billion.

South Africa was the 21st export destination for Argentina last year. Brazil, the US and Chile remain its dominant export markets. Argentina is South Africa's 27th largest export market.

Carlos Wydler, the economic and commercial counsellor at the Argentine embassy in South Africa, said: "The purpose of (Mandela's) visit is to consolidate the good relationship established during the official visit to South Africa of President Carlos Menem three years ago and to inject further momentum into bilateral trade and investment."

He said Mandela's visit was a concrete step in implementing Trade and Industry Minister Alec Irwin's vision that, in view of its geographic position, South Africa should have a greater presence in Latin American markets.

Talks have commenced to combine Mercosur with the Andean Community countries, comprising Bolivia, Colombia, Ecuador, Peru and Venezuela, which have a GDP of $288 million.

Mercosur and Andean Community representatives said in Pretoria last month the two blocs provided a regional economic integration and free trade model for the Southern African Development Community, and that trade and investment should be increased between the two regions.

'Keep tabs on tariff reform'

(74)

Wyndham Hartley

BD 30/7/98

CAPE TOWN — The pace of SA's tariff reform had to be carefully monitored in relation to industrial policy so that "excessive" job losses can be kept to a minimum, a parliamentary committee recommended yesterday.

The portfolio committee for trade and industry adopted the report of its industrial policy group following a series of public hearings early in May.

The report, to go to the National Assembly, says there is broad support for the basic aims of industrial policy. There are, however, bureaucratic problems with implementation of supplyside measures designed to aid investment and job creation.

The committee also recommended that SA should strengthen its antidumping capacity and devise "appropriate safeguard measures", and that the customs and excise department should continue to strengthen its effective control over goods entering SA.

James Hall

Swaziland worried about trade through SA

MBABANE — Already reeling from a proposed 14% VAT tax to be imposed on goods passing through Swazi-SA border posts, local business is assessing the effect of other trade restrictions desired by SA border authorities.

The latest row involves a reduction of border posts available for the importation of SA cattle, from an unlimited number to only two.

SA customs officials have told the Swaziland Meat Industries (SMI) to select two border posts for the importation of beef because it is reducing the number of vets available to inspect the cattle.

"In and of itself, this change is not crippling," SMI MD John Williams said. "But it reflects a pattern of changes which are overwhelming local industries."

Some SA farmers now supplying SMI may be "geographically disadvantaged" if they are cut off from nearby border posts currently in use.

SA and Swazi representatives are hoping to meet to identify border post changes which could hinder Swaziland's economy. Swazi business leaders worry they may be left out of the decision-making process, to their detriment.

SA embassy helps with fee structure reform to avert crisis

BD 2/8/98 (74)

Tim Cohen

LONDON — The African, Caribbean and Pacific (ACP) group of countries is set to restructure its finances after suffering a staggering 74% fees shortfall for the 1997 financial year.

The SA embassy in Brussels is rushing to complete new proposals prior to the group's meeting in September, when formal negotiations with the EU begin on the terms of the next round of the Lomé convention, which runs from 2000 to 2005.

At the ACP's last meeting in November in Libreville, the organisation revealed its unpaid fee level to be $5m. However ACP documents reveal the situation to be more serious. This figure excludes the accumulated shortfalls of past years which amount to $79m. Only 12 member states, including SA, of 71 are fully paid up.

Of greater concern is that only $12,4m has been collected for the 1997 financial year — 26,1% of the total anticipated ACP contributions.

The organisation's budget is $96,3m, which is fairly evenly split between contributions from the ACP countries and a grant from the European Development Fund.

However, the ACP rules for measuring members' contributions have not been reviewed for 20 years and anomalies in the fee structure have developed. At inauguration, Zambia was able to pay a large contribution and is still in the second highest fee category despite a declining economy for two decades. However, Botswana has grown at an average rate of about 10% per year over the past two decades but is in the second lowest fee category.

The negotiations have involved SA's Brussels ambassador, Eltie Links. Officials at the embassy have not yet decided what criteria should be applied to determine the level of contributions.

The embassy is examining the funding rules of the Organisation of African Unity and the United Nations to find a system that has achieved general acceptance elsewhere.

Erwin will hear 'tough' message at business talks

(74) BD 3/8/98

Simon Barber

WASHINGTON — Trade and Industry Minister Alec Erwin's last-minute inclusion in the small delegation that Deputy President Thabo Mbeki will be leading to Washington for 24 hours this week is seen in the US as providing a much needed opportunity for dealing with the frustrations felt in each country with the other's commercial policies.

Erwin can expect to hear a tough message when he meets representatives of US corporations at the US-SA Business Council on Wednesday.

"World market forces are a very powerful factor mandating consolidation and cost-cutting, and these forces operate in SA as in everywhere else," council director Dan O'Flaherty said.

"American companies have committed to SA, but you cannot count on that commitment always overriding market forces."

Council members, who represent the bulk of US present and pending direct investment in SA, are becoming increasingly edgy about the SA business climate. Irritants include the slow pace of privatisation — one reason US forestry giant Weyerhaeuser pulled out of the bidding for Safcol — and labour-market reform.

Government's hitherto unyielding stance in the face of pharmaceutical companies' complaints, backed by the US trade representative, that their patent rights are flouted by the Medicines and Related Substances Control Amendments Act, is viewed as a disturbing omen.

US firms also report sensing a government bias towards their European and East Asian competitors, whose investments, SA officials have said, are "more strategic", despite the fact that US companies have been by far the largest source of foreign direct investment since 1994.

California-based Edison Capital announced last week it had invested $121,4m in Eskom's Majuba power generating complex, on top of $250m in March.

Related issues that are certain to come up include the defence ministry's apparent unwillingness to involve US companies in its modernisation programme.

There are also US fears that SA exporters could be discriminated against by an SA-EU trade pact, even as congress is considering legislation (the African Growth and Opportunity Bill, to which SA has lent lukewarm support) that could remove tariffs on virtually all SA exports without requiring reciprocal benefits for US goods.

Business council veteran Mike Evans, of Houston-based commodity importer Maurice Pincoffs, said trade and investment ties between the two countries were "at the crossroads" and emphasised that "the fault lies on both sides".

Some of the bad blood could be attributed to inexperienced US businessmen making mistakes in SA that their more knowledgeable European counterparts would have avoided.

Evans believed SA had every reason to balk at the commerce department's decision, at the behest of US producers, to investigate whether Columbus Steel was receiving dutiable government subsidies via the Industrial Development Corporation.

He agreed that SA steelmakers were unfairly treated last year when their steel plate was effectively shut out of the US by anti-dumping duties while the commerce department was willing to guarantee market share for the same product from Russia, even though it had been dumping larger quantities at lower prices.

The US-SA Binational Commission was set up in 1995 to provide a channel for communication by bringing cabinet-level officials and business representatives, from both countries together every six months under the joint aegis of Mbeki and US Vice-president Al Gore. The last session was more than a year ago.

A key reason for Mbeki's visit this week is to discuss with Gore whether and how the institution should be reinvigorated, particularly as both men are now focused on electoral politics. Mbeki will also pay a courtesy call on President Bill Clinton. Much of his time in the US is likely to be taken up with discussions on the Angola peace process can be revived.

There is also hope that the edge will be taken off US-SA trade hostilities. There have been hints that the US would be prepared to extend new trade benefits if SA were to provide an unofficial "non-paper" on how it will construe the medicines act should the SA courts find its patent-abrogating language constitutional.

Companies asked to help SA's WTO negotiators

(74) BD 4/8/98

Louise Cook
and John Dludlu

SA RECENTLY joined special task teams of the World Trade Organisation which are negotiating the accession of new members to the WTO, a move that places SA in a better position to advance its market access ambitions in key economies.

Braam Roodt, the director responsible for multilateral trade relations at the trade and industry department, said Pretoria had joined special working groups negotiating the accession of China, Russia, Vietnam and Saudi Arabia.

Roodt said: "China is a vast country with many different levels of authority and subsidy-support practices not compatible with the WTO trade regime."

Last December Pretoria switched diplomatic ties from Taiwan to Beijing. Apart from leading trade missions to Beijing, Pretoria has been in economic co-operation talks to underpin the new relationship.

Most crucially, an admission of the four countries to the WTO should address some of the problems WTO members, like SA, often encounter in trade exchanges. For example, if China, the economy of which is deemed nonmarket, joins the Geneva-based trade watchdog, Beijing will have to make its trading regime WTO-compatible, a move that would obviate some of the problems in assessing damage from dumping.

Roodt, one of government's WTO experts, has called on SA companies to assist Pretoria's trade diplomats in drawing up a list of trade barriers to be targeted in the negotiations.

"SA's request list for products and services from the four applicant countries will have to describe very clearly the specific market access barriers that affect exports at the moment," he said.

"Special attention will be given to measures that impair market access for goods and services, barriers such as prohibitive tariffs, discriminatory treatment, technical standards and customs inspection requirements that act as barriers.

"In the case of trade in goods, companies should provide negotiators with a full description of the product and the tariff item number, if possible."

Through its system of policy reviews, the WTO encouraged its members to follow open and market-based trade policies — a programme which has wider benefits to other partners.

By joining special working groups, SA, a founding member of the WTO, was in a better position to negotiate improved access to large markets.

"We need SA industries and companies who already do business with China, Russia, Saudi Arabia and Vietnam to assist SA negotiators in compiling a request list of priority products and services for which concessions and commitments, and other market access measures, should be sought," Roodt said.

Apart from bilateral negotiations, accession talks also allow participants an opportunity to seek bilateral concessions.

A string of other developing countries, including Albania, Latvia, Lithuania, Moldova, Nepal and Ukraine, are hoping to join the WTO.

In Africa, the list of aspirants includes the Seychelles, Sudan and Algeria.

Institute defends call for freer farm trade

John Dludlu and Louise Cook

BD 6/7/98

CALLS for greater liberalisation of global trade in agriculture are becoming more unpopular with groups representing the poor in the US and Europe, which say freer trade threatens food security for the poor.

The Institute for Agriculture and Trade Policy, a US policy think-tank, said food security was too important to be driven "by the quest for international market share".

The institute's Sophia Murphy, in a recent paper, called for an assessment of trade liberalisation before "any new and deeper commitments to liberalise" agricultural trade were pursued.

However, SA, a member of the Cairns Group, which is pushing for freer trade in agriculture, was not convinced liberalisation in the sector should be slowed down.

74

Yesterday, SA Agriculture Union trade director Hans van der Merwe defended Pretoria's membership of the Cairns Group. However, he conceded that so far the only beneficiaries of agricultural free trade plans had been the US and the European Union.

He said the solution did not lie in aborting the current liberalisation plan of the World Trade Organisation.

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3374/3

SA wins key concessions on govt procurement policy in EU talks

John Dludlu and Tim Cohen

LONDON — SA negotiators have won several key concessions in trade talks with the European Union (EU) as the two sides brace themselves for a final round next month.

Among the crucial gains for Pretoria is a right to practise affirmative action in government procurement, a right to defend wobbly industries taking a beating from the agreement and a clause allowing SA to defend the interests of its neighbours in the Southern African Customs Union. However, SA is still battling to have the timetable of the EU's tariff liberalisation for a range of SA exports speeded up.

An official from the EU commission, the executive arm of the EU, said yesterday the EU accepted that SA would have legislation which favoured black empowerment groups in government procurement programmes.

Braam Roodt, one of SA's negotiators, said all the restrictions on government had been removed.

The commission wanted commitments in the character of "political principles" on government procurement since SA was not a signatory to the World Trade Organisation's agreement on state procurement. The EU's proposal for a specified time period during which SA would be allowed to practise affirmative action in procurement or discriminate against other bidders, appears to have fallen away.

A compromise would be forged whereby the agreement would take the concerns of both sides into account.

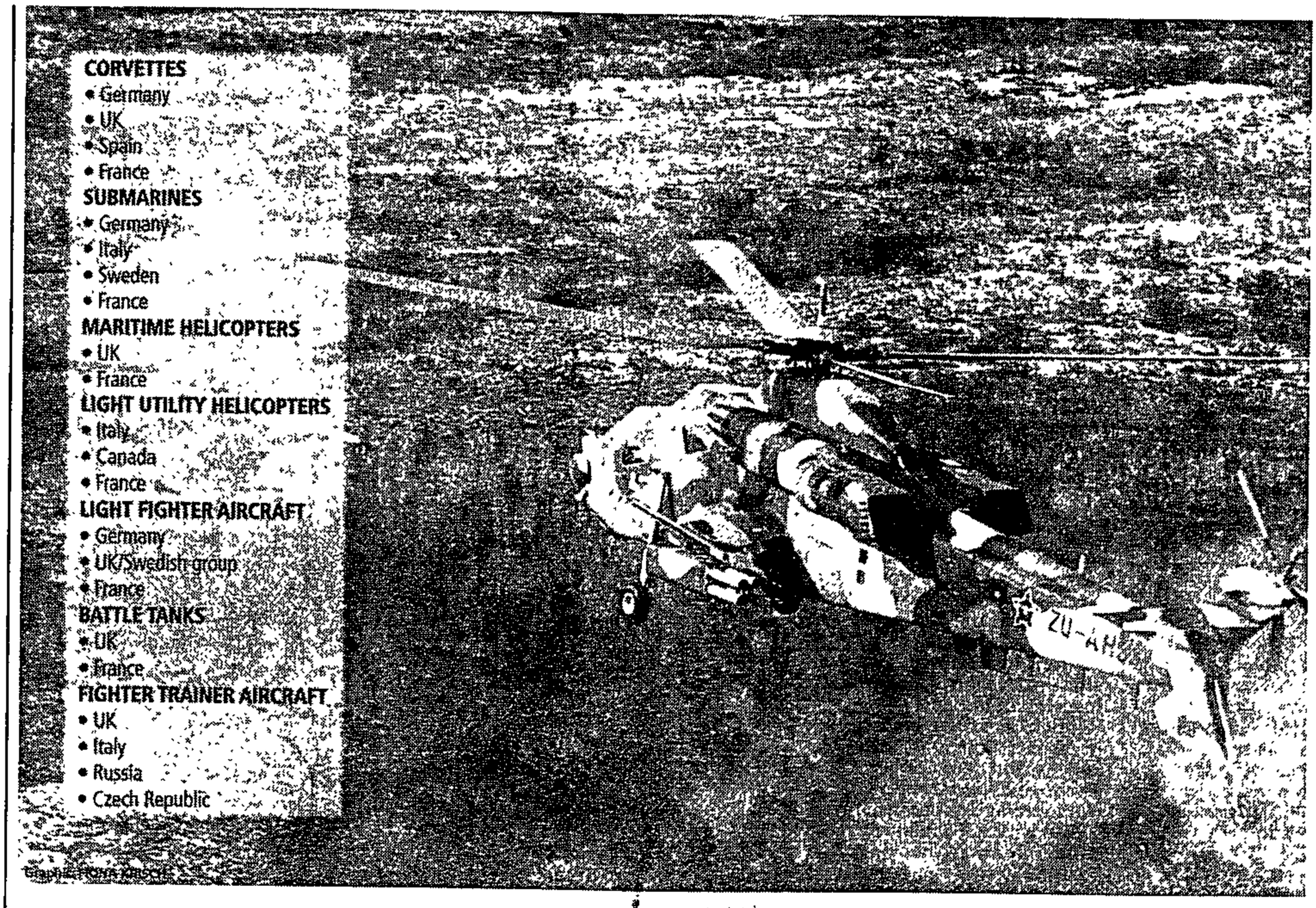
In terms of the "regional safeguard" clause, SA would be allowed to take corrective action should the industries or products of partners in the customs union — Botswana, Lesotho, Namibia and Swaziland — come under pressure as a result of the deal with the EU. EU's overseas territories would enjoy similar protection.

The "transitional" safeguards allowed SA a breather, say after four years, should it be found that the liberalisation commitments were too deep.

Next month's meeting on trade, development and co-operation will be the last of the three-year negotiations.

Outstanding issues may have to be settled between politicians, Trade and Industry Minister Alec Erwin and João de Deus Pinheiro, the EU commissioner in charge of relations with SA.

Among the technical issues still outstanding is the co-operation on competition policy. The emerging deal provided for the EU agreeing that 95% of its trade with SA would be liberalised by the end of the transition period, and SA 86%, the commission official said.



Countertrade deals the key to victory

DEFENCE FORCE TENDERS

By DON ROBERTSON

THE eight countries which tendered for the SA Defence Force's R12-billion arms procurement programme will have to sweat it out until the end of the year to see who has been successful and in which category.

The tender has been described as possibly the world's largest government to government deal ever.

On Monday, Armscor chairman Ron Haywood told Parliament the tenders had been evaluated and the process was now in the political approval stage. Defence Minister Joe Modise said a decision could be made before the end of the year.

Countries in the running are Germany, the UK, Spain and France for corvettes, Italy, Sweden, France and Germany for submarines, the UK and France for maritime helicopters and Italy, Canada and France for light utility helicopters.

Germany is also in the running for light fighter aircraft along with France and a UK/Swedish group, while the UK and France are bidding for tanks. Fighter trainer aircraft will be contested between the UK, Italy, Italy/Russia and the Czech Republic.

"The tender process, we are told by international groups, has been one of the most demanding they have experienced, particularly our requirements for contractual obligations in countertrade programmes. At the same time they say it has been one of the most transparent," says Haywood.

Captain Siegfried Netzband, local representative of the German Submarine Consortium which is offering its U209 submarines, says coming up with the package was extremely difficult, "but we have substantially exceeded the countertrade and offset requirements".

Confident of winning his part of the contract, Netzband recently arrived in South Africa to extend the services offered by Ferrostaal SA, which acts as the "trading house" for GSC.

Countries which have offered the most attractive countertrade deals — expected to benefit SA by R20-billion — will be successful.

Armscor initiated the tender process in October last year and bids were submitted between May and June for corvettes, submarines, maritime helicopters, light utility helicopters, light fighter aircraft, battle tanks and fighter trainer aircraft.

The requirement was that for every R1 equivalent spent overseas, the same amount or even more be invested in South Africa.

In many instances these requirements have been considerably exceeded and in some cases more than a R2 equivalent has been achieved.

Haywood says it is obvious the world wants to help South Africa to sell products as well as become part of the new South Africa by assisting in research and development, increasing the number of jobs, the development of joint ventures and helping South Africa become an international player generally.

"We have also had the remarkable situation of the single largest offset programme, probably in any country in the world," he says.

These packages have the potential to ensure that South Africa is established once and for all in many new sectors of industry, including the defence industry, says Haywood.

Projects that have been identified range from steel and motor manufacturing through to advanced transport systems and transfer of technology.



JOINT APPROACH *Thabo Mbeki and Al Gore plan to bring priority trade issues to ministerial attention* PHOTO AP

US, SA create dispute resolution mechanism

(74) Star 10/8/98

RICH MKHONDO

Washington, DC — The US and South Africa said last week they would form a dispute resolution mechanism which may be used to resolve trade, investment and other disagreements, including the anti-dumping dispute and complaints by the US drug industry.

"We have begun discussions on a trade and investment framework agreement that would bring together, on a periodic basis, representatives of both governments to discuss emerging trade concerns," Al Gore, the US vice-president, and Thabo Mbeki, the deputy president, said at the end of the summit of the US-South Africa Binational Commission.

"The agreement would provide a mechanism for resolving routine issues at the working level, while identifying and quickly bringing priority issues to the ministerial level."

Alec Erwin, the trade and industry minister, met William Daley, the US commerce secretary, to discuss complaints by US pharmaceutical companies that the health ministry's medicines' bill threatened US intellectual property rights, and the anti-dumping dispute between South Africa's steel companies and Washington.

Erwin said while the agreement would be used to settle all disputes, the pharmaceutical dispute would not be resolved until the court challenge launched by the US companies had been completed.

"Our tongues are tied.

"Whatever disagreements we have with the US are normal trade-related disputes which emerge whenever trade relations between two countries grow rapidly," he said.

The US drug industry has asked the US government to declare South Africa a major violator of intellectual property rights unless the government agrees to amend the Medicines Control Act.

The industry claims the new act is a threat to its intellectual property rights and a violation of South Africa's obligations under World Trade Organisation agreements.

Nkosazana Zuma, the health minister, has said she would not give in to any blackmail or demands by the US, South Africa or any pharmaceutical companies to make changes to the legislation, unless those amendments would lower the price of drugs.

Some import, export controls to go

Louise Cook (74) BD 11/8/98

THE trade and industry department says it will lift import and export control on dried fruit, maize, tomatoes, tomato juice, tomato sauce, prepared vegetables, jams, fruits and jellies, and export control on coffee.

A spokesman said at the weekend the department would do away with cumbersome administrative arrangements which, in the past, required that importers and exporters inform the department and obtain permits.

Asked why permits were necessary when, in terms of World Trade Organisation systems quantitative controls and permits were supposed to have been scrapped several years ago, he said the department maintained the permit system in some instances for monitoring purposes.

The announcement did not affect import tariffs: maize would still be subject to a R25/ton tariff.

Last week there was confusion over the department's announcement as the maize industry awaited a decision by Trade and Industry Minister Alec Erwin on proposed tariff changes to imported maize.

The coffee industry was also in the dark, as it was not aware of any export controls, a spokesman said.

Trade and industry department reports recent progress in global forums

SA makes mark on trade policy

CT (BM) 11/8/98 (74)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — South Africa was increasingly playing a leading role among developing countries in shaping world trade policies in an era of globalisation, the department of trade and industry (DTI) said late last week.

During a briefing to the media and diplomats, Phumzile Mlambo-Ngcuka, the deputy minister, and Alan Hirsch, a deputy director, said there appeared to have been interesting breakthroughs in the negotiations with the European Union (EU), while talks with southern African partners were on track.

"There are expectations of success in the relatively near future in the EU negotiations," Hirsch said.



BUSY *Phumzile Mlambo-Ngcuka, DTI deputy minister*

The talks, in conjunction with several other multilateral trade negotiations, had led to the improvement of South Africa's profile in international trade discussions, he said.

"(This) has enabled us to play an increasingly significant role in the development of policy for the era of globalisation," Hirsch said.

On trade talks with the Southern African Development Community (SADC) and the Southern African Customs Union (Sacu), Mlambo-Ngcuka said South Africa and Sacu were discussing South Africa's offer on phasing down tariffs.

She said this would be presented to SADC states at their annual meeting in Mauritius, in September.

"According to the offer, SADC states will enjoy duty free access to South Africa very quickly, but South Africa will only enjoy free access after eight years." she said.

"This is designed to enable the region to move towards a regional industrial policy involving regional specialisation and upstream and downstream linkages as supply chains develop."

She was rather concerned that Mauritius had already ratified the SADC trade accord without having seen South Africa's offer, which "did not add any value" to the negotiations.

Mlambo-Ngcuka said the Cabinet investment cluster, consisting of 13 national departments, had become fully functional and reported regularly at all intergovernmental forum meetings, and occasionally to Deputy President Thabo Mbeki.

The cluster had developed a prototype database, which "enables us to trace and update investments, and pick up duplications and gaps in initiatives taken by different departments and parastatals," she said.

SA warns US of WTO action over trade policies

(74)

John Dludlu

BD 18/8/98

SA HAS gone on the offensive in a bid to settle trade disputes with the US.

Trade and Industry Minister Alec Erwin said yesterday that Pretoria would challenge the US at the World Trade Organisation (WTO) if Washington did not change its 301 watch list system. The system places countries deemed by the US to be granting insufficient protection to US intellectual property on a watch list.

Erwin, speaking at an African National Congress briefing, said this policy instrument was "unilateral" and "unwarranted".

His remarks follow a US bid to link SA's access to certain trade benefits, available under the general system of preferences, to Pretoria's reform of its pharmaceutical law which has sparked criticism in the US.

Erwin said the watch list system was "WTO-incompatible and we are in principle opposed to it. We are not prepared to negotiate on this. We are just telling you (the US) that what you have done is wrong. If you do not begin to change it, we will challenge you ... we will do what other countries have done by challenging you at the WTO."

However Erwin expressed hope that agreement would be reached with the US administration on areas where the Clinton administration had discretion, such as on this issue. Teams under the US-SA binational commission were addressing the matter.

There were other areas, however, where the US government could not stop American companies from taking action against SA counterparts. These included the antidumping action against SA's steel producer, Iscor.

At the briefing, Erwin also said his department's legislative reforms would be completed with the end of this government's term.

He announced that a new body would be formed to replace the failed National Small Business Council. "We remain convinced that there is a necessity for a (legislatively) established

Continued on Page 2

WTO

(74)

BD 18/8/98

Continued from Page 1

platform for small businesses. The council is being liquidated after running into problems."

While SA could not get everything it wished from talks with the European Union, notably in agriculture, Erwin said the talks — which he hoped would be concluded in October — were approaching a point where an acceptable deal with SA was emerging.

He said government's investment incentives were yielding results. After a slow start, the tax holiday scheme was picking up. In the past seven months government had received projects worth R1,1bn thanks to its tax holiday scheme. These projects could create 3 000 jobs.

Government had dealt with projects worth R417m under its support scheme for small manufacturers.

SA firms must grab the chances Germany offers

(#14) BD 20/8/98

Outgoing German ambassador Uwe Kaestner says SA needs to do more to sell its products on the world market

AFTER decades of isolation during apartheid, a new era of democracy has dawned for SA and new challenges for business and industry as well. The country now has to find political, social and economic solutions to deal with the legacy of the past.

Immensely difficult problems have to be overcome. SA needs not only to integrate into the economy the hitherto marginalised majority of its people, but also to develop social services to provide health and housing, education and training as well as employment opportunities for a growing population. Only in this way will political, social and economic stability be assured in the long term. To carry out these immense tasks SA needs a strong economy, sustained growth and more jobs.

Germany is deeply committed to helping SA achieve these aims. For Germany, SA is the most important partner in Africa, and we are eager to expand our partnership and put our co-operation on a lasting and dynamic footing . Germany is SA's largest trading partner in terms of producer and consumer trade. Germany is also in the forefront as SA's largest direct investor, investing considerable sums here and so creating jobs and transferring skills and knowledge .

However, foreign investment is a necessary, but not a sufficient means to meet the challenges ahead. What is vital now is a stronger effort by SA business and industry. The opportunities are there. SA companies now have the chance to make up lost ground and to operate worldwide. In fact, a large number of domestic products has reached a competitive standard.

The Internet has made access to foreign markets still easier, recent rand developments will benefit exporters. It is now for SA business to advertise and market its products worldwide.

Global competition is the key word today, and what counts is not to fall behind. Without a bigger share of the global market. SA industries will be hard put to survive the competition of companies operating worldwide. During his recent visit to SA, the US Treasury Secretary Robert Rubin stressed that without integrating the SA economy into the global market, achieving sustained economic growth and creating more jobs would not be possible.

How can companies gain access to the world market and expand their business? The first and arguably most important step is to build up contacts and to gather information about competitors as well as customers. There is no better way of achieving this than by attending trade fairs. During trade fairs, businessmen from across the world meet, presenting their products to potential business partners, gaining information about the standard of possible competitors, making arrangements about future co-operation, and closing business deals.

In German figures, 82% of exhibitors do business with fellow exhibitors. Two thirds of the 150 leading trade fairs worldwide take place in Germany. In 1996, more than 150 000 exhibitors, including 64 000 from abroad, presented their products to more than 9-million visitors. Three of the largest exhibition centres in the world are located in Germany.

Germany, located in the heart of Europe, in the centre of the Single European Market, offers unique opportunities for industries trying to expand. The single European currency will bring benefits not only to its members but also, and in particular, to its outside partners keen to sell their products throughout the economic and monetary union.

EU-SA Free Trade negotiations will give SA expanded access to the European market.

Recent figures show, however, that participation by SA companies in trade fairs in Germany is low and, in international comparison, insignificant. Whereas the number of exhibitors from abroad has been rising, the participation of SA companies, for example, at the Hannover Fair, the world's largest industrial exposition, has been going down since 1994.

Without a deeper international commitment, SA companies will find it hard to play a major role in international trade. They should, therefore, take up the opportunities that Germany offers and start to compete on the global market. What counts now is vision — and energy.

TRADE (74) BT (BR) 21/8/98

Mercosur wants stronger ties with region

There was a strong view within Mercosur, the South American trade block, for closer ties with southern Africa, especially after President Mandela's recent visit to South America, Roberto Bouzas, an Argentinian economist said at yesterday's workshop on free trade and regional integration hosted by the Department of Trade and Industry in Pretoria. Mfundo Nkuhlu, the department's chief director responsible for African trade relations, said South Africa was keen to learn from Mercosur about the mechanism that held the trade block together. The 14-member Southern African Development Community (SADC) was still grappling over how best to integrate the region's economies: whether this should be done through intergovernmental missions or a supranational body.— *Thabo Leshilo, Pretoria*

Trade talks between SA and Kenya break down

(74)

John Dludlu BD 26/8/98

TRADE talks between Kenya and SA, initiated by Nairobi a year ago, have collapsed due to SA's reluctance to enter into another bilateral agreement.

An SA government official confirmed yesterday there was an "exchange of notes" between the two countries after Kenya's complaint that SA's trade policies were protectionist.

"Our argument was that they were talking about an outdated (tariff regime)," the official said, referring to SA's tariff liberalisation programme.

According to the official, Kenya is SA's fourth main trading partner in Africa after Zimbabwe, Mozambique and Zambia. Like most African states, SA enjoys a huge surplus in its trade with Kenya.

Although SA was reluctant to negotiate another bilateral trade treaty, Pretoria remained open to a concrete proposal from Nairobi. However, none had been made so far, the SA trade official said.

Attempts to get comment from Kenyan authorities yesterday were unsuccessful.

Instead of a trade deal, SA believed an investment protection treaty offered a better chance of addressing the trade imbalance.

Last year SA exported R1,6bn worth of products to Kenya, while imports of Kenyan goods totalled R85,8m, the official said.

New Lomé talks begin next month

(74)

TABBY MOYO

INDEPENDENT FOREIGN SERVICE

Windhoek — Negotiations on a new Lomé Convention, the trade and development agreement between the European Union and the 71-member African, Caribbean and Pacific (ACP) countries, begin next month.

Most ACP countries have said they would back the renewal of the Lomé Convention when it ended in February 2000.

The European Commission (EC) proposed a complete overhaul of the 20-year agreement.

The EC said years of relatively unconditional development aid and non-reciprocal market access had created a culture of dependence without fostering competitive industries.

The EC said its new mission would be to help ACP countries meet international standards of commerce, adapt their structures to liberal trade conditions and stimulate trade with the European Union (EU).

It would also request the establishment of inter-regional free trade zones with ACP countries by 2005.

The ACP said it was nowhere near reaching a coherent position to meet the EC on equal terms.

Various changes to the current Lomé agreement have been proposed in a green paper issued by the EU for consultation and debate. The EU was concerned that ACP countries had failed to increase or maintain their European market share, which is 40 percent.

The EU said ACP members were unable to diversify exports and preconditions for export-led growth were often lacking.

Free trade benefits undermined

BD 28|8|98 (74)

John Dludlu

HUGE budget deficits and the debt burden could undermine the gains of a free trade area for most members of the Southern African Development Community (SADC), says a report scheduled for release later this year.

The report was commissioned by the Commonwealth secretariat and parts have been published in the latest review of the Centre for Research into Economics and Finance in Southern Africa, a unit of the London School of Economics.

The study, carried out by the centre and Harare-based research consultancy Imani Development, says at least half of the community's 14 members will have to act to restore internal macroeconomic balance to be able to take advantage of the benefits of the planned free trade area.

The study, coming ahead of next month's planned start of free trade talks in the SADC, warns that unsustainable macroeconomic policies — huge and persistent budget deficits and debt — undermine the gains of trade liberalisation by displacing private sector investment and threatening external balance.

The report, which surveys all the economies in the regional body, except the Seychellesfor 1990-1995, says it is clear that the fiscal position of most of the members is incompatible with either regional or unilateral trade liberalisation. "Member countries are unlikely to benefit significantly from increased access to neighbouring economies while their governments drain resources from the private sector."

Predictably, the list of those set to lose out on the gains of trade liberalisation includes war-torn Angola (which has no economic stability) and the Democratic Republic of Congo (where a closed economy, hyperinflation and a large external debt prevail), while other countries can still reap maximum benefits from liberalisation.

An official at the SADC secretariat in Botswana disagreed with the report's approach which focused on macroeconomic indicators. The official said earlier this week that what mattered was the policy thrust of member's economies, not value targets.

At a glance, member states were now cutting deficits, levels of government expenditure were falling, all exchange rates were floating and inflation rates was being kept low, said the official.

SA hopes to clinch EU trade pact

ST(BT)6/9/98 (74)

TARIFF TALKS

By THABO KOBOKOANE

THE sticky, stop-go trade negotiations between South Africa and the European Union resume this week with both sides confident that agreement can be reached by next month.

Negotiators assemble in Brussels on Thursday, aware that the EU is about to start formal discussions with 70 African, Caribbean and Pacific countries over the Lomé Convention, the EU's trade and economic pact with developing nations. The existing pact expires in February 2000.

This Thursday and Friday, negotiators begin technical talks to be followed by three days of formal discussions starting on September 16. Negotiators say this round is the most important and the last since negotiations began three years ago. SA Ambassador to the EU Eltie Links says: "We are serious about finishing this time."

But there is much to do. Insiders say SA is not yet completely satisfied with the EU's offer, especially on agricultural goods. "Whereas SA is offering to liberalise up to 80% of its agricultural sector, the EU is offering us access for up to 64% of our products only," says one source in Brussels.

The proposal as it stands flies in the face of the EU's commitment to asymmetry, which requires that the EU open up its markets faster to give SA industry time to integrate with the global economy.

The EU wants SA to open up faster than it proposes. "SA proposals to abolish industrial tariffs are not enough," says an EU source. Outstanding non-trade issues include competition. Brussels wants a strong competition clause. Present proposals are for about 95% of SA imports into the EU and 86.2% of EU exports to SA to be duty-free for 12 years.

Govt 'selling SA short for deals on free trade'

BD 7/9/98 (74)

John Dludlu

SA's free trade negotiations with the European Union (EU) and the Southern African Development Community (SADC) have come under renewed attack, with a leading business representative at the National Economic, Development and Labour Council (Nedlac) accusing government of pursuing free trade deals at "any price".

In an article to be published in the latest MTM Journal, "Free trade agreements at any price may not be so free", Michael McDonald, head of the economics division at the Steel & Engineering Industries' Federation of SA, accuses Pretoria's negotiators of not adequately addressing the concerns of business and labour at Nedlac.

In the article, written a week before another encounter between the two sides, McDonald — one of business's key negotiators at Nedlac — says that in the four years of talks, SA has "consistently been called upon and has agreed to further concessions, while the EU has made virtually no major changes to its original very disappointing mandate".

In the article, McDonald says although the EU offered SA an "asymmetrical" free trade agreement — meaning SA exports will be given faster access to the EU's markets — this principle of asymmetry had been lost. The EU would drop tariffs only "when and to the same degree that SA is prepared to do the same".

No comment could be obtained from government

A labour official echoed some of McDonald's concerns, saying it would be pointless to have a free trade agreement with lax customs administration. The official was concerned that the concessions so far had been in the EU's favour. Any agreement would have to include a binding clause on the protection of labour rights.

McDonald says the talks have not adequately addressed the issue of non-tariff barriers. "Even with no tariffs, the EU still has many technical and other restrictions which seriously inhibit importation of many products."

Regarding the SADC talks, due to begin shortly, McDonald expresses concern at the lack of clarity on the issue of rules of origin and the maintenance of standards. He is critical also of the fact that SA is planning to make a unilateral offer of market access to fellow SADC states without any indication that these countries plan to open their markets in return.

SADC shapes deal to lift trade

ARGUS 10/9/98

CLIVE SAWYER
POLITICAL CORRESPONDENT

The Southern African Development Community summit in Mauritius is to be briefed on progress on a protocol expected to boost the upward trend in trade between South Africa and its regional partners.

Small and medium-sized businesses, especially, are in line to benefit from South Africa's burgeoning trade with Africa.

Trade and Industry Minister Alec Erwin said although the SADC summit would not deal with the proposed trade protocol in detail, because negotiations were taking place in a parallel process in the trade negotiating forum, delegates would be briefed.

Growth in South Africa's trade with the rest of the continent, most of which involves SADC neighbours, has been spectacular in the past few years.

Exports from South Africa to Africa rose from R7-billion in 1993 to R20-billion last year.

Of these figures, exports to SADC countries made up R5-billion in 1993 and R16-billion last year.

A source of concern has been the imbalance in imports, with imports from the continent totalling R3-billion in 1993 and rising to only R4-billion last year.

Again, most of these imports involved SADC states.

Mr Erwin said steps to redress this economic imbalance included a proposal for the early opening of South Africa's markets to its SADC neighbours.

Economic relations within the SADC and the development of a significant regional economic bloc are expected to be important themes of the Mauritius meeting, which opens on Sunday.

SA optimistic before new EU trade talks

CT(BR) 11/9/98 (=74)

JOHN FRASER

Brussels — South African officials were optimistic that the bones of a free trade agreement could be settled in talks with the European Union (EU) next Wednesday.

The talks are expected to be the final round of negotiations which have spanned more than three years.

However, further technical discussions will be needed to flesh out and resolve separate negotiations over fisheries, wines and spirits.

Officials are predicting that an eventual accord will mean the opening of 86 percent of the South African market to imports from the EU, with the Europeans offering 95 percent access to their market.

South Africa will have to make concessions for imports in areas such as cars and textiles, while the Europeans are still under pressure to offer more generous access for farm products, including wine.

"Everything is on track for a deal," said a senior South African official. "We fully expect this to be the last formal round.

"The framework of a free trade area is falling into place, although there will be sectors which both sides will want to continue to protect.

"We are still not happy with what the EU is offering us over agriculture and we hope for some more movement next week."

A senior EU official agreed there was growing optimism that an outline deal would be reached next week. "We are far closer to completion than we are to collapse," the official said.

But a European diplomatic source in Pretoria said a deal was unlikely to be reached this year.

— Independent Foreign Service

SADC urges safe passage of trade bill

(74) (SADC)

ZUBEIDA JAFFER
PARLIAMENTARY EDITOR

ARG 14/9/98

Grand Baie, Mauritius – Southern African Development Community trade ministers are sending an urgent letter to the United States Senate to encourage the passage of the Africa Trade Bill, expected to be voted on later this month.

Foreign Minister Alfred Nzo said here yesterday that this year's SADC summit was giving concentrated effort to SADC/US relations.

Shortly before the formal opening of the SADC summit, he said trade ministers would meet US Secretary of Commerce William Daly tomorrow to discuss how co-operation agreements could be extended to all parties in Southern Africa.

"This was part of SADC efforts to enter into a regional agreement with economic blocs such as the European Union and to work closely with Latin American, Caribbean and Asian regional structures," he said.

The Africa Trade Bill, although contentious, contains important trade breaks for countries such as South Africa and Mauritius and could open greater avenues of co-operation between SADC and the US.

The decision of SADC member countries to send a letter to the US Senate follows on intensive efforts by Southern African ambassadors in Washington to lobby senators to ensure safe passage of the bill.

EU set to 'play hardball' in trade talks with SA

BD 15/9/98 (74)

Tim Cohen

LONDON — The European Union (EU) has upped the ante in its trade negotiations with SA, saying it intended to "play hardball" — which could entail concessions on an industrywide basis such as in the fisheries sector, to small details like forcing port producers to rename their products.

At a briefing on the eve of what could be the final round of SA-EU trade negotiations, EU chief negotiator Philip Louw was asked whether the EU was "playing hardball" by putting pressure on SA to open its coastal access, which would threaten the longevity of SA fish stocks.

Louw responded: "I hope we are," insisting that any agreement on the main accord would be conditional on successful negotiations in the fishing sector, even though fisheries represent only 1,3% of all agricultural trade.

The fishing sector discussions are one of two side agreements being sought and no date has been set yet for the resumption of these talks. The second sectoral side-discussion concerns wine and spirits, which will be negotiated today.

On this agreement, Louw said the EU was anxious to maintain the "specificity" of labels like port and sherry, meaning that SA producers would have to describe these products by another name.

Louw said that despite continuing disputes over textiles, chemicals, steel and agricultural products, the EU and SA could conclude their free trade agreement if both sides were prepared to make a number of "hard compromises". The agreement, which has been under discussion for four years, is set to cover 90% of bilateral trade, and will have to be approved by all 15 states in the EU. It is speculated that this could take up to two years.

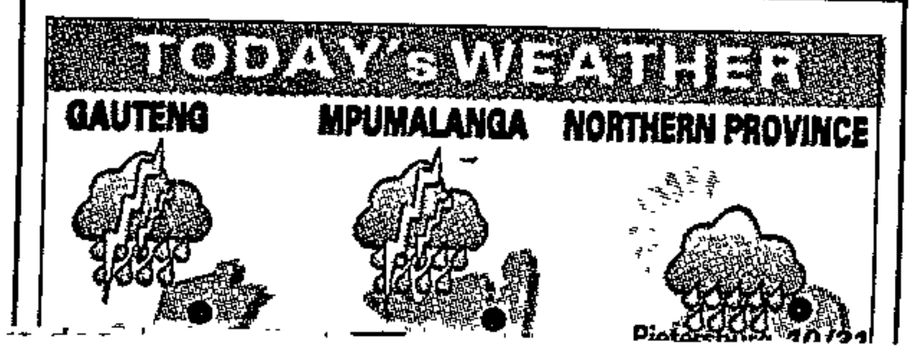
Louw said there were still issues outstanding concerning the rules for cumulative production of goods made both in SA and SA Development Community countries.

Competition policy and rules for "nonexecution" were still "under active discussion".

The discussions on the main agreement are due to end on Friday.

There may be one further meeting at ministerial level later next month.





CT Star) 15/9/98

EU adamant on its fishing rights in SA

Fishing (94)

JOHN FRASER

Brussels — The European Union (EU) said yesterday it would insist that European fishermen be given access to South African waters as an essential price for agreeing on a new trade and aid framework with South Africa.

The warning was issued in Brussels by Philip Lowe, the EU's chief negotiator with South Africa. Lowe was confident a deal could be struck this week between officials who are due to begin marathon formal talks tomorrow. But he warned that any deal must be ratified by both the South African government and "all 15 EU governments".

He was relaxed about allegations by the Worldwide Fund for Nature that the EU was playing tough in demanding a fisheries deal in return for tying up trade negotiations, which go into their 21st session this week.

"I hope we are playing hardball," he said. "That means we are getting a better agreement for the EU."

He claimed that it would "not be a good idea" to exclude fisheries from the broader EU-South Africa negotiations on a free trade area.

Spain and Portugal, which both have a veto over any trade accord with South Africa, have warned they would not sign a deal without new access to South African waters.

Lowe said a number of other issues remained to be resolved, including EU demands that South Africa lower its protection against industrial exports from Europe such as cars, textiles and steel.

South African officials believe the deal which is taking shape will be acceptable, though it will involve more concessions than they were prepared to make at first.

A bigger problem is over South African demands for the best possible access to the EU market for wine, fruit and vegetables. Pretoria is still seeking 11th-hour concessions from Europe over access for canned fruits and fruit juices.

There are also aggressive South African efforts to win new markets in Europe for dairy products and cereals. — Independent Foreign Service

C

Mandelson sure of EU pact with SA

ST(BE) 15/9/98 (=74)

THABO LESHILO
BUSINESS EDITOR

Germiston — Peter Mandelson, the visiting British secretary for trade and industry, said yesterday he hoped South Africa would conclude a free trade deal with the European Union (EU) this week.

Mandelson said the talks, which began in 1994, had "gone too slowly in our view".

The pact could be reached this week because a "great deal" had been achieved, he said, although some issues still had to be resolved. Mandelson's visit coincided with the start of the first UK/SA partnership week trade exhibition in Sandton yesterday.

He was speaking after a visit to the Johnson Matthey plant in Germiston with Alec Erwin, the trade and industry minister.

Mandelson said Britain was unnerved by the recent flurry of unfavourable reports about South Africa's economic policies. The most scathing so far was published in last week's Wall Street Journal Europe. It criticised South Africa for having "inconsistent economic policies".

"I don't accept the ... analysis," said Mandelson, describing the report as "excessively pessimistic". It was not based on a "sound appreciation of what happens here".



HIGH HOPES *Alec Erwin (left) and Peter Mandelson at the Johnson Matthey plant in Germiston yesterday* PHOTO SELWYN TAIT

Mandelson said South Africa was not the only country undergoing change and suffering from the effects of globalisation, nor was it the only country grappling with such issues as improving productivity and making sure wages did not outstrip productivity.

He said it had sound economic fundamentals which would result in economic growth.

TRADE CT(BR) 16/9/98 (74)

UK export co-operation agreements signed

The Development Bank of Southern Africa, Industrial Development Corporation, Credit Guarantee and Britain's Export Credits Guarantee Department (ECGD) had signed co-operation agreements aimed at encouraging South African and British exports, the parties said yesterday. The agreements were signed at the UK/SA Partnership Week trade exhibition in Sandton.

The terms of the agreements included that Credit Guarantee would provide export credit support for British goods and services up to 15 percent of their contract value. Where interest support was not required, Credit would consider increasing this to 30 percent. The ECGD would do the same for South African goods.

Peter Mandelson, the British secretary for trade and industry, who is attending the exhibition, welcomed the agreements. "I am delighted these agreements have now been concluded," he said. "They underline Britain's commitment towards strengthening its trading partnership with South Africa and helping in what way it can with the regeneration of the region." — *Thabo Leshilo, Johannesburg*

EU-SA TRADE

END OF LONG-LASTING LABOUR PAINS IN SIGHT

FM 18/9/98 (74)

But Erwin and his counterpart Pinheiro should hurry

After three years of difficult and often acrimonious discussions, European Union and SA negotiators appear to be nearing the end of their travails.

SA's chief negotiator, Elias Links, and the European Commission's director-general for development, Phillip Lowe, are confident that the 21st round of negotiations on the EU-SA free trade and co-operation agreement, which opened in Brussels this week, will be the last time the two sides have to engage in complex "technical" discussions. Both want the air cleared on most trade issues, leaving only political questions for Ministerial scrutiny.

The hope is that SA Trade Minister Alec Erwin and European Development Commissioner Joao de Deus Pinheiro can settle any remaining differences at a meeting in early October. Erwin will then have to consult his Cabinet colleagues and parliament while Pinheiro seeks approval, first from the European Commission and then the EU Council of Ministers. The deal will probably be signed in November.

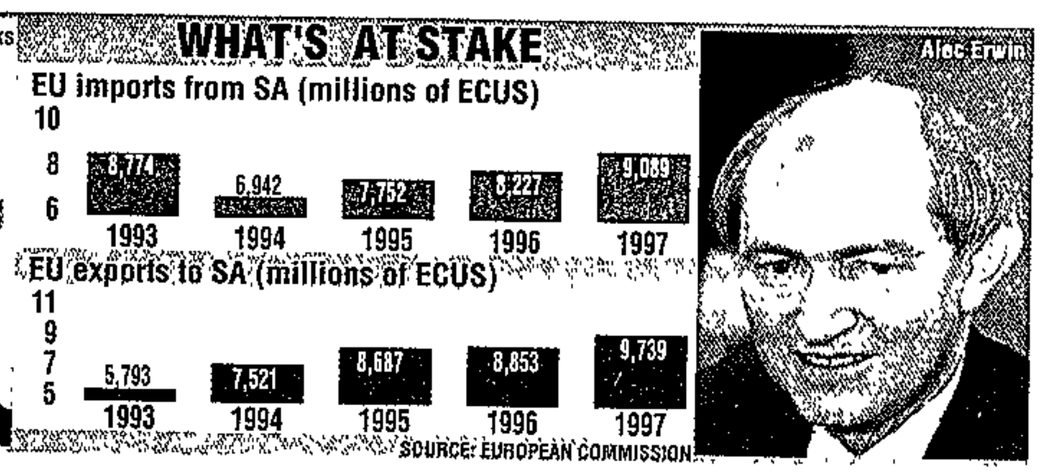
For all their optimism, both sides admit there's still some tough bargaining ahead Negotiators have identified five key areas, including tariff dismantling in the industrial sector, market access for SA's farm products, rules of origin to establish the nationality of goods, competition policy in SA and the application of a human rights and democracy clause.

In addition, the separate but parallel agreements on wines and spirits and fisheries still under negotiation could be a complicating factor. While SA dislikes any linkages, the EU is adamant that all agreements are "part and parcel of an overall mandate", says Lowe.

Market access problems continue to be the key to the agreement — and the source of most differences. In recent months, both the EU and SA have improved their original tariff dismantling offers. SA now says the free trade agreement will cover 86% of its trade with the EU, instead of 81% initially suggested This has been done by improving access to the SA market for European exports of some steel, chemical and textile goods Brussels has also increased its free trade offer to 95% of its imports from SA (up from 89%), by extending the list of products covered by the accord to include cereals, processed fruit and cut-flowers

There is still disagreement, however, on the pace of tariff elimination. The EU, for example, is demanding a faster liberalisation of SA imports of European steel, textiles and cars "We think that in some cases, SA is not being ambitious enough in reducing tariffs," says an EU official. "At the end of the 12-year period they are promising to bring the Customs duties down to 15% or 20% only What we want is zero duties "





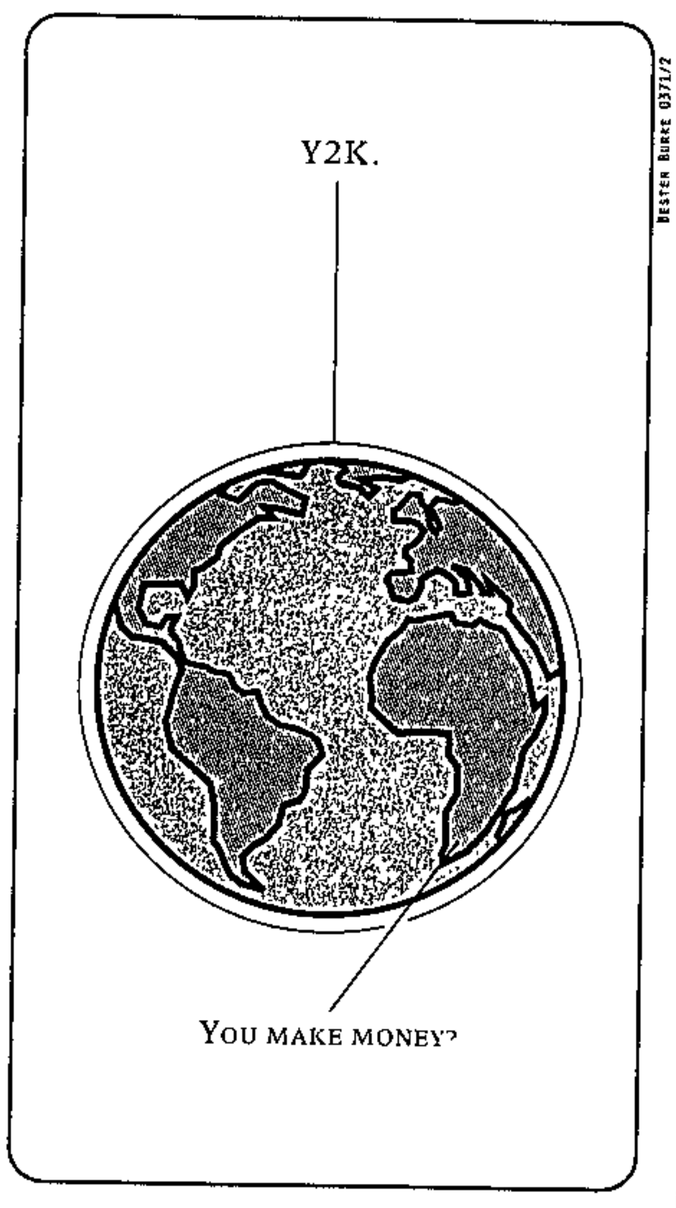
For SA, Europe's restrictive farm import regime remains a problem The EU has made efforts in recent months to take a more flexible approach by offering to open so-called special "tariff quotas" for a limited number of SA farm exports, including dairy products, wines and cut-flowers As a result, SA will be able to export a limited quantity of these goods to the EU duty-free. SA negotiators want the same facility to be extended to the country's exports of canned fruit and fruit juices.

Details of the rules of origin to be included in the free trade agreement still need to be worked out. SA would like the EU to recognise that goods made on its territory with raw material or components originating in member countries of the Southern African Development Community (SADC) should automatically be given a "made-in SA" stamp. The EU argues that this can only be done if the SADC products have undergone "sufficient treatment" at home before being used by SA manufacturers. EU officials say they are eager to promote trade in the southern African region, but do not want to encourage a "simple transfer of production" facilities from the neighbouring countries to SA

SA, meanwhile, is equally determined that the so-called "non-execution clause" in the agreement — which suspends the accord in cases of human rights violation — does not give the EU the authority to take unilateral action. "SA is concerned that we may use the clause in a broad way," Lowe says.

Despite the difficulties, there's no doubt both sides are eager to meet the northern autumn deadline set by EU leaders and President Nelson Mandela in Cardiff in June.

Shada Islam, Brussels



EU trade talks with SA stumble over booze battle

JOHN FRASER

ARG 19/9/98

(=74)

South African and European Union negotiators are spending a gloomy weekend staring at unopened bottles of champagne which should have been uncorked last night to celebrate a historic trade accord.

Both sides had gathered in Brussels in the hope that three years of negotiations were to yield a breakthrough in agreeing to set up a Free Trade Area between South Africa and its largest trading partner.

But as mutual recriminations were being bandied about, it became clear the talks had been heading for failure from the beginning.

Like so many marriages, the talks were destroyed by alcohol.

On Monday and Tuesday, important preliminary discussions were held between EU and SA experts on wines and spirits, which are being dealt with in separate negotiations from the general talks on trade.

The aim is for both sides to agree to the other's production practices and labelling laws.

It was on the issue of what SA could call its own port and sherry that the techical talks fell apart, with the SA booze experts flying home on Tuesday night.

In a nutshell: the EU does not want SA port and sherry to be called by those names.

What is more, chief EU negotiator Philip Lowe stunned his SA counterpart Elias Links on Wednesday by warning him that without a deal on wines and spirits, there could be no Free Trade Accord.

Mr Lowe refused to release the EU's final offer on tariff reductions for SA agricultural exports to Europe, which could have brought the negotiations to a successful agreement.

So, instead of meeting for a final and triumphant day of discussions yesterday, both sides stayed in their respective offices and sulked before telling the media that it was all the other side's fault.

Mr Links said it was "unacceptable" for the EU to hold back its final overall offer on the access of SA farm products to the European market until a separate deal could be struck on wines and spirits.

He suggested the EU's inflexibility made one question its good faith.

In response, Mr Lowe said he would be unable to win the necessary political approval for any trade accord from the 15 EU governments unless there was a "parallel" agreement on wines and spirits.

And he said the EU also insisted that SA must agree to a fisheries deal to allow European vessels into its fishing waters – something which SA is determined to resist.

"We cannot logically go forward to an overall agreement without clarity on a number of points," warned Mr Lowe.

"Without clarity on wines and spirits, we can't go into a final round of negotiations on the opening up of agricultural markets."

Officially, the talks are "suspended", not over, and efforts will begin next week to work out how, when and where the discussions resume.

Informal contacts between both sides have continued and neither side wants to abandon the search for an accord.

In June President Mandela visited EU leaders at their Cardiff summit, and they promised him a deal around this time, which is the beginning of the European autumn.

Having proved how difficult it is to reach a deal, the challenge for both sides in the days ahead is to work out how such a deal can be achieved.

Until then, the corks will remain firmly wedged in dozens of bottles of champagne.

Nobody has been in a mood to party this weekend.

Blow as EU-SA talks suspended

Brussels – South Africa yesterday suspended trade talks with the European Union, saying it was unacceptable for the EU to demand concessions on wines before it would make any new offer on farm imports.

Both South African and EU negotiators had been optimistic that this week's round of talks, the 21st since 1994, would wrap up painstaking negotiations on a trade and co-operation pact, leaving just a few issues to be sorted out by politicians.

The South African side had expected the European Commission – the EU executive, – to make new concessions this week on opening the EU market to South African exports of farm products such as cheese and milk, cut flowers, and fresh and processed fruit.

But South African officials said they found to their dismay that the EU refused to formally table a new agricultural offer until progress was made on a separate wines and spirits accord.

"This to us is unacceptable," Elias Links, South Africa's ambassador to the EU, told a news conference. "The 21st round was suspended."The talks ended on Thursday night, a day earlier than scheduled."

The proposed agreement was expected to cover around 90% of trade between South Africa and the EU, which in 1996 was worth around R120-billion.

EU leaders, meeting in Cardiff in June, urged the 15-nation bloc to step up efforts to secure a deal by autumn. Links said the Commission's reluctance to make a new offer on agriculture "calls into question their commitment".

The EU initially wanting to exclude many South African farm exports from the deal. The EU hopes to benefit from lower SA tariffs on its industrial exports.

Links said he hoped talks would resume "within the next two weeks or so", but made clear an improved EU agricultural offer was the key. – Reuters

SOUR GRAPES

Outrage over Europe's bid to 'ban' Cape's wine

THABO KOBOKOANE and BOBBY JORDAN

ST 20/9/98 (74)

THE South African wine-producing community has reacted with outrage to a European bid to cripple the country's R750-million-a-year sherry and port industry over a trademark dispute.

The move came in aborted trade talks this week when the European Union said it would agree to table an improved export deal for South African agricultural products only if the country banned the use of the words "sherry" and "port" on its products — even though South Africa has been making port for 300 years and sherry for more than a century. The move — which would affect 7 000 South African workers and some 35 000 of their dependants — has provoked a rare show of unity between government, business and labour, with all three saying they are outraged by the proposal and vowing to vigorously oppose it.

BEST IN BUSINESS

MANDELA HOLDS TALKS WITH SOROS AND MOODY'S / PAGE 4

SAA GOES ON THE OFFENSIVE / BUSINESS TIMES

TOP SA EXECUTIVES STILL PALE, STILL MALE / APPOINTMENTS

Trade and Industry Minister Alec Erwin yesterday lashed out at the EU, accusing it of "bad negotiating practice".

"It is unacceptable that links [between an agreement on wines and spirits, and agricultural exports] are being made at this stage," he said. "It is unnecessary and we are not prepared for that linkage."

The talks will establish the rules of a free-trade agreement between the EU and South Africa, and will govern trade of about R93-billion between them.

The Food and Allied Workers' Union's economics co-ordinator, Katishi Masemola, said: "We are not prepared to compromise on the names."

In terms of the EU proposal, only Portuguese port and Spanish sherry would be sold on South African shelves, with local producers having to come up with their own names for products.

At the centre of the row is a trademark dispute involving the use of the words "port" and "sherry". The EU claims the words refer to specific places — Oporto in Portugal and Jerez in Spain — and are, therefore, the sole property of Portuguese and Spanish producers.

Spain's ambassador to South Africa, Miguel Carriedo, said he did not think the dispute would "spell the end of negotiations".

"I understand South Africa has been producing wine under these names for decades, even centuries, but this is the name of the game [for entering the European market]," said Carriedo.

Local wine producers have vowed to protect their port and sherry labels in court if necessary, and claim the EU is suffering from a bad case of sour grapes.

Theo Pegel, chief executive of the producer division of KWV, South Africa's largest wine exporter, said port and sherry sales were worth R750-million at retail level, of which at least R100-million was generated via exports.

Total income at producer level — income for farmers and farm workers — stood at around R114-million a year.

Said Pegel: "There's strong growth in the market at present, with huge potential. Prior to sanctions we had about seven percent of the UK port and sherry market and about 14 percent of the Canadian market. We see ourselves getting back to those levels."

A spokesman for the Stellenbosch Farmers' Winery, Benny Howard, said popular Sedgwick's Old Brown Sherry had been around for more than 100 years. "One can't just pull the carpet from under a brand like that," he said.

But Cape Town wine trader Vaughan Johnson said producers should be careful not to let the row jeopardise the booming sales in normal wine.

In return for dropping the two names, local producers should ask for financial compensation and enough time to phase out their existing labels, he said.

Last year 4,1 million cases of natural wine were exported, compared with 3,6 million cases in 1996, according to the latest sales figures.

"We're riding the crest of a wave with our wine exports and we don't want to jeopardise that," Johnson said.

EU-SA trade talks spill into acrimony

ST (BT) 20/9/98

(74)

The use by SA of the words 'port' and 'sherry' now a sticking point, writes THABO KOBOKOANE

DISCUSSIONS between SA and the European Union over a free trade agreement crumbled on Friday amid growing signs that both sides were hardening their positions.

Talks broke down over the EU's refusal to present its improved offer for SA agricultural products into the EU until SA committed itself to phasing out the use of the words "port" and "sherry" for its fortified wines, and allowed EU fishermen access to SA waters.

"It did not go as expected. So we suspended this round of talks until the EU presents SA with an improved offer for the access of SA agricultural products to the EU," said Bahle Sibisi, chief director in the Department of Trade and Industry.

"It is now entirely up to the EU to move the negotiations forward."

The EU argues that only Spain can produce wines called sherry and only wines from the Portuguese city of Oporto can be labelled port. SA in turn argues that the terms have been in use in the country for over 300 years.

"This is unacceptable to us," SA Ambassador to the EU, Eltie Links, was quoted as saying.

"The position has been very hardline from their side. What we want is for the European Commission to come back with an improved agricultural offer. We were offered a fait accompli."

Sibisi sharply criticised Brussels' attempts to link a free trade accord with SA opening its waters to EU fishermen.

"It's not in our interest to open up fisheries resources in exchange for market access," Sibisi said.

The news comes at a time when the EU Commission, the Union's executive arm, is set to open an anti-dumping inquiry into EU imports of stainless steel heavy plates from SA and Slovenia.

The inquiry follows a complaint by the European Confederation of Iron and Steel Industries (Eurofer) on August 3 in which its alleges that EU imports of stainless steel heavy plates from SA and Slovenia have unfairly undercut the EU industry.

The latest development contrasts sharply with the mood on both sides ahead of the 21st round.

In the weeks leading to this round in Brussels both sides were upbeat that a deal could be in the offing this week.

Two weeks ago Links, who is leading the SA negotiating team, told Business Times: "We are serious about finishing this time."

Philip Lowe, the EU's chief negotiator with SA, was optimistic a deal would be clinched during the three days of talks which began Wednesday.

Further grounds for optimism were laid in June when EU leaders meeting in Cardiff confidently pledged to President Nelson Mandela that an agreement would be in place in three months' time.

The trade discussions, which began over three years ago, have shown little progress since then.

Talks have been hampered by delays in putting concrete proposals on the table: it took the EU 18 months to present its proposals in March 1996 and SA a year to respond, and even then it did not respond in detail.

Negotiations immediately got sticky when the EU presented an offer which sought to exclude some 46% of SA agricultural products destined to the EU from a free trade agreement, arguing that opening its markets would hurt industry in the EU.

The proposed free trade agreement should cover about 90% of trade between SA and the EU.

Meanwhile, Sapa reports that Louis Penzhorn, managing director of Sea Harvest, urged the EU not to blackmail SA over fishing quotas as the country bargains for a new trade and aid framework with the union.

"It is straight blackmail and I would hate to see a natural resource like fish sacrificed," Penzhorn said.

He added that the benefits of a bilateral fishing agreement, with more favourable duties for South African fish exports to Europe, did not match the cost of allowing European fleets access to South African waters.

Erwin will try to end EU talks impasse

(74)
BD 21/9/98

Tim Cohen
and John Dludlu

LONDON — Trade Minister Alec Erwin signalled his intention yesterday to intervene personally in the next few weeks if technical negotiators from SA and the European Union (EU) failed to make progress in free trade talks which broke down prematurely.

The talks broke off early after the EU refused to continue negotiations until SA made sufficient concessions in side negotiations on wine and spirits and fisheries.

An observer said Thursday's "unfortunate" breakdown clearly showed the influence of farm lobbyists in the EU and a conflict between the commission's development and agriculture officials as well as between member states — notably Spain and Portugal.

The EU's hardline stance apparently was prompted by SA's intention not to continue talks on fisheries.

An EU official said Brussels was told by SA negotiators of this new position last week. Until recently, the fisheries track of the talks was moving slowly as SA was formulating policy in this field. This move was seen as a blow to the EU, especially Spanish fishermen. Fisheries trade accounts for 1,3% in total trade.

Erwin said the EU had adopted an "unwise" position in seeking a formal link between the agricultural talks and side negotiations on wine and spirits. SA had stated strongly from the outset that it would oppose such a link.

Erwin said he would within the next few weeks intervene personally, a remark taken to mean a meeting with João de Deus Pinheiro, the Portuguese commissioner responsible for relations with SA. No such meeting is scheduled but they have met before to review progress in the protracted talks.



ERWIN

The talks broke down amid signs that the EU, particularly the agricultural department, had decided to harden its position in the trade negotiations despite high-profile support for an agreement by European politicians.

EU chief negotiator Philip Louw said before the negotiations began last week that the EU intended to play "hardball" with SA, and said the union

Continued on Page 2

Erwin

Continued from Page 1

wanted to bar SA's fortified wines producers from using the words "port" or "sherry" on their products.

The EU's argument is that only Spain can produce wines called sherry and only wines from Oporto in Portugal can be labelled port. SA has argued that the terms have been in use in the country for more than 300 years.

Erwin said the EU's position amounted to stalling a trade agreement over a trademark dispute. Meanwhile, the EU has said it believes its stance is reasonable.

SA's chief negotiator, Eltie Links, described this position as "hardline and unacceptable". If the EU got its way the ban could affect 7 000 workers and about 35 000 dependants.

Rob Davies, the African National Congress MP who chairs the parliamentary committee on trade and industry, said the EU's stance, designed to carve out a product monopoly, was short-sighted and raised questions about the stated commitments from Brussels to assist SA's transition. These objectives would now have to be underscored again by the EU.

Observers say the EU, over the next few weeks, will have to come up with a face-saving measure to press ahead with the talks as the present position is difficult to defend. The EU is keen to stop third countries from using port and sherry brands, a stance that has little international support.

BD 21/9/98 (74)

Discussions are 'suspended', not ended

EU, SA trade talks sink on wines issue

ET(MK) 21/9/98

JOHN FRASER

Brussels — Desperate efforts are being made to salvage crucial trade talks between the European Union (EU) and South Africa, after the shock suspension of negotiations at the end of last week.

Unofficial contacts were continuing between EU and South African officials last night, with the aim of resuming negotiations in Pretoria sometime next week.

It had been hoped that negotiators from both sides could have achieved a long-awaited breakthrough on Friday in the 21st round of the marathon EU-SA discussions, which were launched three years ago.

However, it became clear to both sides that there was little point in proceeding with the meeting, and the last formal session was held on Thursday evening, with the talks ending a day early.

Discussions collapsed after the EU side insisted on substantial progress on a wines and spirits accord, which is not part of the main negotiations on establishing a free trade area, but which is being negotiated in parallel.

The aim of this wines and spirits accord is to set rules on cellar practices, the content of wines and on the names by which both sides can market their wines.

An EU insistence that South African producers cease to use the terms "port" and "sherry" to describe their fortified wines, something which South Africa is most reluctant to do, is at the heart of these discussions.

EU officials say they were surprised and upset at the failure of the South African side to negotiate seriously during two days of discussions on wines and spirits, which were held on Monday and Tuesday last week, in advance of the main trade talks.

Indeed, there was a sense of anger when EU officials learnt that instead of staying on standby, the South African team of wine and spirit experts flew back home on Tuesday night.

Philip Lowe, the EU's chief negotiator, said on Friday that his side had never expected a final conclusion to the talks. He believed a decision about the naming of port and sherry was impossible at official level, and would need to be taken by ministers.

However, he was clearly annoyed that the discussions had not even "identified the main elements of a final agreement".

Because there was no progress on wines and spirits, the EU side decided to postpone its final offer on access for South African farm products to the EU market, which could have paved the way for the breakthrough.

Indeed, Elias Links, South Africa's chief negotiator, said on Friday he had started the week "very confident that this would be the last round".

South Africa rejects any linkage between progress in trade talks and movement on wines and spirits. So, while there was some progress in discussions on trade in industrial goods, it was clear from phone contacts on Friday morning that there was no point in carrying on with the formal negotiations, as there was no immediate chance of a deal.

Both sides insist that the discussions are suspended, rather than ended, and efforts will be made this week to set a date for renewed contacts. — Independent Foreign Service

Free trade talks collapse

74

21/9/98 Sowetan

BRUSSELS – Talks between the European Union and South Africa collapsed here on Friday, dashing hopes for an early conclusion of more than three years of tough negotiations on a proposed free trade accord

Elias Links, the South African ambassador to the EU and the head of Pretoria's negotiating team, said the 21st round of negotiations had broken down over the issue of the access of South African farm products to the European market.

EU negotiators refused to table an offer of improved access without a prior commitment from South Africa to phase out the use of the terms "port" and "sherry" for its fortified wines, he said. "This to us is unacceptable," Links said. The EU's stance called into question its commitment to concluding a deal this autumn, he said.

Although South Africa was prepared to negotiate an accord on wines and spirits parallel with the proposed free trade agreement, it could not accept a "direct linkage," between the two, he said.

The EU's chief negotiator Philip Lowe denied any "formal link" between the two accords, but he confirmed that Brussels needed to have a "sense of the shape" of the wine and spirits accord before it could reveal its hand on agriculture.

Both sides said the negotiations could be resumed within the next two weeks. But Links made it clear that the EU would have to display a more flexible attitude to kick-start the talks.

"We want the EU to come forward with an improved offer. Then we are willing to come back to the table."

Both EU and South African officials went into the three days of talks here on Wednesday expressing optimism that all but the final details of a deal could be wrapped up. – *Sapa-AFP.*

SA seeks to 'delink' EU trade talks issues

BD 22/9/98 (74)

John Dludlu

SA SAID yesterday it had "suspended" talks on a fishing agreement with the European Union (EU) in a bid to separate this issue from general free trade negotiations, which hit a snag last week. The breakdown of free trade talks last Thursday came after the EU refused to continue until SA made concessions on wine and spirits negotiations.

A diplomat at the SA embassy in Brussels said yesterday the fishing talks were suspended to "delink" the issues. If the fishing agreement was "mutually beneficial", it should be possible to negotiate separately on the wines and spirits issue, as well as the free trade negotiations, she said.

It is the suspension of the fisheries talks that is thought to have inspired a hardline attitude from the EU. However, the diplomat, who asked not to be named, said Pretoria was still willing to negotiate a "mutually beneficial" fisheries deal providing for the creation of EU-SA partnerships, at a later stage.

Despite last week's setback in the talks, some EU officials have not ruled out the possibility of cooperation in the SA fishing industry, which has yet to be fully restructured to allow entry of previously disadvantaged people.

Sources close to the SA government have warned that providing access to SA waters for EU fishermen, without redressing domestic inequities in the sector, was politically unsustainable. "This would just be an accident waiting to happen," one said.

SA was reluctant to allow EU fishermen into its waters without a commitment to develop the local industry.

Meanwhile, Reuter reports that SA called on the EU yesterday to rethink its position on stalled trade talks.

Trade Minister Alec Erwin said: "(The 15-nation bloc's current approach) is an untenable position politically. You cannot have a gigantic and very important structural agreement held hostage by port and sherry. It is absurd."

The wine and spirits dispute is over SA's use of the terms "port" and "sherry" to describe its fortified wines. EU negotiators maintain that the terms apply exclusively to the well-known Portuguese and Spanish wines and want SA to phase out their use.

Robert Davies, chairman of the parliamentary trade and industry committee, said behind-the-scenes efforts would be made to get round the problem. He accused a small group of EU countries of holding up the deal.

"The intention is not to let the negotiations lapse."

Comment: Page 11

EU adds 'grand cru' to its SA hit list

Louise Cook ~~BWINE~~ (74)

PRETORIA — The trademark dispute on wines between SA and the European Union could widen to include the trade name "grand cru", which accounts for nearly half of the country's locally sold dry white wines.

Grand cru reportedly has been targeted along with "port" and "sherry" in negotiations in the EU-SA wine and spirits agreement.

Attempts to establish precisely what requirements the EU would lay down failed yesterday, but a source who returned from the trade talks in Brussels said grand cru was on an "extensive list of terms and trade names" to be negotiated when talks between the two regions resumed.

About 40 Western Cape wine estates produce grand cru wine.

Bellingham Estate marketing director Jacques Roux said it was unaware of the latest development, which would affect at least 1 000 labels on the domestic market. "It would be a disaster if we have to scrap the name. For us (at the estate) it has strong connotations to origin and locality."

BD 22/9/98

EU-SA talks: Page 3

Erwin expects EU-SA pact by year-end

CT (BR) 22/9/98 (74) (~~77~~)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — Alec Erwin, the trade and industry minister, was upbeat yesterday about the prospects of South Africa and the European Union (EU) concluding their stalled trade talks by the end of the year.

Erwin said it was "absurd" that the agreement appeared to have stalled last week because of disagreements over sherry and port.

EU negotiators do not want South Africa to use those names for its wines and spirits, claiming they are the preserve of Spanish and Portuguese producers.

Erwin said even though the talks were suspended last week, there was no indication they had actually broken down. He was sure they would start again soon.

"We still hope for a deal by the end of the year," he said. "The negotiations had gone very well up until this rather silly intervention. We think the basis for an agreement that is reasonable for both sides is definitely a possibility."



UPBEAT *Alec Erwin, the trade and industry minister*

Asked whether he would personally intervene, Erwin said he had not made any decision yet but if there was an insurmountable problem, he would intervene.

"If a major obstacle occurs — and we are not sure if this is major or not — then we would normally arrange a meeting between the political principals. We haven't made any arrangements on that."

But Rob Davies, the chairman of the portfolio committee on trade and industry, did not believe the talks had broken down completely.

He said the EU would find itself "severely embarrassed" if it tried to start negotiations on a successor to the Lomé Convention "in the direction of a free trade agreement if it could not reach an agreement with South Africa because it was prepared to walk out on such a trivial issue".

Erwin said: "It is a negotiating tactic to try and get us to give ground on particular issues."

SA 'will continue with talks'

THERE was no reason why South Africa and the European Union (EU) should not conclude a free trade agreement by the end of the year, Trade and Industry Minister Alec Erwin said yesterday.

Despite last week's suspension of the talks in Brussels, there was no indication that the negotiations had broken down, he told journalists in Cape Town.

"You can't break down massive negotiations like that on an issue like wine and spirits," Erwin said.

He was referring to the EU's refusal to continue negotiations until South Africa made sufficient concessions in negotiations on wine and spirits and fisheries.

There was an arrangement in the negotiations that if major problems arose they would be dealt with by the political principals.

Arrange a meeting

Erwin said he had not made any arrangement to speak to EU commissioner Joao de Deus Pinheiro responsible for relations with South Africa.

On whether he intended to arrange a meeting, he said he would negotiate directly with the EU rather than through the media.

"South Africa will not let itself be taken hostage on this issue," he said.

Describing the situation as "untenable politically", he said one could not have an important agreement held hostage by port and sherry.

"That's absurd."

On whether the agreement could be concluded by the end of the year, he said: "No reason why we shouldn't."

Asked whether South Africa would walk away from the talks if the EU refused to change its position, Erwin said: "We'll negotiate." – *Sapa.*

Plan to give countries wider access to SA mooted

MD 23/9/98 (74) (redacted)

Patrick Wadula

EFFORTS to allow wider access into the SA market for products from southern Africa received a boost yesterday when Pretoria officially released its free trade offer for comment by partners in the Southern African Development Community ahead of the forthcoming SADC free trade talks.

SA's offer is by far the most coherent plan by Pretoria to reduce the long-running trade imbalance endured by fellow SADC countries in trade with the five-nation Southern African Customs Union.

SA's trade surplus with the SADC is in the order of 6 to 1, according to the trade and industry department.

SA's citizens have until October 23 to comment on proposals to open SA markets to the rest of the SADC over five years.

In terms of the offer, products with duties of 1%-17% would be duty-free immediately. The second category of products with 18%-25% duties would undergo a three-year liberalisation, while the third category — those products carrying a 25% duty — would be opened in five years.

In an explanatory note to the gazette, government said: "Unless our SADC partners are able to expand domestic production and exports to the SA market, they will be unable to absorb a higher volume of exports from us. This rationale — which is underpinned by the view that SA cannot be an island of prosperity in a region characterised by poverty — has guided the structure of the tariff offer".

Mfundo Nkuhlu, chief director responsible for Africa trade relations at the trade and industry department, said yesterday although the impact of the market-opening plan would be limited in the short-term; when taken together with government's spatial development initiatives, access to the SA market should enable SADC countries to develop industrially as a result of preferential access.

Sacu presents tariff offer to the SADC

ET (BBR) 29/9/98 (74) (2 1/2 col)

THABO LESHILO
BUSINESS EDITOR

Pretoria — The proposed tariff offer presented by the Southern African Customs Union (Sacu) to the Southern African Development Community (SADC) yesterday would kick-start the process of establishing the regional free trade zone, said Mfundo Nkuhlu, the chief director of the trade and industry department.

He said it was imperative that trade within the region be liberalised, followed by a significant inflow of foreign direct investment to promote growth. Hence companies were allowed to invest up to R250 million within the SADC compared with R50 million elsewhere.

Nkuhlu said the structure of the Sacu offer, which is essentially South Africa's because of its dominance in the region, meant SADC countries would have a preferential margin in terms of the "most favoured nation" tariffs and the duties envisaged for the European Union.



EMPHATIC *Mfundo Nkuhlu stresses regional trade liberalisation*

Trade within the SADC was skewed 6 to 1 in favour of South Africa, the trade and industry department said in an explanatory note on the offer.

"Unless our SADC partners are able to expand domestic production and exports to the South African market, they will be unable to absorb a higher volume of export from us," the department said.

"This rationale, which is underpinned by the view that South Africa cannot be an island of prosperity in a region characterised by poverty, had guided the structure of the tariff offer."

Elimination of tariffs on categories A and B means 74,7 percent of South Africa's imports from the region would no longer attract tariffs. Category A covers goods with tariffs lines below World Trade Organisation requirements or with fluctuating tariffs.

Category B covers goods with tariffs up to 17 percent. Category C and D, with tariffs of 18 to 25 percent, would be phased out over three to five years, Nkuhlu said.

He said category E products were considered "sensitive" and needed tariff protection. These included dairy products, which suffer from dumping by the EU and US, and sugar, a regionally sensitive industry.

ANALYSIS

Trade dispute may be a storm in a wine glass

(74)

The impasse between SA and the European Union over a trade deal is not as bad as it may seem, says trade reporter John Dludlu

BD 25/9/98

NOT even the eternal optimists expected last week's meeting between SA and the European Union (EU) to conclude the technical aspects of the trade, development and co-operation accord being negotiated by the two sides.

However what was unexpected was the breakdown in the protracted talks at this stage. Equally unexpected was news that the talks had collapsed over a dispute about the use of the terms "port" and "sherry" for fortified wines.

The EU wants to stop other countries, including SA which has been using the names for over a century, from using terms which, it argues, belong to Portugal and Spain, two of its member states.

SA government officials have reacted angrily to what is essentially a trade mark dispute. Trade Minister Alec Erwin, warned at the weekend that it was unwise for Brussels to hold up a trade agreement over a trade mark dispute.

But the EU differs with this assessment of the talks. First, Michael Laidler, the EU ambassador to SA, said the talks were "suspended", not broken down. Second, the suspension, which he said was agreed to by both sides, was not solely caused by port and sherry.

An impasse, which led to the talks' suspension, was reached when the EU felt insufficient progress had been made on the separate wines and spirits talks, including the port and sherry dispute, to enable the trading bloc to make agricultural concessions to Pretoria.

Without a clear picture on wines and spirits, it was difficult for Brussels to assess the "balance of interests", Laidler said.

Pretoria on the other hand, which has raised its offer of total EU products to be covered by the agreement to 86% from 1997's 81%, feels it is not prepared to make further concessions without an improved agricultural offer from the EU.

The picture was complicated by the fact that earlier in the week, Pretoria's negotiators disclosed that they were suspending a separate track of fisheries talks which have been going on for months. According to a SA diplomat, this decision was taken to delink fisheries talks from the broader free trade negotiations. If the fishing agreement was beneficial to both sides, she argued, it should be able to stand on its own.

Taken together with the perceived insufficient progress on wines and spirits, the suspension of the talks became inevitable.

Before the suspension of the fisheries talks however, Pretoria had already made it clear to the EU that, unlike the less developed African countries such as Namibia, it was not interested in giving EU fishing boats unfettered access to SA waters: the EU's main objective.

Giving EU fishing fleets access to SA before blacks were allocated a share of the country's fishing quotas would have been an "accident waiting to happen", said the SA envoy.

Diplomats believe that a growing body of opinion in the EU sees the SA logic.

Though both sides have not ruled out a future co-operation agreement, including SA-EU fishing partnerships and environmental protection, powerful interests in Brussels saw in the suspension of the fishing talks an opportunity to drag their feet on concessions to SA.

Without a fishing agreement, and slim chances of getting SA to agree to the demand to abandon the use of the terms port and sherry, countries like Spain and Portugal will be less enthusiastic to back farm concessions to Pretoria.

They are not alone in this. Throughout the talks, the EU's agricultural authorities have been reluctant participants in the process. To them, Brussels' offer to negotiate a deal, including agriculture, is by far the best offer: therefore, SA is unlikely to get any concessions for the 45% of its farm products the EU has suggested should be excluded.

Apart from casting doubts on the EU's political commitment to conclude a deal with SA, the latest stalemate has also severely undermined progress made so far.

Concretely, the talks have resulted in SA's partial membership of the Lomé Convention, a benefit that allows SA firms to tender for EU funded projects in Africa as well as the conclusion of a science and technology agreement.

Recently, technocrats have also made progress in the deal. The parties have agreed on safeguard measures to accompany the free trade area; made progress on tariff liberalisation in the industrial sector; and have narrowed differences on trade-related subjects such as co-operation in antidumping and government procurement.

Difficulties, however, remain in other issues, including co-operation in the competition policy arena; the circumstances under which the agreement may be suspended; as well as wines and spirits.

Most of these issues may need political decisions.

But for now the stalemate has to be resolved. Elias Links, SA's ambassador to Brussels, said the ball was in the EU's court, while Laidler believes the talks will resume in a few weeks. After all, things are not as bad as they seem. As the largest partner, with relatively less adjustment costs to make, the EU should break the impasse. Pretoria looks like the most suitable venue.



SA's ambassador to the European Union, Elias Links, pictured at trade talks between SA and the EU in July this year.

ANALYSIS

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SA's ambassador to the European Union, Elias Links, pictured at trade talks between SA and the EU in July this year.

3

Top-level bid to revive EU trade negotiations (74)

ST(BT)27/9/98

In the wake of the Brussels impasse, Alec Erwin and his European partner will try to find a way forward, writes THABO KOBOKOANE

TRADE and Industry Minister Alec Erwin and his European Union (EU) counterpart, João de Deus Pinheiro, are set to meet next month in South Africa in a fresh bid to inject political impetus into the stalled negotiation process.

Pinheiro, EU commissioner responsible for relations with Africa, Caribbean and Pacific countries, announced on Thursday he would visit SA to push the talks. Erwin reportedly said this week he would intervene personally within the next few weeks if technical negotiators from both sides failed to make progress. Erwin and Pinheiro met in February to review progress.

There has been no official confirmation of the meeting nor a date set for the next round of talks, but the upcoming meeting will take place amid a hardening of positions on both sides which last week led to the collapse of talks in Brussels.

Despite that setback, Pinheiro remained optimistic that an agreement could be in place within weeks. "I am optimistic, and if the political efforts are kept up, we should have a result in a few weeks," he told Sapa-AFP.

'I am optimistic, and if the political efforts are kept up, we should have a result in a few weeks'

Talks which began in June 1995 broke down last week on disagreements over the EU insisting on linking wines and spirits and fishing accords with the EU's improved agricultural offer.

The EU declined to present its improved agricultural offer to SA until the latter had committed itself to a wines and spirits accord which would primarily phase out the use of the words "port", "sherry" and possibly grand cru for its wines, and allowed EU fishermen access to SA waters.

There seems to be no end in sight to the impasse. "We are where we were last week," says Bahle Sibisi, chief director in the Department of Trade and Industry. Neither side has shown a willingness to move on their positions.

SA Ambassador to the EU Eltie Links says South Africa is still waiting for the EU to deliver its improved agricultural offer and continues to reject the issue of linkages. "We have to be convinced that it is an offer we can't refuse before we can make further concessions," he says.

An EU source in Brussels, however, insisted that a linkage on the wines and spirits accord with a broader trade agreement was "essential", indicating that the EU could soften its stance on a parallel fisheries accord.

Negotiations on a free trade deal first started three years ago with the EU pledging to reward a post-apartheid SA with economic assistance. But recent developments called into question EU commitment to this pledge and its earlier one in June to have agreement by autumn.

After Erwin and Pinheiro last met in February to review progress, they reported a "breakthrough" on critical points but felt "sensitive interests and products" would be respected.

Rob Davies, chairman of the parliamentary portfolio committee on trade and industry, says: "Where is that commitment given to SA after the elections, and where is the Cardiff commitment to have an agreement by the end of autumn?"

EU commissioner soothes Pretoria

ET (JMR) 28/9/98 (74)

JOHN FRASER

Brussels — Joao de Deus Pinheiro, the European Union (EU) commissioner responsible for South Africa, is to fly to Pretoria next month for a crucial trade summit.

The meeting with Alec Erwin, the minister of trade and industry, will try to resolve the deadlocked trade discussions between the EU and South Africa.

Talks were suspended last Thursday after the South African negotiators refused to continue talking.

They were angry that the EU had not formally tabled an offer for improved access for South Africa's farm exports to the European market.

The Europeans, in turn, said they would not table an agricultural offer until South Africa had agreed to move forward in negotiations on a wines and spirits accord.

The main point of contention is an EU demand that South African producers of fortified wine cease to call their products by the names port and sherry.

Pinheiro said his aim was "to see with Alec Erwin how we can try to find a formula that is not too disagreeable for both sides".

He added that he believed that a political solution could be found to all the remaining problems.

And he expressed optimism that a deal could be reached "in a few weeks".

He said technical details were almost agreed upon, but there remained problematic areas.

Pinheiro said one problem was that Portugal and Spain "strongly refused" to give in on their demands for the renaming of South African port and sherry.

Another problem is a link which EU governments have made between clinching a trade deal with South Africa and the negotiation of a fisheries agreement, he said. The EU wants a deal that would give its fishermen access to South African waters.

There was also controversy around the issue of agricultural trade.

South Africa is also resisting EU demands for a clause in the final agreement on a Free Trade Area which would allow the EU to suspend all or part of the accord if there are serious human rights violations in South Africa. — Independent Foreign Service

Tug of war with Spain over 'sherry' continues

Louise Cook (74) BD

SPAIN's bid to win the sole right to use the name "sherry" was vital to that country, but negotiations to break the tug of war between SA and Spain were continuing, Spanish Secretary of State for Trade and Tourism Elena Pisonero said in Pretoria yesterday. "For us it is a very essential issue, as it is for you," she said.

The divide between SA and Spain on the sherry issue, as well as moves by Spain to gain entry to SA's fishing waters via the SA-European Union free trade negotiations, brought down the last round of talks with the EU in Brussels just as the two regions' offers were to be finalised. BD 1|10|98

SA walked out of the negotiations when the EU, acting on behalf of Spain and Portugal, insisted that SA surrender its right to use the names "sherry" and "port" and accepted the terms of a fishing agreement which would have boosted European countries' access to local waters.

Addressing a media briefing at the signing of an investment protection agreement between SA and Spain in Pretoria yesterday, Trade and Industry Minister Alec Erwin said SA wanted no link between the EU-SA free-trade agreement and the fishing, wine and spirits agreements, which covered those sectors separately.

"There are not major differences on the agreement as a whole. The negotiators will continue to make offers irrespective of positions the countries hold."

Tough talk on Lomé revamp

Tim Cohen (74) BD 1/10/98

BRUSSELS — Negotiations for a new-style Lomé Convention began yesterday on a combative note, with the 71-nation African, Caribbean and Pacific (ACP) group of countries effectively rejecting the European Union (EU) vision of regional, free trade areas.

At the start of the talks Deputy Prime Minister of Barbados Billie Miller, said on behalf of the ACP group, that if the Lomé Convention conflicted with World Trade Organisation rules, then WTO rules should be changed.

This vision conflicts with the EU's view that the nonreciprocal nature of the agreement should be changed as of 2005 to a agreement based on free trade area negotiations with various subregions of the ACP bloc.

This vision changes fundamentally the nature of the existing Lomé Convention which constitutes the world's most extensive and generous aid and development programme.

The EU has argued that a new style of Lomé Convention is necessary because of need to comply with WTO rules which dictate that trade concessions not applicable to third parties are only permissible if they involve the bulk of all mutual trade.

While giving a nod to the notion of "WTO compatibility," Miller said: "the WTO is not the master but the servant of human wealfare".

Miller also challenged the EU notion of "differentiation" between ACP nations, arguing that even if it did not dispute the idea of solutions "tailor-made" for different groups of nations, the overall principle should be equity.

Commission chief trade negotiator Joao de deus Pinheiro denied the commission was seeking to dismantle the ACP bloc, but said talks with regions within the ACP made sense in strengthening regional groupings.

He insisted the WTO rules "hung like a sword" over developing nations because concessions that had to be constantly reaffirmed would be unsettling to potential investors.

Is SA trade really so bad?

(74) M+G 2-8/10/98

Michael Metelits

Despite the market's negative reaction to Customs & Excise's monthly trade figures released on Tuesday, South Africa's outlook may not be as gloomy as indicated by the August statistics.

The figures showed a deficit of nearly R3-billion, a surprise to most analysts. They had expected a slight trade surplus.

Exports dropped massively in August, from R14,11-billion in July to R11,86-billion.

Imports rose slightly from R14,36-billion to R14,82-billion. The bond and currency markets reacted with a flurry of selling.

The August figures fuelled worries over South Africa's balance of payments, or current account deficit.

But export-import statistics for the first eight months of this year indicated that traders overreacted to the August report. South Africa's balance of payments from January through August was nearly level, with a deficit of only R257-million.

August's trade imbalance may reflect South Africa's position in the international system of trade and the current financial crisis more than structural problems with the country's economy.

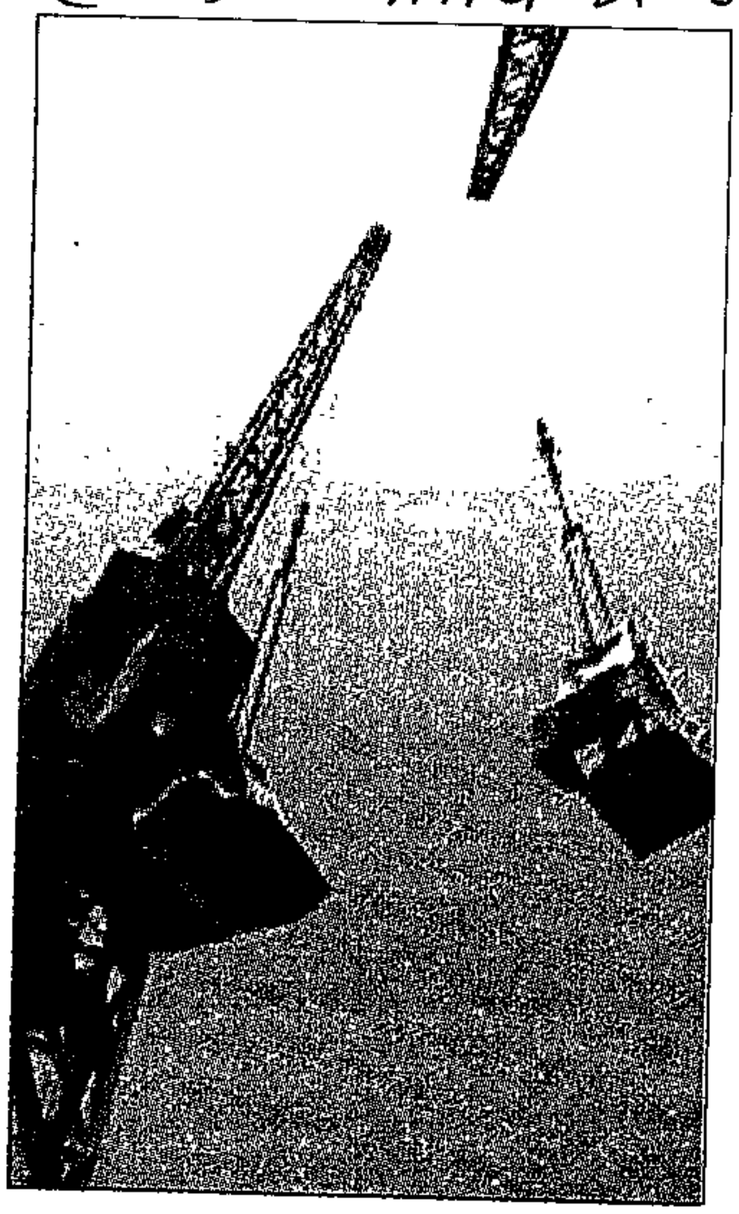
The International Monetary Fund's (IMF) latest World Economic Outlook stresses this point in emerging markets. The IMF halved its estimate of world growth to 2% for the year and raised the possibility of a "deeper, wider and more prolonged downturn" than previously thought.

Significantly, the IMF mentions the South African economy as subject to gyrations from "continuing trade adjustments" in Latin America and Asia. The IMF projected South Africa's 1998 growth rate at 0,8% — much lower than the 3,7% it forecasts for the whole continent. These "adjustments" drive the monthly trade figures and generate medium-term patterns in trade.

Despite the IMF's near-ritual advice to South Africa and other emerging economies to keep inflation low and not to introduce exchange controls, it acknowledges that decisions made in New York, London, Tokyo and Moscow will exert a major influence on the developing economies.

Tony Twine, an economist for Econometrix, agrees in principle that "going it alone" on currency issues would be a mistake, and that the major financial players' risk aversion means that emerging markets — and South Africa specifically — "can't rely on the surplus from the West".

But does the monthly figure mean that much? And should current account problems be analysed using the monthly number? Some economists suggest not. The figures as reported definitely had a temporary impact on the financial markets, and through them, the real economy. But two leading economists argue that the monthly figures on trade data are too volatile to be used for prediction or analysis.



Free fall: Trade figures reveal that exports dropped from R14,11-billion in July to R11,86-billion in August

Nedcor chief economist Dennis Dykes argues that the original baseline for the monthly figure was quite low, indicating that it may climb before real statistical information can be drawn from it. Further, he suggests that due to exactly the kind of volatility seen in August, the figure is difficult to analyse.

The underlying figures in August seem to bear out Dykes's approach. Imports were skewed by the purchase of a R1-billion aeroplane, and the export side saw a few unexpected declines.

Vehicles and vehicle equipment exports dropped 49,5% in August, and electrical equipment suffered a 19,4% decline. Jewellery and gold were hit with a 15,9% drop. "Export drops in these sectors are counter-intuitive," says Dykes, emphasising the unexpectedness of the moves. Lower Asian demand is widely blamed for the lower export figures.

Cees Bruggemans, chief economist at First National Bank, agrees that the volatility of the monthly figure makes it virtually impossible to predict and thus discount in the marketplace. Bruggemans also suggests focusing on the components for any information about the trade figure and the real economy.

Both Bruggemans and Dykes point to data aggregated over a longer period for any valid information about international trade deficits and their impact on South Africa's balance of payments. Quarterly data shows smoother trends up and down, according to Bruggemans, and is thus easier to draw conclusions from.

Dykes points out that Customs & Excise don't use the monthly data when they're analysing trade. They use cumulative and half-yearly data, which point up longer-term trends in international trade among the components of the aggregate trade figures.

And while much of the market activity and worry on Tuesday was based on projections about South Africa's current account payments, Bruggemans specifically discounts using the monthly data to predict balance of payments issues.

He is in fact somewhat optimistic on the current account, saying he sees "the current account deficit reducing ... [as] slower spending pulls imports down". Despite the monthly spikes and troughs, Bruggemans's analysis of medium-term tendencies in South African trade bodes well for our balance of payments.

What, then, does all this mean? Clearly, lower demand for South African goods from Asia will continue to have a negative effect on trade figures. Fewer exports means fewer jobs in manufacturing, and lower gold exports will hit a number of sectors of the economy, resulting perhaps in job losses and lower wages.

Lower imports, if they emerge, will, on the other hand, mean less foreign exchange will be spent on obtaining goods from abroad, a major factor in Wednesday's 0,8% hike in the producer price index. South Africa, like the rest of the world, stands to lose out if aggregate demand shrinks due to global financial crisis and stands to gain if recent and anticipated interest rate cuts around the world boost that demand.

If interest rates around the world come down and that strategy is successful in raising worldwide demand and reversing the drift of the current crisis, South Africa's trade balance will pick up as exports increase. If the current situation is not relieved, imports may drop due to lack of financing and may keep pace with declining exports.

The current account balance, like so many indices in South Africa's economy, reflects the depth of our involvement with the worldwide economy and its current problems.

ANALYSIS

EU is not entitled to the rights it pursues in wine industry

BD 5/10/98 (74)

The European Union is trying to force protection against SA port and sherry to which it is not entitled, says **Michael Fridjhon**

THE news that SA's trade agreement negotiations with the European Union (EU) have come to a stalemate over the apparent intransigence of the wine industry probably comes as no surprise to those who nurture an unfavourable impression of SA's wine farmers.

The wine producers' insistence on their continued right to use the terms "port" and "sherry" in marketing their products has been presented as the reason for the stand-off in the bilateral talks. However, it is untrue and malicious to attribute responsibility in this matter to any of the SA interest groups involved in the discussions.

There are many issues involved in the SA-EU negotiations. However, the question of SA's use of the terms "port" and "sherry" to describe generic fortified wines produced in much the same way as their European counterparts should not form part of this process.

The question of geographic indications of origin is properly the business of the World Trade Organisation (WTO) — of which SA and all the countries of the EU are signatories — and the terms and conditions which apply to their usage are governed by Trips (Trade-related intellectual property) agreements.

A number of specific conditions, of which two are essential, apply to the Trips area of origin protection arrangements. Firstly, the name itself must be a geographic indication.

Secondly, the area must contribute in some way to the unique features of the finished product. Champagne is a useful example. It is a part of France in which the grapes for the beverage are grown and where vinification, bottling and ageing must take place. Climate and soil imbue the grapes with a certain character, distinguishing them from all other chardonnay, pinot noir and pinot meunier grapes grown elsewhere in the world.

A specified method of production is also a prerequisite to the use of the name as part of the appellation. In this "champagne" differs from other partial or even non-geographical indications such as Parma ham or Dijon mustard. The former applies to ham sourced from pigs farmed in Italy and produced in the Parma/Modena/Bologna area according to a specified process. The latter describes a production method alone — in other words, anyone, in any part of the world using the Dijon technique can make Dijon mustard.

Neither "Port" nor "Sherry" satisfies the Trips conditions applicable to geographic indications of origin. Neither is a place name, though they are corruptions of words relating to place — Port to Oporto and Sherry to Jerez. Port (meaning Portuguese Port) is not produced anywhere near the town of Oporto, though it is often aged and blended there. Sherry (Spanish Sherry) is made from grapes grown in the vicinity of Jerez de la Frontera, though many of the producers occupy premises in towns, such as Cadiz, a small distance away.

The Portuguese and Spanish are only too well aware of the shortcomings of their claims to geographical protection in the Trips agreements.

Accordingly they are using the opportunity presented by the SA-EU bilateral negotiations to attempt to secure a level of protection for their producers to which they are not entitled. They are hoping that the sheer weight of the EU's negotiating clout will enable them to obtain the world wide rights to the use of generic product names.

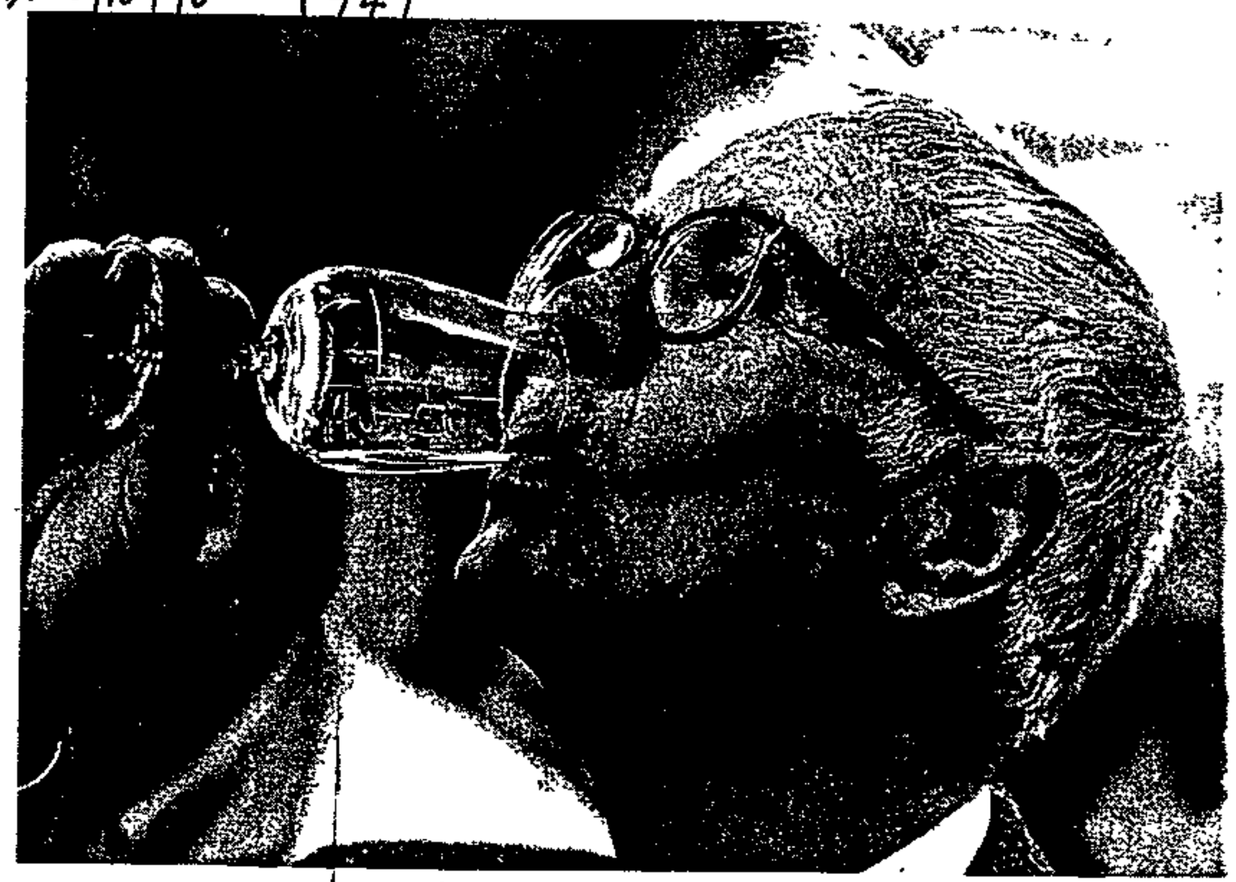
There is an important reason for opposing this strategy, and it has little to do with the amount of port or sherry produced in SA and sold under these generic names here or abroad.

It is a dangerous precedent. In terms of the WTO Marrakesh Agreement we have a few months left to secure international recognition of our own geographical indications of origin. If we fail to respect Trips because of expedience in trying to resolve our trading relationships with the EU, we risk undermining a much more significant endeavour to secure protection for South African place names.

Intellectual property rights are properly the business of international trade, and are regulated in the multilateral arena where the world's trading nations resolve their differences. In the case of geographical indications of origin, Trips rules supreme and its dispute resolution mechanism sits in Geneva to hear appeals of this kind.

The EU, in attempting to leverage an advantage to which it is not entitled, is showing an unhealthy inclination for the jackboot method of achieving its objects. The Europeans should know better: after all, they established their Union in an attempt to find a more amicable way of doing business than the style preferred by Hitler.

□ *Michael Fridjhon is an independent liquor industry consultant.*



Sour taste as port and sherry are caught in a trade storm

Free trade may not benefit all

BD 6/10/98 (2ETA) (74)

Simon Barber

WASHINGTON — The creation of a free trade area among member states of the Southern African Development Community (SADC) is likely to lead to large revenue losses for members who are not part of the SA Customs Union, according to an International Monetary Fund analysis.

Countries that are not members could also suffer net welfare losses from the free trade area if it led to them sourcing imports from SA producers rather than from other, more "efficient" trading partners.

"The enhancement of SA efficiency holds the key to ensuring that (an SADC free trade area) is a welfare-enhancing proposition for the SADC."

In addition, for SA — whose imports from the rest of the SADC are very small — to get the full benefit from a free trade area, it would have to reduce barriers to "sensitive", protected products like textiles, clothing and footwear because Zambia and Zimbabwe "are likely to be relatively efficient producers of these products".

This "underlined the need for SA to avoid exclusion of so-called sensitive sectors" in negotiations with the SADC.

The analysis, prepared for the fund's latest Article IV consultations with SA, also suggested that the SADC would be better off reducing all external trade barriers — "nondiscriminatory liberalisation" — rather than concentrating on lowering tariffs among each other.

The analysis noted that the SADC trade initiatives was only one of several that were "proliferating" in the region "with overlapping members and conflicting objectives and time schedules".

These included the Cross Border Initiative, the Common Market for Eastern and Southern Africa, the Commission for East African Co-operations, and SA's free trade area negotiations with the European Union.

"Steps need to be taken by SADC members ... to rationalise these initiatives and make them mutually consistent.... In view of the benefits of more broad-based liberalisation, they should strive towards achieving the external liberalisation objectives" of the Cross Border Initiative.

Recent research demonstrated "that economies grew faster after nondiscriminatory liberalisation, but slower after participation in a free trade area".

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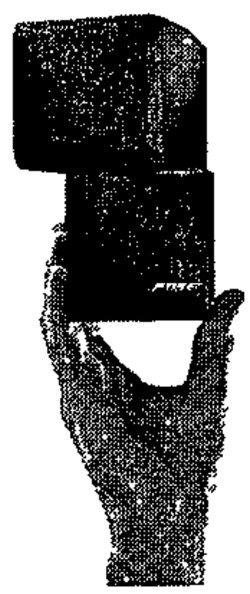



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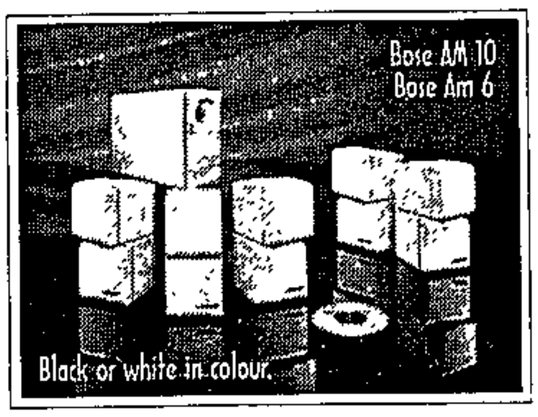

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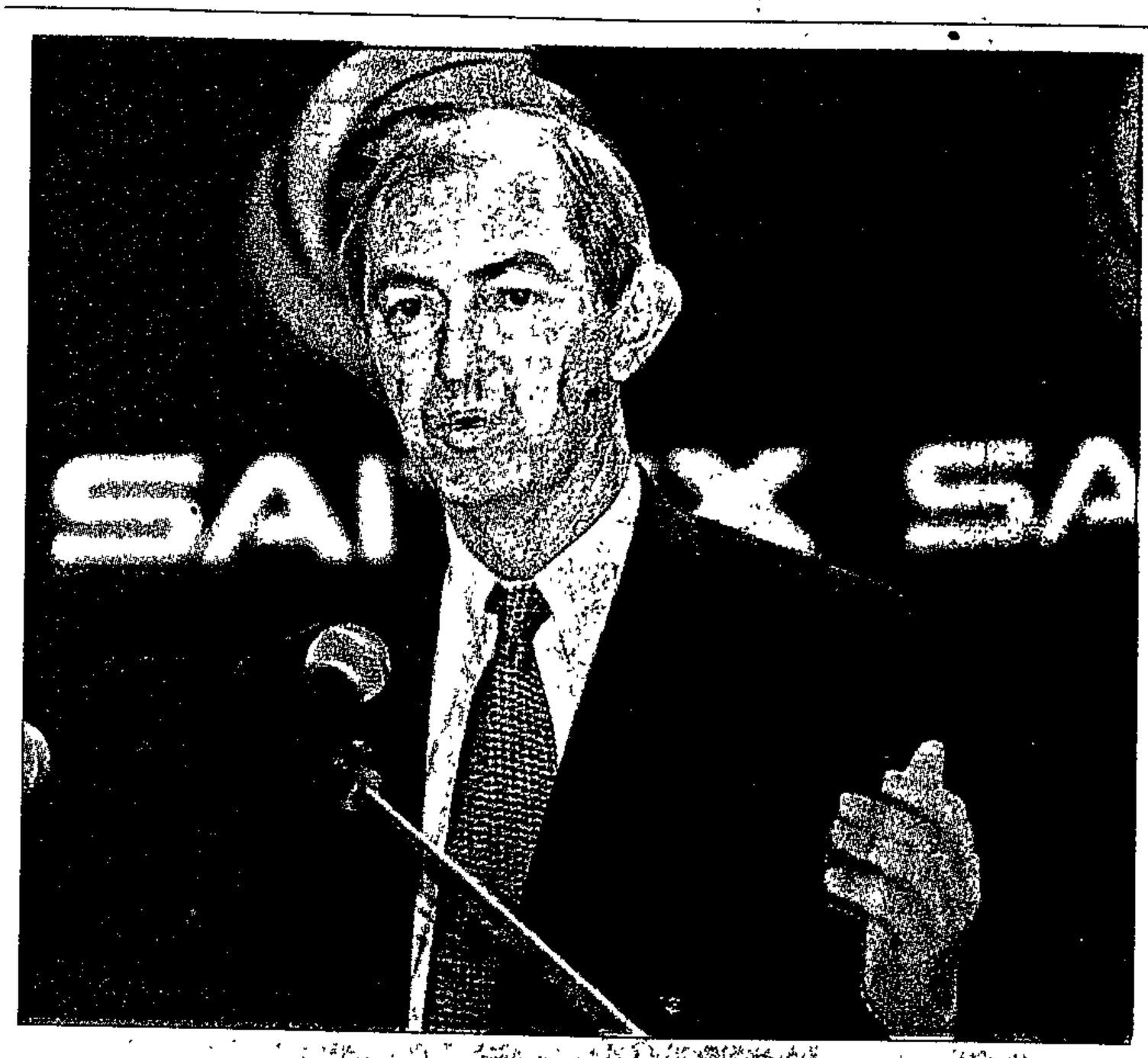


OPTIMISTIC *Alec Erwin told exhibitors at Saitex '98 in Johannesburg that the recent stalemate would not sink trade talks with the EU*

PHOTO: SELWYN TAIT

EU talks 'won't drown in port'

CT(BR) 7/10/98 (74)

THABO LESHILO

BUSINESS EDITOR

Johannesburg — The stalemate in free trade talks between South Africa and the European Union (EU) was "not a major breakdown", Alec Erwin, the minister of trade and industry, said yesterday.

"I am confident this agreement will proceed. Relations between South Africa and the EU do not centre on port. It cannot be the end of negotiations and should not be," Erwin told international businessmen attending the sixth South African International Trade Exhibition (Saitex '98), which opened yesterday.

The talks reached a stalemate recently over the EU's demand that South Africa stop using the words "port" and "sherry" for its products.

Erwin said South Africa was "not a place for those who want to have a quiet sleep", but a vibrant place grappling with many problems and enormous challenges.

"Our challenge is to ... make the South African economy compete with the best in the world," said Erwin. But "the world economy is moving against us", he warned.

He said the government's basic strategy was to work with labour, business and the community to meet the immense developmental challenges facing the country.

Stewart Patterson, the president of the Witwatersrand Agricultural Society, said this year's show, at the Expo Centre in Johannesburg, was the biggest yet, with 790 company representatives from 40 countries.

The People's Republic of China, represented for the first time, is the biggest exhibitor, with 470 representatives from 230 companies.

Liu Fugui, the vice-chairman of the China Council for the Promotion of International Trade, said that the establishment of full diplomatic relations between China and South Africa this year marked a new era of co-operation between the two nations.

Trade between South African and China amounts to $1,6 billion.

Erwin upbeat on new SA trade pact with EU

ARG 7/10/98

(74)

DEPUTY BUSINESS EDITOR AND REUTERS

The talks have stalled, but it is only a matter of time before South Africa and the European Union agree on a new trade pact, Trade and Industry Minister Alec Erwin says.

Opening the SA International Trade Exhibition in Johannesburg yesterday, Mr Erwin said stalled negotiations did not mean there were major differences between the negotiating positions of South Africa and the European Union.

"The EU is South Africa's biggest trading partner. I am confident this agreement will proceed," he said.

Negotiations broke down over the EU's insistence that wines and fishing be linked to the pact. South Africa's negotiators believe this would hurt local industries.

ANC Member of Parliament Ben Turok said the European Union was moving in the opposite direction to the efforts South Africa was putting in to reduce artificial subsidies in the agricultural sector.

Erwin spells out system for talks

(74) Sowetan 7/10/98

By Shadrack Mashalaba

WORLD trade negotiations should be conducted according to a rule-based system to ensure that they are applied equally, said Trade and Industry Minister Alec Erwin.

Addressing the official opening of Saitex '98 at Nasrec Expo in Johannesburg yesterday, Erwin said if these rules were applied they should also take cognisance of the developing world.

"Unless this is done, the imbalance that exists between the developing and developed countries will not be corrected.

"We cannot allow this to happen. If we do, the financial problems bedevilling the emerging markets will remain with us for years to come."

He said trade negotiations for access to the European Union were fundamental to South Africa's success. While there were problems between the two, there was no complete breakdown in negotiations.

Issues about South African wines and spirits – which are exported to the EU – should not be linked to serious trade talks. He added that South Africa was on the verge of signing a free trade agreement with Southern African Development Community countries.

Forty countries are represented at Saitex '98, which opened yesterday. Exhibitions range from information technology, textiles, construction, and manufacturing to a variety of other sectors. The show ends at the weekend.

Erwin said despite problems in emerging markets, the future lay in increased trade and with the Saitex exhibition being held in South Africa a foundation had been laid.

"In the next four to five years I am confident South Africa will be one of the most successful emerging markets," he said.

China's Council for the Promotion of International Trade and China Chamber of International Commerce representative Fugui Liu said last year trade between South Africa and China amounted to R9 664 billion.

China has brought about 200 companies from 20 provinces to Saitex. In this year's show, it occupies 5 000 square metres of exhibition space.

Hanekom will fight EU for 'port' rights

BD 9/10/98

Louise Cook

DURBAN — Land and Agriculture Minister Derek Hanekom vowed yesterday to fight European Union (EU) demands that SA should give up the right to use the names port and sherry.

Government and the wine industry would ward off any such demands, he said.

Addressing the SA Agricultural Union (SAAU) congress, Hanekom said that the port and sherry sectors in SA were worth between R700m and R800m in turnover a year. The names were part and parcel of SA's tradition and were not associated locally with geographical locations.

"Trade and Industry Minister Alec Erwin and I feel very strongly about the terms of the wine and spirits agreement — the demands by the EU are unreasonable," he said.

SA has been locked in a battle with Spain and Portugal over the use of the names for locally produced port and sherry, which comes up in a separate agreement on wine and spirits between SA and the EU. Other names such as grand cru are also affected.

Last month, the EU refused to submit an improved agricultural offer unless SA agreed to give up the right to use the names. The move threatened to scupper 21 rounds of negotiations between SA and the EU on a planned free trade agreement.

Hanekom also hit out once again at the EU's lucrative subsidies paid to European farmers, saying this meant they were effectively public servants farming for their governments.

The subsidies damaged the development of domestic production and "probably the key problem" was that they limited export opportunities to world markets.

"Markets are virtually closed due to the glut of products coming in from Europe — this makes it very difficult for countries like SA to get in.

"We are prepared to grant limited tariff protection on some farm products where it is justified — this does not mean that SA is following projectionist policies."

SAAU vice-president Japie Grobler said the World Trade Organisation was forced to devise rules for a more equal trading environment between nations, but developing countries needed to expand their export markets.

"We cannot afford to fall behind in seeking improved market access for exports as it is very difficult to catch up once you've fallen behind," he said.

On upcoming EU/SA negotiations, he asked for a mandate to demand from EU negotiators that subsidies be reduced before SA lowered any tariffs.

SA should also insist on improved market access in Europe, particularly for products like fruit, vegetables and canned fruit.

South Africa's offer to abolish SADC customs duty is eliciting a slow response

Erwin takes trade plan to Harare

ET(MR)9/10/98 (23B)(74)

IAN MILLS

Harare — Alec Erwin, the trade and industry minister, will meet his Zimbabwean counterpart, Nathan Shamuyarira, on Monday in Harare for talks on Pretoria's new all-embracing trade policy for the 13 other members of the Southern African Development Community (SADC).

Under its new trade blueprint for SADC member states, Pretoria offers to abolish customs duty in all import categories attracting duty up to 15 percent.

The offer also allows for import tariff categories of more than 15 percent to be phased down over five years.

A third category would include "sensitive" product categories, including those in categories one and two, which would need specially negotiated terms or protocols.

This last category would include items such as textiles, clothing, leather goods, auto parts chemicals and a number of agricultural products.

Official sources said Erwin's visit to Harare was one of several he was making to SADC countries specifically to discuss the new trade offer, although he was also prepared to debate bilateral trade issues.

Although the new policy promises to affect trading in the region by opening up the South African market to regional exporters, it has not attracted the degree of attention from regional leaders that Pretoria might have expected.

There have been signs the plan has not been studied closely by the other SADC countries that were invited to comment on the proposals.

Asked earlier this year for his views on the proposals, Shamuyarira said they were "a step in the right direction" but did not meet Zimbabwe's concerns over the widening trade gap between South Africa and his country.

He said Zimbabwe wanted a bilateral trade pact in which South Africa would ease its protective tariffs and revise its import quotas.

Although agreement had been reached in some areas, Zimbabwe was not at all satisfied with the entire package, said Shamuyarira.

However, it is no secret that the new South African SADC protocol derives largely from Pretoria's often tortuous experiences over the past three years in forging a new bilateral trade pact with Zimbabwe. This would replace the 1964 deal Harare had allowed to expire in 1992, in the face of offers from the apartheid government to renew it.

Officials say Erwin plans to spend only a few hours in Harare and intends returning to South Africa on Monday afternoon. — Independent Foreign Service

On a mission for trade

(74)

Trade links between South Africa and Latin America can only grow as countries in the North and South learn from each other, writes **Sharon Chetty**.

Sowetan 9/10/98

SOUTH Africa's foreign policy shift towards expanding relations in the developing world is gaining ground in a previously untapped area, Latin America.

This week it was announced that a new mission will be opened in Venezuela it will be headed by African National Congress stalwart Thandi Luthuli-Gcabashe

Another new posting is that of Mbulelo Rakwena as ambassador to Brazil after his nine-month stint as high commissioner in Mauritius.

For Rakwena (38) Latin America, and Brazil in particular, is "an important market that has to be given far greater attention".

Bilateral trade between Brazil, which is South America's largest economy, and South Africa is in the region of R2,2 billion, which is far greater than the trade with all the Latin American countries combined.

With trade taking priority in foreign affairs, Latin America, besides its proximity, is a natural route to follow, says Rakwena.

The concerted efforts being made to move into that continent have been slow in coming but are nevertheless a welcome change, said one Latin American diplomat.

Military dictators

"It's also a way of this Government democratising its relationships," said the diplomat, referring to the former government's cosy relations with military dictators in Argentina, Chile and Brazil, mainly as a market for their arms industry.

Pre-1994 relations were confined to the these countries plus Uruguay and Paraguay, although the latter office was closed in 1996.

Since then four new missions have been opened in Peru, Venezuela, Cuba and Mexico.

Now trade with that continent is diverse with everything from cars to roof tiles being traded and mining companies are also leading the way in establishing contact, especially in countries such as Peru.

Rakwena says that the new global order makes it imperative that countries of the South cooperate more closely.

Both Brazil and South Africa are members of the Group of 22, the combination of developing and highly industrialised nations that are meant to address the issues of the world's economy. Rakwena believes that having such an ally is important to South Africa.

"There's an interesting combination of stable developing countries alongside those of the North ... there is no doubt that we in the South can only learn from each other," he says.

Brazil, with a population of more than 160 million, is rated as the ninth-largest economy in the world, although it is still confined to the status of an emerging market.



Mbulelo Rakwena says trade with Latin America can only increase

PIC: SHARON CHETTY

However, while it can be regarded as a leading player in the developing world, its size and market potential always attracts much attention from the countries of the North.

In that context, South Africa has to fine-tune its relationship, believes Rakwena.

"We will have to observe closely what happens in that economy ... we can only learn a few lessons," he said, referring to the current global crisis and the severe problems with Brazil's currency.

He also takes up his post at a particularly interesting period as the incumbent president, Fernando Henrique Cardoso, was returned to office this week for a second term.

The much-documented similarities between South Africa and Brazil are also reason for closer ties, he says, adding that more effort had to be made to share experiences.

Both societies are rated as the two with the biggest gap between poor and rich, are racially diverse and have numerous social problems to contend with.

Brazil also faces a similar dilemma to that South Africa faces with the Southern African Development Community (SADC) bloc: by both being the largest economies in their regions (Brazil is part of Mercusor, the Southern Common Market), they have to deal with a myriad questions around having to lead the pace without dominating or dictating to their smaller neighbours.

"The aim is to ultimately get both regions to work closely with each other as two blocs ... the SADC can certainly learn about integrating markets from Mercusor."

Tourism between the two countries is growing with Brazilians making up 19 percent of the foreign visitors to this country.

Interestingly, Rakwena points out, Brazilians are also the third highest spenders when they visit this country.

"The kind of people coming here (from Brazil) are mostly businessmen, so there's always the chance of a positive spinoff as they can explore investment possibilities."

Drug traffickers

Coupled with the spinoffs, there's also the downside of South Africa's re-entry into the international community – the expansion of drug trading routes to the southern tip of Africa – that has a bearing on relations.

At present there are 60 South African citizens serving prison sentences in Brazil and they are all drug related.

With the increase in travel and trade on the Johannesburg-Sao Paulo route, there has been a direct correlation in the number of drug traffickers, according to the Department of Foreign Affairs.

Only three South Africans were convicted on drug charges in Brazil in 1994. In 1996 this rose to 21 and to 40 in 1997.

By the first half of this year the number increased to 60 and this the largest group of South Africans convicted on drug-related offences anywhere in the world.

The increase in arrests and convictions is probably due to the greater cooperation between the two governments in fighting the traffickers since an agreement was signed two years ago.

But, despite the challenges, there's also a realisation that South African and South American relations can only grow.

Perhaps an indication of the heightened interest is the fact that a second conference will be held this month to discuss inter-regional trade between the SADC and Latin America.

Customs fraud grows with trade

(74) CTOBR 1191 10/98

Cape Town — There had been a huge increase in customs fraud in the past two years, Shane Dwyer, the chairman of Shepstone and Wylie, attorneys specialising in marine and aviation law, said yesterday.

He said one of the most common forms of fraud was to import a container load of goods on which high duty would have to be paid, fail to collect it and then buy it cheaply in a state auction without having to pay the import duty.

Dwyer said this trend was being countered by limiting such sales to foreign buyers, who had to remove the goods from South Africa.

He said Shepstone and Wylie, which was established in Durban more than 100 years ago and had opened a London office 10 years ago, would expand to Cape Town on November 1 to cope with an increase in work as a result of the growth in trade between South Africa and the rest of the world. — Audrey d'Angelo

More sherry please as EU talks saga drags on

ST(BT) 11/10/98 (74)

TRADE NEGOTIATIONS

By THABO KOBOKOANE

SA and European Union negotiators are headed for a further round of talks this week, three weeks after negotiations for a free-trade accord broke down.

Bahle Sibisi, chief director in the Department of Trade and Industry, confirmed plans were afoot for a further round of talks, starting on Tuesday and ending Friday.

"We are still trying to finalise arrangements for a meeting," Sibisi says.

But an agreement is unlikely amid indications that both sides remain resolute on their positions — stances which led to negotiations falling apart three weeks ago.

The EU still insists that SA table a new position on wines and spirits while SA rejects the EU's attempts to link its tabling of an improved agricultural offer with SA's commitment to a wine and spirit accord. The accord seeks to stop SA from using the names "port" and "sherry" on its fortified wines.

The odds on an agreement lengthened even further this week when it emerged that an anticipated meeting between Trade and Industry Minister Alec Erwin and his European Union counterpart, João de Deus Pinheiro, now appears unlikely.

A meeting of the two would have injected fresh political impetus into the stalled negotiation process. But now everything is back to square one.

Pinheiro is due to arrive in SA on the afternoon of October 22 — the same day Erwin is scheduled to attend the first day of a two-day United Nations Conference on Trade and Development (Unctad) meeting in Geneva. Erwin is also president of Unctad.

Speculation of a possible meeting emerged two weeks ago when Pinheiro, EU commissioner responsible for relations with Africa, Caribbean and Pacific countries, announced plans to visit SA to push the stalled trade talks. This comment was taken to mean a meeting with Erwin.

But it appears Pinheiro's planned visit is not actually that. He will, in fact, be spending only the afternoon of October 22 in SA, on his way back to Europe, and had merely hoped to meet with Erwin.

"He (Pinheiro) had hoped to meet with Erwin, but Erwin will be out of town," said a spokesman for the EU mission in Pretoria.

John Dludlu (74) (~~2579A~~)

Customs union officials aim to hammer out new trade deal

OFFICIALS from the Southern African Customs Union are today attending a crucial meeting aimed at hammering out a new trading arrangement for the five-nation trading bloc.

Mfundo Nkuhlu, the chief director for Africa trade relations at the SA trade and industry department, said the meeting, hosted by Botswana, would seek to consolidate the work of the negotiators ahead of the joint finance and trade ministerial meeting next week.

The union consists of SA, Botswana, Lesotho, Namibia and Swaziland.

Last month, in an extraordinary meeting which resuscitated collapsed talks, trade and finance ministers from the union asked officials to come up with a new draft agreement by next month.

A new agreement is expected by next April.

Outstanding issues that have to be discussed include a new formula to determine the various shares of income from the common customs revenue pool, institutions to administer the union and new policies.

BD 12/10/98

EU trade talks leave SA workers with 'niks'

ET(BE) 12/10/98 (74)

It is the nature of trade negotiations to be dry and technical affairs with a great deal of hard bargaining. Often little thought is given to the effects the resulting treaty could have on ordinary people.

A group of local and European non-governmental organisations (NGOs) hopes to change all that with the launch last week of a booklet detailing the devastating effect that the European Union's (EU's) protectionist trade policies have had on the Western Cape town of Paarl.

Called "Ek het niks (I have nothing)", it clearly spells out how the EU's high tariffs on imports of canned fruit from South Africa, and the unfair competition highly subsidised EU products posed in non-EU markets, forced Langeberg Foods to shut its Paarl factory last year.

In the process, about 3 000 people, mainly women, were retrenched. Unlike their European counterparts, they had no social safety net to fall back on, were unskilled and could not afford to get training for new jobs.

When the Skills Development Bill and other pieces of legislation passed this year come into force, people like these will be helped, but in the meantime this little community has been shattered.



LYNDA LOXTON

Judith Head, the University of Cape Town sociologist who wrote the booklet, said the situation was best described by one woman who said: "Everything is upside down now."

Rob Davies, the chairman of the portfolio committee on trade and industry, will take copies of the booklet to an EU conference in Vienna this week on relations with southern Africa.

European NGOs will distribute it in the hope that it will put pressure on EU negotiators to give preferential treatment to canned fruit in the South Africa-EU trade negotiations.

The 20th round of these talks stalled recently after disagreement about the use of the names sherry and port. They will only resume once the politicians have reached a compromise.

The impasse meant the EU did not come forward with its revised offer on preferential treatment for South Africa's agricultural products, but it is understood canned fruit was not on the list.

Davies and Head said this intransigence was distinctly at odds with the EU's professed commitment to development in southern Africa, including the reduction of poverty and a better deal for poor women.

In their desperate bid to deal with outstanding legislation before the end of their third term, members of the National Council of Provinces did last week what they vowed they would never do: became a rubber stamp for legislation already passed by the national assembly.

There is no other way to describe the way in which bills were passed one after the other with little or no debate.

Few amendments were made. Those bills that did merit some debate dealt with constitutional or labour issues and, of course, the now infamous Tobacco Products Control Amendment Bill.

The latter aroused the ire not only of smokers, who face a ban on smoking in public places, but also of opposition members and some journalists who were furious at the way the bill was rammed through parliament with little or no public consultation.

Nkosazana Zuma, the health minister, also invoked the wrath of Business South Africa (BSA) by tabling a bill that will bring about profound changes to the country's medical aid scheme system, despite appeals that it should first go to Nedlac.

BSA promptly sought a court order preventing parliament from considering the bill before it went to Nedlac.

All in all, Zuma should start preparing herself for some interesting court battles.

The anti-smoking bill could well face a Constitutional Court challenge, but there are so many different interpretations about the scope of the bill that it is hard to predict the outcome.

Some say it bans smoking in all public places, which is clearly unconstitutional; others say it just covers work places and public buildings as well as advertising.

Trade talks back on tentative track

BD 13/10/98 (74)

Tim Cohen and John Dludlu

LONDON — The stuttering SA-European Union (EU) trade talks have slipped back on track with the announcement that officials would meet again this week after the previous round of talks last month ended in acrimony.

A meeting between Trade Minister Alec Erwin and João de Deus Pinheiro, the EU commissioner in charge of relations with Africa, was expected within the next few weeks, officials confirmed.

However officials sought to play down expectations yesterday, saying neither side was going into the meeting with a breakthrough plan.

The previous round reached an impasse after the EU insisted that sufficient progress was necessary in associated negotiations regarding wine and spirits

SA ambassador to the EU Eltie Links said yesterday technical discussions would take place tomorrow while substantive talks would take place on Thursday and Friday.

The two groups would pick up where they left off and explore ways out of the impasse of the previous round, he said. Both sides would approach the talks with an open mind.

He said it would be contrary to the sprit of open negotiations to absolutely rule out anything, but it was true to say SA was unhappy with the EU's existing offer of agricultural goods and its insistence on linking the main SA-EU trade negotiations with the talks on wine and spirits and other talks on fisheries.

The talks would investigate the nature of the disagreements between the two sides in order to see whether compromises were possible.

The EU has said consistently that the talks would be completed by the European autumn. EU parliamentarian Glenys Kinnock, a long-time proponent of the agreement, said yesterday she considered the compromises being asked of the South Africans to be completely unacceptable given the comparative size of the EU and the SA economies.

She said the result of the recent election in Germany might mean another large and influential EU country would be pressing for the completion of the talks.

The EU itself was keen to get the SA talks completed so that it could concentrate on trade talks with member states of Lomé Convention.

Erwin warns on protectionism

(74) BD 14/10/98

DURBAN — This was no time for SA business to retreat behind barriers of protectionism, Trade and Industry Minister Alec Erwin said yesterday.

Erwin told delegates attending the SA Chamber of Business (Sacob) annual convention: "This is a time to realise that if you are going to be in the world, you had better be in the world, and that it takes some changes and some work to get there.

"We are not bringing down barriers overnight; in fact the level of protection has probably risen in the past year ... due to the devaluation of our currency".

Erwin said tremendous gains had been made in structurally reforming SA's economy, and this was a major reason why it had survived the recent financial crisis so much better than many other countries.

However, there was no guarantee this would continue.

Stan Maphologela reports further that Erwin said the key task for SA was the challenge to act towards a common future.

With much attention being paid to the progress in addressing structural deficiencies of the economy, especially rigidities of the labour markets, the minister said ultimate flexibility should be built into social relationships.

"Government's role is not to suppress unions, but rather to provide guidance and leadership," he said. Government had created a framework that could facilitate the process.

Despite torrid debates on the slow implementation of its macroeconomic strategy, Erwin said government was aware that it would not please everyone with the growth, employment and redistribution programme, because it was an impartial government policy.

The minister encouraged business organisations to speed up the process of merging.

Tokyo Sexwale, former Gauteng premier and now chairman of Global Village Network, said at the Sacob conference that SA's society was underpinned by a social compact between government, labour and business. The Sacob convention, like others in the country, should therefore pose and attempt to answer the questions of business imperatives over the coming years, he suggested.

Sexwale said business imperatives should not be different from those positive government policy imperatives that contributed to a sound macroeconomic environment. — Sapa.

Positive move ends stalemate in trade talks

(74) BD 15/10/98

John Dludlu

AN IMPASSE in the long-running talks between the European Union (EU) and SA was broken yesterday when the two sides resumed talks. The EU tabled a "preliminary" improved offer to grant market access to SA farm exports, an official close to the talks said yesterday.

Michael Laidler, the EU ambassador to SA, also played down a criticism on Brussels by SA Parliament Speaker Frene Ginwala.

Sapa-AFP quoted Ginwala, in Vienna, as saying there was "a noticeable (EU) reluctance ... to grant market access for both industrial and agricultural products".

"Unless a new political direction is given in the form of a new mandate (for talks), negotiations will not succeed," she said.

Laidler said SA officials were entitled to lobby EU policy makers to get a better deal, but he was "struck by the measured and optimistic tone" taken by Trade Minister Alec Erwin on the talks.

Officials at the talks say correspondence between Erwin and João de Deus Pinheiro, the EU commissioner for the union's relations with Africa, broke the impasse. The two men are expected to meet in a few weeks' time.

France seeks SA backing on Lomé changes

Patrick Wadula (74)

THE French government is calling for SA's support for its report on the reorganisation of the Lomé convention, following a series of proposals to update cooperation between Europe and the African, Caribbean and Pacific countries.

Dominique Bocquet, the French finance department's counsellor for Africa, said yesterday a copy of the proposal was handed to SA's trade and industry ministry in the hope that SA would enter the debate on the inevitable changes to the Lomé convention, to which SA is a partial signatory.

The move follows the argument by the European Union that a new style of Lomé convention is necessary because of the need to comply with World Trade Organisation rules. The current convention was expected to expire by the end of this decade.

The convention gives all 71 African, Caribbean and Pacific countries, with the exception of SA, special preferential access to the EU market.

In his report Bocquet said the convention's commercial pillar had to be reorganised through the creation of free trade agreements between the EU and subgroups within the African, Caribbean and Pacific countries, and not the countries as a whole. A nation had to reach a certain level of regional integration before it could look at commercial advantages from the Lomé convention.

He said there was no reward previously to countries that met the requirements stipulated by the convention.

BD 15/10/98

Adviser encourages progress towards regional integration

SA's big role in Lomé

CT(BK) 15/10/98 (74)

JAMES LAMONT

Johannesburg — Progress towards regional integration by developing countries should find the reward in a renegotiated Lomé Convention, Dominique Bocquet, the financial adviser for Africa at the French Ministry of the Economy, Finance and Industry, said yesterday.

"A certain level of regional integration should be a prerequisite to the Lomé Convention," Bocquet said.

The Lomé Convention, which is up for negotiation at the beginning of the next century, gives some of the world's poorest countries in Africa, the Carribean and Pacific (ACP) preferential access to the European Union market. The first was signed in 1975.

In a French government report on the forthcoming renegotiation, Bocquet said: "Free trade agreements between the EU and the ACP countries will first make it necessary to constitute regional economic groupings, preferably in the form of customs unions.

"No one any longer doubts that lack of regional integration has become a major drawback for the Carribean and Pacific islands, sometimes a long distance from their markets, but still more for Africa, whose economic compartmentalisation seriously hampers development."

Bocquet advocated "decisive outside encouragement" by the European donor community.

The report proposed the modernisation of the Lomé Convention, which had failed to increase the share of EU market held by ACP countries, but insisted on the maintenance of a trade-and-aid relationship.

"South Africa can play a major role in the renegotiation of Lomé," Bocquet said.

ACP countries should receive positive discrimination under the convention, including an assymetrical opening of their markets, the identification of a limited number of sectors for protection, and technical and development assistance.

NEWS



FOREIGN AFFAIR *Keizo Obuchi and Thabo Mbeki reaffirm their countries' mutual involvement in Tokyo yesterday* PHOTO. AP

Japan 'still committed' to SA

CT(BR) 21/10/98 (74)

PETER FABRICIUS

FOREIGN EDITOR

Tokyo — Thabo Mbeki, the deputy president, met Keizo Obuchi, the Japanese prime minister, in Tokyo yesterday and said he was reassured that Japan remained committed to its economic and development relationship with South Africa and the southern African region despite the country's severe economic crisis.

Mbeki said he and Obuchi were discussing a date for the newly installed Japanese prime minister's first visit to South Africa.

Mbeki was briefing journalists at the second Tokyo International Conference on African Development, which ends today with the adoption by about 80 countries of an ambitious agenda for action: a plan of development assistance for Africa well into the next millennium, with specific dates for achieving development targets.

The conference brings together almost all the African countries, the emerging Asian donor nations, the traditional donor nations and the leading international development institutions.

Mbeki said Obuchi suggested that when he came to South Africa they would discuss the detailed and practical implementation of the conference's agenda and set up a relationship between Japan and the Southern African Development Community (SADC) similar to those between the SADC and Germany and the European Union.

Mbeki said Obuchi recognised that although Japan, the world's second largest economy, was facing problems, Africa's problems were even larger.

Japan's increasing interest in Africa was very evident in South Africa, he said. Five years ago, Japan had no investment in South Africa or the SADC.

Since then, it had poured in "serious money", buying into Toyota SA and investing in regional ventures such as the aluminium smelter project in Mozambique.

Ambivalence on EU deal

Star 22/10/98 (74)

By Cathy Powers

As European Union and South African negotiators wrap up a free trade agreement that will give local industries access to bigger markets, analysts are divided on the effect the deal will have on consumers.

Some say they will benefit through cheaper, higher-quality imported goods, while others say the deal will bring only a greater variety of goods on to our shelves.

Talitha Bertelsmann, EU research fellow at the South African Institute of International Affairs, said imported goods would become cheaper after the implementation of a free trade agreement with the EU, but that prices would not decrease dramatically.

But how big the impact will be on the South African consumer is still an open question. Tony Twine, head economist at economic research company Econometrix, agreed with Bertelsmann. He said the free trade agreement should provide South Africans with cheaper imported products like Swiss chocolate and French wine.

However, he said there was no way to estimate the effect the agreement would have on prices across the board.

Tish Schutte, trade manager of the Johannesburg Chamber of Commerce and Industry, said the agreement would result in a greater variety of goods – not necessarily cheaper goods – because South Africa was still buying in pounds and dollars.

The free trade agreement will in theory knock off the duties and tariffs on all imported and exported goods between South Africa and the EU.

The contentious issue has lng been agricultural products, and he EU's exclusion of 48% of Soth Africa's agricultural products fro a free trade agreement.

However this will affect onl a small portion of our exports to Europe. Already, said Bertelsmann, 0% of our products are exported witbut tariffs – the only remaining tariffsare those on agricultural products.By comparison, 64% of Europe's prodcts are imported without any tariffs.

The "adjustment costs" for Soth Africa may be that much higher tan for Europe, Bertelsmann said.

Schutte, however, denied local industries would suffer. "We are not looking at SA industries shuting down. We are looking at giving tem greater market access and vice versa – but not to their detriment."

Europe had never threatened bcal industries because their selling pices were higher than ours. But if Suth Africa were to enter a free trade agreement with the East, then local indstries would suffer, Schutte added.

Exporters would benefit rom greater opportunities because the agreement should stimulate a demand for SA products, Bertelsmann sad.

On the other hand, heavily subsidised European products like beef may hammer local farmers since the imported product could very wel end up cheaper than local/regional beef.

Whatever happens, it will be a learning curve for South Africa.Said Twine: "We have to learn to play a new game in a new way."

Exports slow to R34bn while imports increase

CT(BR) 22/10/98 (74)

THABO LESHILO
BUSINESS EDITOR

Johannesburg — South Africa's export growth slowed considerably in the first half to less than 10 percent, to R34,4 billion, compared with nominal increases of more than 20 percent for the past two years, according to the Industrial Development Corporation.

"The relative stability of the rand from the onset of the southeast Asian crisis until May, coupled with contracting import demand in emerging nations afflicted by financial turmoil, contributed to this disappointing export performance," the IDC said in its October review of trade and industrial performance.

But imports of manufactured goods rose 10 percent to R57 billion. This resulted from increased fixed investment spending, particularly by Telkom and other public companies, and the increased competitiveness of southeast Asian imports after the depreciation of their currencies.

Transport equipment manufacturers took the biggest knock with the end last year of the contract to supply rail locomotive carriages to the east. Exports fell from more than R220 million in the period last year to R13 million. Vehicle exports almost doubled, claiming almost 34 percent of the manufactured export basket.

EU deal will mean more variety on SA shelves – at a price

(74) ARG 22/10/98

ARGUS CORRESPONDENT

Johannesburg – As European Union and South African negotiators wrap up a free-trade deal that will give our industries access to bigger markets, analysts are divided on the likely effect on consumers.

Some say they will benefit through cheaper, higher-quality imported goods, while others say the deal will bring only a greater variety of goods to our shelves.

Talitha Bertelsmann, EU research fellow at the South African Institute of International Affairs, said imported goods would become cheaper after the implementation of a free-trade agreement with the EU, but that prices would not decrease dramatically.

Tony Twine, head economist at Econometrix, agreed. He said the free trade agreement should provide South Africans with cheaper imported products such as Swiss chocolate and French wine. But there was no way to estimate the effect the deal would have on prices across the board.

Tish Schutte, trade manager of the Johannesburg Chamber of Commerce and Industry, said the agreement would result in a greater variety of goods – not necessarily cheaper goods – because South Africa was still having to buy them in pounds and dollars.

The agreement will, in theory, knock off duties and tariffs on all imported and exported goods between South Africa and the EU.

The contentious issue has long been agricultural products and the EU's exclusion of 48% of South Africa's farm products from a free-trade agreement.

The talks, which have stalled time and again since they began in 1994, will affect only a small portion of South African products exported to Europe.

Already, said Ms Bertelsmann, 80% of South Africa's products were exported to the EU without tariffs. By comparison, 64% of Europe's products are imported without tariffs.

The "adjustment costs" for South Africa might be that much higher than for Europe, she said.

But Ms Schutte said: "We are not looking at South African industries shutting down. We are looking at giving them greater market access and vice versa – but not to their detriment."

Trade lobby groups pile pressure on EU

(74) BD 23/10/98

Tim Cohen

LONDON — SA-supporting activist groups in Europe are stepping up their efforts to put pressure on the European Union (EU) to conclude its trade deal with SA, charging the union with "alarming agricultural protectionism".

The campaign, which includes Action for SA (Actsa) and the European Network for Information and Action on Southern Africa are increasing the volume of the verbal war in the build-up to the crucial meeting this weekend between EU commissioner Joao de Deus Pinheiro and SA Trade Minister Alec Erwin.

The organisations have written to Pinheiro saying they were particularly disappointed about the recent breakdown in negotiations, "caused in large part, from our understanding, by the European failure to present an improved agricultural offer as scheduled".

In a press release, Actsa said Pinheiro was under "heavy pressure" from European agricultural interest groups and the EU Agriculture Commissioner Franz Fischler, "who fear competition from SA goods".

The groups warned Pinheiro that he had to overcome these internal commission battles and offer SA something concrete or the whole deal could be lost, pointing out that SA only accounted for 1,7% of Europe's total farm imports, many of which arrived in the off season.

The crisis in the SA/EU talks came at a very sensitive time for Pinheiro because he was also responsible for negotiating a successor agreement to the Lomé Convention. The EU's proposals in these negotiations were similar to those offered to SA. Failure to move the SA/EU talks further did not bode well for these talks.

In its letter to Pinheiro, Actsa director Ben Jackson wrote that many African, Caribbean and Pacific countries were alarmed at the extent of European agricultural protectionism displayed in the talks with SA. They were concerned that proposals for regional free trade areas as part of the successor to Lomé were designed to significantly reduce their market access to the EU.

"(The network) urges you to redouble your efforts to repair the damage caused by the recent breakdown of the talks and work to overcome the apparent lack of coherence between different parts of the commission.... It would be an enormous political betrayal if the opportunity of securing this vital agreement with SA was lost by the EU," Jackson wrote.

Compromise may lead to conclusion of SA-EU talks

John Dludlu BD 26/10/98 (74)

THE long-running free trade talks between SA and the European Union enter a decisive phase today when João de Deus Pinheiro, the EU's development commissioner, begins a political campaign to sell a compromise that will see the negotiations being concluded by December.

Trade and Industry Minister Alec Erwin and Pinheiro said after a meeting on Saturday that they had found a way forward.

Pinheiro, also the commissioner in charge of relations with SA, is due to address the EU's 15 member states at the monthly meeting of the general affairs council of ministers this afternoon. On Wednesday he will meet his colleagues in the commission, the EU's executive arm.

An EU official said Pinheiro would seek to have a substantive discussion of the negotiations with SA. Though Erwin and Pinheiro were reluctant to divulge the specifics of the outcome of Saturday's talks, Pinheiro hinted that it was a good compromise.

In the EU tradition a good compromise was one with which all sides were unhappy, but one which all could live with. "If you ask any of us if (we are) happy with the framework that we have defined, the answer is no; but if you ask if you think we can live with it, perhaps the answer might be yes," he said, pointing out that the remark related to all outstanding issues.

The EU official said Pinheiro would brief the ministers on his talks with Erwin and outline his method of moving the talks forward, including the timescales that would see the negotiations on a trade, development and cooperation accord being concluded before the end of the European autumn.

This will be the first time since last March that European ministers have a discussion of substance on the proposed relationship with SA.

Observers say the time for a compromise is now, before year-end. They point out that it might be difficult for

Continued on Page 2

Continued from Page 1

both sides to seek concessions from their constituencies next year when SA and European politicians face parliamentary elections.

Wednesday's meeting of the commissioners is important since this will include agriculture and industry commissioners, the two commissioners whose support Pinheiro cannot do without if he seeks a compromise.

Pinheiro expressed hope that the political will of the two sides would prevail so that the timetable set by EU heads of state for the talks to be concluded not later than the end of the European autumn should be met.

Erwin, who also pledged to consult his principals, said there was political will to reach an agreement.

Deputy President Thabo Mbeki briefly attended the Erwin-Pinheiro meeting, which is understood to have focused mainly on political issues and matters of principle, such as terms under which the proposed agreement may be suspended.

The sticking points of the agreement relate to SA's belief that the EU should open its markets for SA's farm exports even further and faster. Difficulties have been encountered on parallel wines and spirits negotiations, including SA's use of the names "port" and "sherry".

Erwin said the talks would continue, with technocrats expected to meet again in the middle of next month.

SA-EU BD 26/10/98 (74)

EU ministers set to clash over SA farm exports deal

FOREIGN SERVICE ARG 26/10/98 (74)

Brussels – European Union foreign ministers are today set to clash over trade relations with South Africa, with some protectionist countries refusing to further open the European market to farm exports.

The European commissioner for South Africa, Joao de Deus Pinheiro, will brief the 15 EU foreign ministers on discussions at the weekend in Pretoria with Trade and Industry Minister Alec Erwin.

The meeting followed difficult negotiations between diplomats and officials from both sides, at which it became clear that significant hurdles to an accord remain.

South Africa is under pressure to sign up to a wine and spirits deal which will end the right of South African producers to use the terms "port" and "sherry" – and also faces EU demands to sign a fisheries deal which would give European skippers new access to South African waters.

South Africa, for its part, is demanding a more generous package of agricultural concessions from the EU, arguing that without these, the overall deal is not worth signing.

Britain, Denmark and Sweden will be leading efforts today to secure a more generous trade offer from Europe.

However, they face an uphill struggle in convincing the French, Italians, Greeks, Spanish and Portugese, the so-called Club Med states, which have powerful farming interests and fear the consequences of greater competition from South Africa.

Supporters of South Africa will argue that, overall, the deal will benefit Europe, as it will lead to a significant opening up of the South African market to EU exports.

They can point to assurances – given by EU leaders at their summit in Cardiff in June to guest of honour President Mandela – that a deal would be concluded by the European autumn.

"There is not much time left if we are to meet our side of the bargain," said a senior EU diplomat yesterday. "We have to show that Europe is not just able to make lofty promises – but is able to deliver on them."

Farm lobby still delays EU-SA talks

(74) CT(MR)

LUKANYO MNYANDA

26/10/98

Johannesburg — The interests of the European farm lobby have again derailed South African and European Union (EU) talks on a bilateral free trade agreement.

The players now pin their hopes on the next round of negotiations, scheduled for next month.

Joao de Deus Pinheiro, the EU development commissioner, and Alec Erwin, South Africa's trade and industry minister, declared on Saturday that there was a shared political will to ensure an agreement was reached on schedule.

They declined to discuss specific aspects, nor did they commit themselves to a conclusion at the next round of talks.

When asked whether the November talks would produce the elusive agreement, Erwin said: "Only death is certain."

The call by Europe's powerful farm and wine lobbies for the exclusion of certain farm products is believed to be behind the delay.

The negotiators, who recently suspended talks over whether South Africa could continue to trade its fortified wines as "port" and "sherry", reported last week further progress in negotiations for a wine and spirits agreement.

Bahle Sibisi, the chief director of foreign trade at the trade and industry department, said insufficient progress was made on the key issue of agriculture.

Pinheiro and Erwin said the negotiations had reached a "difficult stage" but had been conducted in good spirits.

Pinheiro said: "The negotiating teams have done a magnificent job, but the politicians must take responsibility and identify a way forward. I hope the political will on both sides will prevail and enable us to reach an agreement within schedule."

The treaty's "schedule" has been changed several times, as sectoral interests first of French farmers and then Spanish and Portuguese sherry and port producers took precedence over the political imperatives for a deal.

Sacob says EU-SA deal is possible

BD 27/10/98 (74)

A FREE trade deal between SA and the European Union (EU) was still possible before the end of the year, the SA Chamber of Business (Sacob) said yesterday.

Sacob spokesman Lucy da Piedade said it was important that the process went forward in a spirit of compromise, and that the momentum be maintained with a stronger commitment to succeed. The talks teams agreed on Saturday to meet again next month.

Sacob said it rejected attempts to link the deal with a wine and spirits or fisheries agreement.

While progress was being made on the drinks issue, the most recent round of talks failed to resolve disagreement over the EU's agricultural products tariff reduction offer.

Da Piedade said the main benefits for SA did not lie in trade or market access, but in the consolidation of ties between Europe and SA. — Sapa.



Standard Bank SA's Philip Clayton, centre, was among the guest speakers at the Mercosur-SADC two-day conference in Johannesburg on regional integration in the southern hemisphere. Also at the conference were Guillermo Mondino, director of Argentina's Mediterranean Foundation, left, Greg Mills, national director of the SA Institute for International Affairs and, far right, Mfundo Nkuhlu the chief director for Africa relations in the trade and industry department.

Picture. ANDY KATZ

SA may sign trade protocols by next year

BD 28/10/98

Patrick Wadula (74)

SA's bilateral trade relations with other southern African countries would not jeopardise the Southern African Development Community's (SADC's) envisaged free trade protocols, said Trade and Industry minister Alec Erwin.

Addressing a conference in Johannesburg on regional integration between Mercosur and SADC countries, Erwin said the delay by SA in ratifying its trade protocol had nothing to do with its bilateral relations with other countries.

In the past two years only four countries — namely Mauritius, Zimbabwe, Tanzania and Botswana — out of eight have ratified their protocols.

Erwin said various issues including tariff agreements, rules of origin and dispute resolutions had to be tackled before any trade protocol was agreed to. However, he said there was hope of SA ratifying its protocol by next year.

Erwin admitted SA had failed in its duties as chairman of the SADC, and member countries believed the SADC secretariat had to be restructured.

SADC deputy executive secretary Prega Ramsamy said a policy unit would be established within the secretariat.

He said the unit would be a think-tank on policy formulation, and resources would be drawn from the regional countries.

Ramsamy said the policy unit would provide direction on how to achieve the 6% to 8% growth rate required for the region. Currently the growth rate was below 3%.

He said that with the delay in the ratification process of trade protocols, an SADC partial free trade area representing 70% to 80% of intra-SADC trade could easily be achieved by next year.

Ramsamy said experience from other organisations indicated that liberalisation in many countries had been on paper, and no real action had been taken.

Bid to rescue free trade talks with SA

BD 28/10/98 (74)

John Dludlu

THE European Commission, executive arm of the European Union, and pro-SA EU member states will launch a bid today to rescue the free trade talks from collapse.

In a surprising move on Monday, the Austrian presidency threw a spanner in the works by asking the commission, which was negotiating on behalf of EU members, to submit its compromise proposals to the EU ministers' council before announcing them to SA.

If followed, this route will effectively make it impossible for the protracted talks on a trade, development and cooperation agreement to be concluded by December, as EU heads of state directed in Cardiff.

An EU official said yesterday efforts to "repair the damage" would resume today when João de Deus Pinheiro, EU commissioner for development, met his colleagues in the commission to report back on Saturday's talks with Trade Minister Alec Erwin.

Pinheiro's strategy was to accelerate the talks so that they could be concluded by the end of the European autumn.

This means that internal EU consultations on a compromise would run parallel to talks with SA.

In terms of this course of action, the talks with SA will be concluded next month. After that an agreed deal will be tabled for discussion and a decision to the December ministers' council meeting.

Pinheiro, whose speech to the general affairs council is known to have generated sympathy for his proposed way forward, would warn member states today that if the Austrian presidency route was followed, it would be difficult to honour the Cardiff pledge to conclude the talks by autumn.

EU officials said the concluding statement of the Austrian presidency did not reflect the debate and had come as a total surprise, particularly as the proposed deal with SA posed no immediate threat to Austrian interests.

Austrian support for its position, known to be shared by Spain and Portugal, would be tested today when representatives of EU states meet.

If a strict interpretation of Monday's conclusion is adopted, Pinheiro is likely to go public with an admission that the commission will not honour the Cardiff pledge — a development that is likely to cause political embarrassment to the EU.

Real power is economic

'SA committed to free trade zone'

Sowetan 28/10/98

By Shadrack Mashalaba

SOUTH Africa is committed to the signing of Southern African Development Community trade protocols possibly next year, paving the way for a free trade area.

Trade and Industry Minister Alec Erwin said haste with signing of protocols was not important.

"We have made our trade offer with our South African Custom Union partners. Trade protocols depend on issues such as how tariffs will be phased out and rules of origins among others," said Erwin.

He was addressing a press briefing during a conference jointly organised by the South African Institute of International Affairs and Daimler Benz in Johannesburg.

The conference brought together representative from SADC and Mercosur member states – a Latin-based customs union organisation.

Erwin said regional integration was not an option but an imperative.

"South Africa has in the past few years lowered its tariff regime considerably; we did not have to wait for the World Trade Organisation to take the cue."

"South Africa cannot adapt to globalisation on its own. We have to move in unison with SADC members over time," he said.

He added that a number of trade and joint initiatives with SADC members were in the pipeline.

At the same conference SADC deputy general secretary Prega Ramsamy said there were currently 472 projects under way in the region which are valued at R60 billion.

Ramsamy said these projects would succeed in their implementation with their "bottom-up" approach.

Ramsamy said there were four countries – Botswana, Mauritius, Tanzania and Zimbabwe – who signed SADC trade protocols and "this was causing delays for the phasing out of tariffs".

"The SADC's trade protocols provide for the creation of an SADC free trade area within eight years.

"Formal negotiations on tariffs and sensitive products commence this month. At present more than 70 percent of SADC trade is taking place at tariffs below 10 percent, and by the end of 1999 the SADC can achieve a partial free trade area covering some 70 to 80 percent of internal SADC trade," he said.

Scepticism threatens trade accord

Tim Cohen

(74) BD29/10/98

LONDON — It was "touch and go" whether the SA-European Union trade pact would be completed within the deadline set by the parties.

Eltie Links, SA's ambassador to the EU, yesterday said the deadline was threatened by SA scepticism about the EU's new timetable and methodology.

At a meeting of the EU general affairs council, European commissioner João de Deus Pinheiro outlined a timetable aimed at reaching agreement by December 7. However, member states insisted a "compromise package" proposed by Pinheiro be examined by council bodies before it was presented to SA in negotiations — placing the agreed deadlines at risk.

Links said he was not yet fully briefed on the outcome of the meeting, but he remained convinced all parties would support a speedy conclusion.

EU officials were yesterday mandated to discuss details of Pinheiro's compromise package at Coreper, which consists of all permanent representatives or ambassadors of EU states, as opposed to the General Affairs Council which consists of EU foreign ministers.

Yesterday's meeting would constitute the first opportunity for Pinheiro to "limit the damage" of the decision taken at the general affairs council, which EU officials now concede would make achieving an agreement by the end of European autumn very difficult.

EU-SA TRADE TALKS (74)

URGENCY IN A MINEFIELD

Goodwill mustn't be wasted

FM 30/10/98

SA and European Union officials are delicately picking their way through a political minefield in a final attempt to tie down a wide-ranging trade and co-operation pact.

A deal on the most ambitious Free Trade Area agreement ever initiated by the EU has eluded the two sides as negotiations stalled over market access, primarily for SA agricultural exports to Europe.

But officials from both sides are expressing cautious optimism after "constructive" weekend talks between SA Trade & Industry Minister Alec Erwin and European Commissioner for Development Joao de Deus Pinheiro

EU officials have also been encouraged by the reception given to Pinheiro by EU Foreign Ministers at a debriefing session in Luxembourg on Monday. "The debate was very good," says an EU official. "All Ministers, the breakers and the pushers, said they were prepared to work for a deal within the agreed timetable"

That timetable, set down by EU heads of State at a summit in Cardiff attended by President Nelson Mandela in June this year, envisages reaching a deal by the end of the northern hemisphere autumn

Pinheiro's ability to secure backing from member states rests primarily on his ability to pacify southern countries, such as Spain and Portugal, which have mounted fierce resistance to certain SA farm products, such as dairy products, canned fruit and fruit juices, being given duty-free access to the EU Other obstacles include the pace of tariff elimination on industrial goods, EU reservations about SA's State subsidies policy, and parallel agreements on wines and spirits as well as fish

An EU official says Foreign Ministers want a compromise in which "the pain is evenly spread. They are expecting concessions will be squeezed out of them We won't reach a deal if we ask everything of southern member states and nothing from the north"

SA's chief director for SA trade relations, Bahle Sibisi, says both sides share a sense of urgency "If we let this drag on we will squander the political goodwill on both sides," he says

Caroline Southey

SA, Egypt sign new deals

PETER FABRICIUS
FOREIGN SERVICE

(24)
ARG 30/10/98

South Africa and Egypt have signed agreements on trade promotion, the reciprocal protection of investments, the administration of merchant shipping, police co-operation and co-operation in science and technology.

They were signed by South African Minister of Public Works Jeff Radebe and Egyptian trade and supply minister Ahmed Geweily during the third session of the joint commission on co-operation between Egypt and South Africa in Cairo this week.

Mr Radebe led a delegation of senior officials, economic, technical and NGO representatives.

He and Mr Gewelly also discussed ways to promote trade, saying that the present rate of commercial activity did not reflect the enormous potential of the two countries.

They emphasised the need for businesses on both sides to exploit opportunities, especially in privatisation and joint-venture projects.

The Egyptian Information and Decision Support Centre and the South African Centre for Scientific and Industrial Research issued a statement on co-operation in the field of information technology, confirming their determination to continue their close co-operation in building an information society in Africa.

Mr Radebe and Mr Gewelly also discussed a wide range of regional and international issues.

The first and second sessions of the commission were held in Cairo in April 1996 and in Pretoria in August last year.

EU heads of govt enter trade row (74)

Brussels – The 15 European Union heads of government have been asked to find a solution to the deadlocked trade talks between Europe and South Africa.

Officials said yesterday that approval could come at a summit of the bloc's leaders in Vienna at the weekend.

The EU's chief negotiator Philip Lowe said South Africa's refusal to drop the names "port" and "sherry" for its fortified wines remained the main stumbling block. The EU wants South Africa to stop using the terms over a 13-year period. – Star Foreign Service and Sapa

Star 9/12/98

South Africa upbeat over trade with Australia

(74) CT(BR)11/12/98

LINDSEY ARKELY

Melbourne — South Africa had strong prospects of narrowing its huge trade deficit with Australia over the next few years, Alec Erwin, the trade and industry minister, said yesterday.

This could be achieved by South Africa increasing both its merchandise trade and trade in services, Erwin said in Melbourne, where he was leading a 50-member business delegation.

Australia ranked only about 24th among South Africa's trading partners, he said, with the balance more than R2 billion in Australia's favour last year, according to Australian figures.

"If we continue the current rate of growth of two-way trade, I would envisage Australia certainly moving into the top 15 in five or 10 years' time, probably getting fairly close to the top 10."

South African exports could grow even more rapidly if more was known about the potential in the Australian market, he said.

"South Africans probably need to learn more about the Australian economy than the other way around," he said.

The delegation had been emphasising South African manufacturing capabilities during the Australian visit, Erwin said.

Australian companies were being encouraged to look to South Africa as a base for joint-venture manufacturing, with the possibility of exports to other parts of the continent.

Growth areas for two-way trade in manufactured products would include cars and car components, food processing and agricultural equipment, he predicted. — Independent Foreign Service

EU will press SA to stop talking and sign

ET (BR) 11/12/98 (749)

ANGUS MACKINNON

Vienna — South Africa's hopes of winning further concessions from the European Union (EU) over the terms of a free trade deal were likely to be rebuffed by EU leaders at a summit yesterday.

The leaders were expected to issue a political signal of their desire to wrap up the deal after three years of talks.

They will voice the EU's stance that it has gone as far as possible in meeting the South Africans' concerns and warn Pretoria that it has nothing to gain from delaying further.

A source at the European Commission, which conducts trade negotiations on behalf of the EU, said the summit's message would be: "We want a deal as soon as possible, but the South Africans have to understand that we have given as much ground as we can."

The commission was increasingly concerned that a failure to complete a deal by the end of the year — the deadline set by EU leaders when they met President Mandela in Cardiff in June — could see it delayed indefinitely.

The two sides have reached broad agreement on an accord to open EU markets to 95 percent of South African exports over 10 years. South Africa would allow 86 percent of EU goods to enter its market.

A row over wines and spirits remained an obstacle to a final accord. Spain and Portugal insisted that South Africa name a firm date for ending the use of the terms port and sherry for its domestically produced fortified wines.

South Africa agreed to do this for its export markets, but has held out over arrangements for its domestic market.

The South African market is not a significant one for port and sherry producers, but the issue was regarded as an important point of principle by France and the two countries.

"If we let South Africa get away with this, then that sets a precedent that could be exploited by other people in bigger markets," said a senior Spanish official.

The EU and South Africa began negotiating a free trade accord in the summer of 1995. Brussels promised a generous deal to help South Africa emerge as a beacon of stability and prosperity for the region.

The negotiations soon hit deadlock as the EU demanded the exclusion of some 40 percent of South Africa's agricultural exports because of competition concerns, particularly among southern European fruit producers.

The tough EU stance created repeated crises in the negotiations. The deadlock over farm goods broke last month when Brussels offered reduced-tariff access for an additional list of products, including fruit juices and wine.

This additional access, which will be subject to quota ceilings, will reduce the number of excluded South African farm exports from 40 to 27 percent. — Sapa-AFP

Talks flounder as SA shuns EU offer

CT 14/12/98

(74)

THE latest round of talks between South Africa and the European Union has failed to produce agreement about the use of the terms "port" and "sherry" for local fortified wines.

For nearly four years South Africa and the EU have been trying to conclude a free-trade pact that would be worth $19 billion a year. But they have not been able to agree on, among other things, port and sherry.

Portugal lays sole claim to the term "port", as Spain does to "sherry" — just as France considers the use of "champagne" its exclusive right.

The EU is prepared to consider a compromise that would allow South Africa to use the terms for fortified wines sold within its borders and the Southern African Development Community (SADC) for the next 13 years, with a mid-term review — but South Africa is not interested.

EU leaders, seeking to honour a promise made last June to President Nelson Mandela, ordered their ministers on Saturday to conclude a free-trade pact with SA by the end of March.

But, at the end of a two-day summit, they said that if the deal was to be finalised, both sides would have to make concessions.

The leaders said they wanted ministers to bring the talks to a successful conclusion as soon as possible or, at the latest, by an EU summit scheduled for March.

Chief EU negotiator Philip Lowe told reporters that European Commission president Jacques Santer would be prepared to meet Deputy President Thabo Mbeki in an attempt to find a breakthrough.



LAST RESORT: Deputy President Thabo Mbeki may be drawn in.

He said the main remaining sticking point revolved around Pretoria's refusal to stop using the words "port" and "sherry" on locally made drinks sold within South Africa.

Pretoria has agreed to stop using the names for exports, but is not ready to agree to a 13-year transition in the names used on its local and regional markets.

Rob Davies, chairperson of Parliament's trade and industry committee, said last night that acknowledging the exclusivity of the two names was "not of interest to South Africa" and would have serious implications for the local wine industry.

In effect, the EU was demanding a "monopoly right" to market fortified wines under the names.

"There will have to be further negotiations," Davies said. — Reuter, Staff Writer

Trade policy with Australia gets 'good on yer' report

CT(BR) 10/12/98 (74)

LINDSEY ARKLEY

Melbourne — South Africa and Australia have expressed satisfaction with the first year of a programme aimed at boosting bilateral trade and investment.

Trade had grown over the year by 8 percent, to about R6 billion, said a joint communiqué issued in Canberra yesterday.

Alec Erwin, the South African trade and industry minister, and Tim Fischer, his Australian counterpart, said the diversification that had taken place in trade was particularly pleasing.

A rise in bilateral investment flows showed growing private sector confidence in the business environment of both economies, the ministers said.

Areas with potential for expanded trade and investment included mining, automotive components and technology, agriculture and processed foods, and chemicals and plastics.

The ministers said high priority also would be attached to the early conclusion of a bilateral double taxation agreement.

Erwin was in Canberra for the second meeting of the South Africa-Australia Joint Ministerial Commission, the first of which was in Pretoria in July last year.

Erwin also yesterday signed a new extradition treaty between the two countries.

Amanda Vanstone, the Australian justice minister, said the new treaty confirmed an informal arrangement that had been in place since last year, when South African law relating to extraditions was changed.

Under another agreement also signed yesterday, South Africa is to receive Australian assistance in implementing new consumer protection regulations.

The project will be led by Australia's Competition and Consumer Commission, with responsibilities including monitoring for anti-competitive or unfair market practices, and product safety and liability. — Independent Foreign Service

EMU 'will be a danger to South African exports'

CT (BR) 3/12/98 (74)

RICHARD STOVIN-BRADFORD
BANKING EDITOR

Johannesburg — The advent of European monetary union (EMU) in January would jeopardise South African exports, Graham Boyd, the chief South African strategist of Warburg Dillon Read, said last week.

At the same time, high interest rates and the country's "less than optimal" product and labour markets could affect competitiveness.

Speaking at a Warburg Dillon Read seminar on the implications of the euro for South Africa's investors and corporations, Boyd said EMU posed a threat to South Africa's exports, the bulk (31 percent) of which went to Europe. The reason was that preferential regional trade agreements facilitated intraregional trade but diverted it from other countries. Regional agreements were stumbling blocks, not building blocks, he said.

The seminar delivered a powerful message to South Africans about the sheer scale of change that was about to hit the world.

"Although people watch the rand/dollar exchange rate, the rand/euro rate will be much more important going forward," said Boyd. This was because the euro would immediately become the second largest currency in the world alongside the dollar.

The result of economic convergence among the initial 11 EMU member states also provided a lesson. Before EMU convergence had got under way, European economies that had less than optimal supply-side characteristics suffered depreciating currencies.

"As is the case with South Africa, product and labour markets were less than optimally competitive," he said. But after EMU convergence and the resultant fixing of currencies and interest rates, currency depreciation was no longer a factor in competitiveness in euroland.

Low interest rates were, however, a factor in overall competitiveness. "The euro has delivered sharply lower interest rates," he said. He questioned how swiftly South Africa's wages and prices would adjust, bearing in mind that real wage rates were continuing to rise strongly. The euro had implications for investors in South Africa's equity and bond markets too. Boyd said that, since Greece (despite not joining EMU's first wave) and Portugal would drop out of the emerging markets universe, South Africa's weighting in it would rise. Greece and Portugal had been the best-performing emerging markets and their loss diminished the attractiveness of emerging markets as an investment destination, Boyd said.

EMU also had a bearing on local companies' overseas capital raising. South African companies might continue to seek primary listings and domicile in London or perhaps in Europe. "And a company which lists in London, moves its head office there and has its domicile there could be treated as falling within the European Union and therefore bypass trade restraints imposed by the EU on countries outside the region," said Boyd.

South Africa's high-yielding bond market may benefit from the introduction of the euro, which was likely to have very low interest rates, as investors sought a yield pick-up over the euro rate. "Yield may once again become scarce in a global environment of pervasive low interest rates."

EU ready to bend on trade

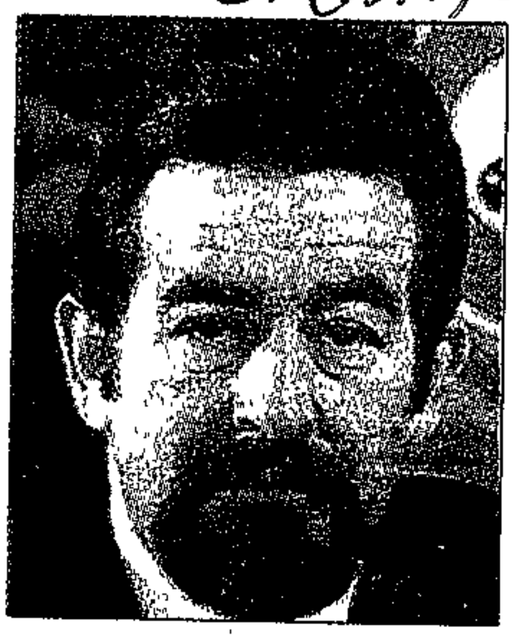
ET (BR) 8/12/98 (74)

FROM BLOOMBERG

Johannesburg — The European Union's (EU) chief trade negotiator with South Africa is expected to propose today a compromise free trade agreement to EU foreign ministers in an attempt to conclude more than two years of negotiations.

Alec Erwin, the South African minister of trade and industry, and EU trade negotiator Joao de Deus Pinheiro drafted the compromise while Pinheiro was in Cape Town last week, Erwin said. He declined to provide details of the proposal, although he said the Cabinet had backed it.

Talks have been deadlocked on how to give South African farmers increased access to European markets. Europe has been insisting that South Africa refrain from using the words "sherry" and "port" on the labels of wine products. There has also been disagreement about European fishing rights in South African waters.



COMPROMISE *Joao de Deus Pinheiro, EU trade negotiator*

"If the EU were to support Commissioner Pinheiro's viewpoint on the negotiations, I think we could well conclude it by the end of this year," said Erwin.

Both Erwin and Pinheiro said last week that the remaining areas of disagreement were small. Still, Pinheiro said before returning to Europe that he had no authority to negotiate further.

"Both sides have mandates for negotiations," Pinheiro said. "We cannot go beyond those mandates. If we could, Alec Erwin and myself would have finalised it."

Their solution has to be approved by both the South African government and the EU.

The proposals being discussed could remove tariff barriers on about 95 percent of South African exports to the EU, and about 86 percent of EU exports to South Africa.

EWS

EMU and euro will boost exports, says IDC

(74) CT (AR) 7/12/98

RICHARD STOVIN-BRADFORD
BANKING EDITOR

Johannesburg — The implications of European monetary unification were bound to be more pronounced within the euro zone and its periphery than elsewhere in the world, the Industrial Development Corporation (IDC) said last week in a research paper on the implications of European monetary union (EMU) on South Africa.

But, the IDC said, nations with close trade and investment ties with the European Union (EU), such as South Africa, should benefit from lower world interest rates and a demand-pull effect, as stronger growth in Europe was accompanied by higher demand for their export products.

A large, stronger and more uniform euro-zone market, supported by a "sturdy" euro, should boost traditional European demand for foreign products and offer merchandise export opportunities.

Since the EU had been the Southern African Customs Union's main trading partner for many years, the implications of EMU for South Africa were likely to be "significant, though not extraordinary", the IDC said.

Export opportunities were likely to expand as Europe became a large market with a single strong currency and simpler financial transactions. On top of the competitive edge provided by a possibly weak rand-euro exchange rate, the "expected outcomes" of the EU tariff negotiations would further enhance South Africa's export price competitiveness.

The main export growth impetus would stem from capital and durable consumer goods, followed by commodity-type exports.

But the new price transparency within the euro zone would also set new challenges for South African exporters, who would have to concentrate on quality and improved delivery to meet customer expectations in each individual European market.

The IDC said the bulk of exports from South Africa consisted of commodities, so improvements in European competitiveness "should not pose a major threat".

The expected appreciation in the euro in its early stages was likely to have an adverse affect on the pricing of South Africa's import basket, with negative implications for its balance of payments and for growth in the country's fixed capital stock.

European investment in South Africa could rise as the consolidation of Europe's financial markets raised demand for other investment destinations, as investors sought higher asset returns.

But South Africa would have to compete for funds with many other countries, the IDC said.

It said the impact of EMU fell largely under the umbrella of faster economic growth, arising from efficiency gains resulting from a more transparent pricing system, reduced transaction and hedging costs, lower inflation and interest rates, and "hopefully" fiscal and labour market reforms.

EMU would lead to the "unfolding" of deeper and more sophisticated financial markets, which were expected to provide an improved and more diverse supply of financial products, stimulating the issue of government and corporate debt instruments, said the IDC.

NEWS

REVENUE *UK support to SARS spells trouble for drug traffickers, under-invoicers and tax evaders*

UK donates £9m to SA Customs

CT(MR) 3/12/98 (74)

ZINTLE FILTANE

Johannesburg — Watch out, drug traffickers, under-invoicers and tax evaders, here come the Brits, was the message from the South African Revenue Service (SARS) at a media briefing in Pretoria yesterday.

The UK's department for international development (DFID) has donated £9 million for the transformation of the country's customs services, its largest commitment in South Africa to date.

The money will fund the customs transformation programme, launched in September this year as part of an effort by the SARS to protect the South African economy from illegal and unfair trade.

The agreement puts local customs officials in a position to tap into the UK database for verification of prices on customs' goods from anywhere in the world.

Deputy Finance Minister Gill Marcus said the joint agreement was not about frameworks, policies and talking.



TALKING TROUBLE *Gill Marcus briefs the media, with UK Minister for International Development George Foulkes, on new measures being taken to track down the South African Revenue Service's lost millions*

PHOTO SELWYN TAIT

"It's a real transfer of knowledge and skill, creating a permanent body of knowledge in the country."

The money will help set up state-of-the-art technology in all customs points nationwide, last changed in 1978, and a small amount will go to the department of finance to help develop its capacity in formulating tax policy.

Marcus said the department of finance needed resources that would help devise the macro impact of its policies on the economy, but was unable to say what amount would go to her department.

At the moment, lost revenue is estimated at over R100 million a month on VAT alone.

The British have supported local officials since 1996 and will continue to provide them with much-needed expertise, experience and information. Since 1996, DFID has spent £2,5 million on customs expertise deployed in South Africa.

British Minister for International Development George Foulkes said his government was merely enabling the country to raise money that rightfully belonged to South Africa as well as assisting to eradicate fraud.

Key areas include border control, together with authorities in Botswana, Lesotho, Namibia and Swaziland, valuation, special investigative techniques, postal importations and courier services.

Cabinet backs tentative EU accord

(74) ARG(BR)5/12/98

FROM REUTERS

Johannesburg — The Cabinet had agreed to a tentative trade deal with the European Union (EU), leaving the decision on a final agreement firmly in Brussels' hands, Alec Erwin, the trade and industry minister, said yesterday.

Erwin said the Cabinet met on Wednesday to discuss proposals he had drawn up with European Commissioner Joao de Deus Pinheiro to overcome the final hurdles after nearly four years of tough talks.

"The Cabinet endorsed the proposals that I put to Commissioner Pinheiro on behalf of the South African government, and endorsed the agreement that Pinheiro and I discussed on Wednesday," Erwin said.

"We now have to await the response of the EU," he added.

When the two men met in Cape Town this week on the margins of an international trade conference, neither would reveal what they had agreed nor where the remaining obstacles lay.



Alec Erwin says few obstacles remain PHOTO JOHN WOODROOF

Erwin continued to remain tight-lipped yesterday, saying only that there remained very few areas of disagreement.

"The outstanding issues I think are very, very few and, accordingly, if the EU were to support Pinheiro's viewpoint on the negotiations, I think we could well conclude them by the end of the year," he said.

The talks came close to foundering in September because of sharp differences of opinion over farm trade, fisheries and the EU's insistence that South Africa cease labelling its fortified wines "port" and "sherry".

Both Pinheiro and Erwin said on Wednesday that, to finalise a free trade agreement between the two countries, they would have to exceed their negotiating mandates.

Both had to return to their principals in order to have their mandates expanded. Pinheiro will present the suggestions to EU foreign ministers, who meet in Brussels on Monday.

Under the deal on the table, 95 percent of South Africa's exports to the EU will be fully liberalised over the next decade.

Trade between South Africa and the EU totalled $20 billion last year.

EU stalls on SA trade pact

(74) ARG 8/12/98

Brussels – European Union foreign ministers have failed to endorse a new free trade agreement with South Africa, but officials said approval could come at a summit of the bloc's leaders in Vienna next weekend.

"There are still a number of issues pending," said Austrian Foreign Minister Wolfgang Schuessel today. Mr Schuessel is also president of the EU Council of Ministers.

European Development Commissioner Joao de Deus Pinheiro and South African Trade Minister Alec Erwin agreed on a provisional trade package last week which officials say goes some way to meet both sides' demands for better access to each other's markets.

Negotiators say a number of market access problems have been solved, with the EU agreeing to liberalise imports of 95% of all South African goods over a 10-year period.

In exchange, the EU is committed to breaking down import barriers for 86% of European exports.

The EU, however, is unhappy with tariff concessions made on its exports of textiles and motor vehicle parts to South Africa. – Sapa-DPA

CAPE ARG

SA trade policies come under fire

Economic hurdle for Mbeki

ARG 15/12/98 (74)

The real challenge for South Africa is economic development on the continent, but existing imbalances may make this difficult, says Staff Reporter BLACKMAN NGORO



The irony in some parts of southern Africa is that wars are contributing more to integrating the region than the more positive measures of trade and economic co-operation.

One example is the Economic Organisation for West African States (Ecowas), which was led by Nigeria to crush rebel activity in Sierra Leone. Then there is the current Southern African Development Community, led by Zimbabwe, which is fighting the rebels in the Democratic Republic of Congo.

The Congo conflict originally lined up countries like Chad, Sudan, Angola, Namibia and Zimbabwe (supporters of President Laurent Kabila), against Rwanda, Uganda, South Africa and others.

Notwithstanding the considerations that caused the rift, South Africa should not have found itself on the same side as Uganda and Rwanda – two countries that clearly have territorial ambitions in the Congo.

Whatever criticism may be levelled against President Kabila, the fact remains that he does represent the legitimate government of the DRC.

South Africa's diplomatic error in even tacitly aligning itself with Mr Kabila's enemies was subsequently corrected to some extent by this country's acceptance of the principle that a legitimate government should not be brought down by force of arms.

Having got that embarrassment out of the way, the time has now come for South Africa to show its genuine prowess on the continent – its economic muscle.

There are, however, problems that the Thabo Mbeki presidential era will have to grapple with.

There is a perception in some countries to the north of us that South Africa's foreign economic policy is not all that different from that of the apartheid regime towards its own black people.

No lesser authority than Erastus Mwencha, the new secretary-general of the Common Market for Eastern and Southern Africa (Comesa), is seriously concerned about the trade imbalances between South Africa and the rest of Comesa.

He said this trade imbalance could cause the member states of Comesa to complain to the World Trade Organisation. South Africa is not a Comesa member state and, therefore, the Comesa Court cannot act against it regarding complaints of unfair trading.

According to statistics from Mr Mwencha's Lusaka office, the general trade imbalance between South Africa and individual members states of Comesa is 15:1 in favour of South Africa.

South Africa has relied on bilateral trade relations with African states to exploit economic opportunities, it is alleged. But this "honeymoon" could be short-lived.

Most of the 21 countries that are member states of Comesa have announced a tariff reduction of 80% applicable in intra-Comesa trading.

These countries range from new members Egypt and Djibouti, which still need to ratify the Comesa treaty, to Zimbabwe, Uganda, Rwanda, Seychelles, Namibia, Mauritius, Comoros, Kenya and Sudan.

"Put another way, we are heading for a common market by the year 2000," Mr Mwencha said. And, if things continue the way they are, South Africa could find itself excluded from this arrangement.

The trend between the Comesa states, according to Mr Mwencha, is that "Comesa member states have continued to liberalise their trade by reducing tariffs. The average reduction in tariffs for intra-Comesa trade is currently about 7%."

In the case of Zambia, for instance, the tariff on ready-made garments is 15% and they are quota free.

"On the other hand, ready-made garments attract a tariff of 75% in South Africa and, in addition, there is a quota restriction," said Mr Mwencha.

In effect, trade protectionism has become a cornerstone for South Africa's economic relations with both its close neighbours and the rest of Africa.

Textiles and tariffs originally caused a souring of relations between South Africa and Zimbabwe when a trade agreement, signed by the former white regimes of both countries, was ended when South Africa became a democracy.

The new stance taken by South Africa resulted in the closure of Conetextiles, a major employer in Zimbabwe. Thousands of jobs were lost.

What seems to exacerbate the problem is the existence of the apartheid-engineered economic grouping the South African Customs Union (Sacu), which embraces Botswana, Swaziland and Lesotho.

South Africa, as the senior member of Sacu, is seen to be evading the issue when it settles for bilateral agreements instead of supporting the integration process.

The Mbeki era is going to be plagued by problems arising from misunderstandings of the country's trade protectionism policy. The African renaissance, as a concept, can only work with a conscious understanding of the intricacies around economic integration, say the critics.

Mr Mwencha said the integration of African economies should be conducted in a similar manner of common purpose as that which took place in the fight against the apartheid system.

Top-level talks fail to salvage EU-SA deal

DD 2/12/98 (74)

Alec Erwin and João de Deus Pinheiro have exhausted their mandates

Linda Ensor

CAPE TOWN — High level talks between SA and the European Union (EU) on a free-trade agreement stalled again yesterday as both sides exhausted their mandates and had to revert back to their principals to explore further options.

Hopes had been high that the "final round" of negotiations between Trade and Industry Minister Alec Erwin and João de Deus Pinheiro, the European commissioner for relations with Africa, would resolve the outstanding issues. The talks have already lasted more than three years.

Pinheiro conceded that there was a distinct possibility that no agreement might emerge as the unanimous endorsement of the EU's 15 member states was required. However, he remained optimistic, especially in light of the numerous matters already agreed upon.

Erwin said the "small package" issues in dispute had been narrowed but intractable differences remained.

Neither party was prepared to divulge what had been agreed on before they reported back to principals as the negotiations were at a "delicate" stage.

Various options for dealing with the disagreements had been thrashed out which Erwin would discuss with the cabinet today and Pinheiro with European political structures next week.

Issues in dispute concern the EU demand that SA drop the use of the names "port" and "sherry" in third markets; the EU's wish for better access to SA's textile and motor vehicle sectors; EU insistence that SA give a time frame for the reopening of the suspended fisheries talks; state aid to industries; and co-operation among competition authorities.

Pinheiro said at a media briefing that if the decision was his and Erwin's alone, there would have been an agreement yesterday. But as the EU was the ultimate decision-making body he had to report back to "see to what extent our authorities understand the situation and are capable of picking some of the approaches we might suggest".

"Both of us have exhausted our mandates with a sense that we have done what we were supposed to do, that we understand each other's difficulties and priorities, and that a huge (amount of) work, extremely complex, has been done. We have now arrived at a situation in which agreement is within reach."

Pinheiro insisted that it was commonplace for there to be outstanding issues at the end of negotiations and what was happening was not unique. He believed the progress made yesterday was "considerable and very important" and it was still possible for the agreement to be concluded before the end of the year as planned.

Pinheiro is likely to raise the issues at next week's meeting of EU foreign ministers and at the summit of EU heads of state in Vienna on December 11 and 12.

Picture: Page 3

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Thugulu and Zululand regional councils, and effectively markets the tourist potential of the northern and midland KwaZulu-Natal. Timeless Afrika has launched a partnership programme which allows participants in the region to take advantage of the organisation's continued exposure in tourism publication Getaway.

Hattingh said radio advertising had also been used productively with a 12-feature series on Radio Ukhozi presented as an interview.

Prisoners die in prison cell blaze

AN AWAITING-trial prisoner died and two other inmates suffered burn wounds when a fire swept through their cell at the Caledon Prison in the Boland on Wednesday.

Correctional services spokesman Johan Pienaar yesterday identified the dead man as Bulu Sulelo, 24, of Burgersdorp. He was awaiting trial on an attempted rape charge but was unhappy about not being able to obtain bail.

The injured, Simphiwe Kutu, 32, and John Makhambi, 25, both of Burgersdorp, were treated in the Caledon Hospital. Pienaar said they set fire to their single cell and because the doors and windows were barricaded, staff were unable to rescue Sulelo.

Motorists offered roadworthy check

THE Cape Town traffic department has offered motorists a free roadworthy check on brakes and stoplights as part of its commitment to the promotion of road safety. The roadworthy section of the department in Green Point will do the checks between 8.30am and 3pm on December 9 and 10.

Balloon adventurers to pass over SA

A HELIUM balloon, manned by three pilots and floating at the edge of space, is due to pass over SA on December 30 in its bid to circumnavigate the globe.

Lifting off from Alice Springs in Australia in late December, the balloon will cruise at 40 000m, 25 000m higher than any manned balloon has been and will sail west over the African sub-continent.

The balloon is nearly as tall as the Empire State Building.

REPORTS: Business Day Reporters, Sapa.

SA owes a bumper US trade year to metals

BD 4/12/98 (74)

Simon Barber

WASHINGTON —SA is enjoying a banner year in trade with the US, largely due to increased exports of platinum group metals and steel, according to the latest commerce department figures.

The total customs value of SA exports to the US through the first three-quarters was $2,31bn — a 27% jump on the $1,82bn which was recorded in the same period a year ago.

The US continued to enjoy a surplus in its trade with SA, but it was a shrinking one. Through the end of September, US exports to SA were valued at $2,51bn, up 11% from last year at the same point. But the balance in the US's favour was down 55% from $432m to $196m.

In the tariff category that includes platinum group metals, SA's exports reached $886m, up 31% from a year ago.

Platinum sponge remained SA's largest export to the US, reaching $460m in the first three quarters.

Period on period, US imports of SA palladium and rhodium more than doubled to $153m and $78m, making palladium SA's second largest single export to the US ahead of titanium slag ($130m, up $109m).

SA's exports also showed impressive gains in the broad category covering basic iron and steel, increasing 84% period on period to $376m.

That leap has a downside, however, because it is drawing the attention of US steel makers who are moving to combat surging import competition with anti-dumping suits. Iscor's cold-rolled steel, in particular, is know to be in the cross hairs.

SA chemical exports, both inorganic and organic, also appeared to be growing handily, reaching $101m and $52m by the end of September, up 15% and 17% respectively.

US imports of SA clothing continued to edge up, reaching $58m in the first three quarters, a period-on-period increase of 8%.

Goods in the category encompassing heavy industrial machinery accounted for $578m worth of SA's imports from the US in the period. Computers and electronic equipment accounted for $226m and vehicles accounted for $208m. All were modestly up from last year at the same point.

The figures reflect major deliveries of US aircraft and parts. The value of SA's imports in that category was $307m, nearly double the full year totals in 1997, 1996 and 1995.

Separately, data published by the US International Trade Commission showed that $450m worth of SA's exports to the US last year, out of a total of $2,5bn, entered the country duty-free under the US generalised system of preferences.

Minister

Kevin O'Grady

LAWYERS acting for Finance Manuel will today ask the Um reverse an order, by Judge which found Manuel and Def Modise in contempt of court rised warrants for their arres

Manuel's spokesman L Modise's spokesman Puso yesterday that they were aw order, which was to have be respondents personally.

Manuel was out of the c and the order had not yet be Wort said. Tladi did not kno der had been served on Modi

Visser found the minister issued the warrant after the with an order made in Ap

Foreigners p

FOREIGNERS were more appr tive than South Africans t selves of SA's economic act ments since the elections in Deputy Finance Minister Gill cus said yesterday.

"I am astonished at how South Africans are on themse We have done more in less five years than most other tries. Foreigners, who ta broader view, are much mo preciative of the progress tha taken place," she said.

This viewpoint was reflec

PAC man's amnesty appeal for Crossroads killings turned down

Jonny Steinberg

THE truth commission's amnesty committee refused amnesty to a Pan Africanist Congress (PAC) member yesterday for the murder of three people at Crossroads near Cape Town in 1993.

In contrast to its ruling earlier this year granting amnesty to the killers of American exchange student Amy Biehl, the commission rejected PAC member Mandla Maduna's application on the grounds that those he killed "had no quarrel whatsoever with the PAC".

Five people were killed in Crossroads in March 1993 when armed men burst into their home and opened fire.

Maduna, who was convicted for the murders in late 1993, claimed at his amnesty hearing that the killers were instructed by the PAC to attack the home as it was occupied by a gang which was attacking PAC members in the area.

In yesterday's decision, the Committee said: "Tragically, the victims and occupants were not members of a gangster group as (the) applicant had been told.

They were civilians who included women and children who had been watching television... There is no evidence that they were involved in any political association."

In the Biehl case, the killers had attended a political rally hours before Biehl's murder, at which they were told that "settlers" were enemies of the PAC.

The amnesty committee said in that case the youths believed they were attacking a political enemy.

BD 4/12/98

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Port, sherry debate most serious threat to trade pact

BD 4/12/98 (74)

The EU demands SA agree to phasing the names out in domestic markets too

John Dludlu

THE European Union's (EU's) demand that SA should phase out the use of terms "port" and "sherry" for wines in the internal market has emerged as the most serious threat to plans to concluding the EU-SA free trade deal before year-end, officials say.

No agreement could be reached on the subject during a high-level SA-EU meeting on Tuesday, and it has already upset the timetable of the talks, making it impossible for the EU side to present a final deal for approval at Monday's meeting of the union's foreign ministers.

Sources said this week that both sides had taken hard-line positions, and that only a significant climbdown on either side would break the impasse. One EU official said only a gesture by Pretoria could break the impasse, and suggested it would be difficult to get concessions from Brussels.

At issue is the EU's demand that SA, which has indicated its willingness to phase out the two names in third markets, agrees to also phase them out in domestic markets. It is understood that attempts by the EU to offer Pretoria financial assistance to market new brand names to replace the disputed two have failed to get SA's approval.

An SA source said yesterday the port and sherry issue now appeared to be a "maker or breaker" of the final trade, development and co-operation accord.

To the EU's frustration, SA also wants to be able to retain the two terms within the Southern African Development Community. SA's stance, which has now been endorsed by the cabinet, has sent the European Commission, the EU's executive, back to its principals — member states. The subject was discussed in the EU council's Africa working group last night.

João de Deus Pinheiro, the European commissioner for relations with Africa, was due to discuss the outcome of his meeting with Trade and Industry Minister Alec Erwin at Monday's meeting of European foreign ministers' council, said an EU official.

In spite of the inconclusive Erwin-Pinheiro meeting, both EU and SA officials remained cautiously optimistic that a deal was still possible "within weeks".

Although there was no comment from the SA port and sherry producers last night, a wine industry expert said phasing out the two terms in SA would not be a major setback to SA, but the EU was trying to "bully SA" into dropping the names by linking them to a broader agreement.

The other remaining sticking points were: EU's better access to SA textile sector; co-operation in the enforcement of competition laws; and a commitment by SA to negotiate a fisheries agreement with the EU after the recent suspension of the talks.

EU-SA talks continue as deadline looms

BDlI/12/98 (74)

John Dludlu

FEARS that the December deadline for the conclusion of the European Union-SA trade talks may pass were heightened yesterday after it emerged no agreement in removing the remaining hurdle to a deal would be reached.

A European Union (EU) official, who remained cautiously optimistic that a conclusion of the talks was still possible next week, also said yesterday the EU-SA talks were not a formal agenda item of the EU leaders' summit in Vienna today. However, EU foreign ministers were expected to discuss the subject further on an informal basis during the Vienna meeting.

In terms of an earlier plan — which has been ripped apart by sharp differences in the controversial dispute over SA's use of names "port" and "sherry" for its fortified wines — the Vienna summit would have been used to bless the proposed trade, development and co-operation accord.

Sapa-AFP reports that although EU leaders are expected to issue a strong political sign of their desire to conclude the deal quickly, they will also make it clear that the EU believes it has gone as far as possible in meeting SA's concerns and will warn that Pretoria has nothing to gain from delaying further.

After Monday's foreign ministers' meeting in Brussels, it was envisaged that João de Deus Pinheiro, the European Commissioner for relations with Africa, would present a fresh proposal to Trade Minister Alec Erwin on how to resolve the port and sherry dispute.

However, the EU official said there remained a sense of urgency about wrapping up the deal this year and Brussels hoped Erwin and Pinheiro would hold further telephone conferences on the subject next week.

Exporters have a petty moan

US companies make their annual gripe about their lack of access to SA markets

(74)

Simon Barber

BD 11/12/98

WASHINGTON — US exporters have presented relatively few and mostly rather petty gripes to the office of the US trade representative about problems they claim they have faced in gaining access to the SA market over the past year.

Guardian Industries Corporation, a leading manufacturer of float glass, accused SA of unfairly using antidumping actions for protectionist purposes. The National Food Processors' Association complained, without offering specifics, about SA packaging requirements.

The state of Washington claimed that its fruit growers were denied $5m worth of sales to SA because of the latter's "unjustified phytosanitary ban on US apple, pear and sweet cherry exports".

The Motion Picture Association of America grumbled about piracy and local content quotas for broadcasters. And, of course, Pharmaceutical Research and Manufacturers of America reiterated its outrage at Health Minister Nkosazana Zuma for threatening the industry's patent rights.

This is part of an annual ritual. Every December, the US trade representative, Washington's "fair trade" enforcer, invites submissions from US companies for inclusion in the report the office releases the following March on foreign barriers to US commerce.

SA did not get many mentions, but that is not necessarily a compliment.

As Oscar Wilde said, there is only one thing worse than being talked about and that is not being talked about. Generally those countries about which US companies complain most loudly — China, Japan, the European Union and Brazil, for example — are the markets to which they most desire to gain access.

Several hardy perennial complaints against SA were missing this year. Polaroid, for instance, appears satisfied that it is no longer losing sales in SA because of discriminatory tariffs on its cameras and films.

Likewise, US producers of soda ash are no longer holding themselves out as victims of subsidised competition in SA.

SA steel producers, chronic targets of US antidumping suits, will no doubt derive satisfaction from Guardian's bleats about being forced to take the same medicine — and absorb the same costs "in terms of legal fees and lost business" — in SA.

However, while the state of Washington does not have enough electoral votes to make it a player in presidential politics, the irritation of its growers over SA's "phytosanitary" requirements bears watching if SA growers want the US to continue reducing its own similar barriers to SA fruit.

The Motion Picture Association carries a lot of weight — Hollywood remains President Bill Clinton's most loyal source of funds — but there is almost no country of any size against which it does not lodge complaints in its annual submissions.

The association's main concern about SA is that videocasettes and video CD-roms of films not yet officially released for theatrical or home viewing are pouring into the country and being copied, via Durban from the Far East. Though SA has the laws to stop this, there is a lack of enforcement — the police and the courts having other things on their minds.

The association claims that as a result its members will lose about $12m in revenues they would, in a perfectly honest world, have received.

That is the equivalent of the fee paid to one star to act in one movie.

EU turns to Mbeki to resolve dispute

(74)

John Dludlu
and Tim Cohen BD 18/12/98

IN A last-ditch effort to conclude the stalled European Union-SA trade talks before year-end, the EU was seeking a high-level meeting with Deputy President Thabo Mbeki to resolve the remaining bugbear, EU officials confirmed.

Following failure to resolve the dispute over SA's continued use of the names "port" and "sherry" for fortified wines last week, the European Commission, the EU's executive which is negotiating on behalf of the bloc's 15 states, indicated at the weekend that Jacques Santer, its president, would meet Mbeki to try to resolve the last sticking point.

The move follows a statement by the EU at the weekend pushing the deadline for the end of the talks on trade, development and co-operation to March. Earlier this year EU leaders promised President Nelson Mandela that the talks would be completed by year-end.

It also emerged that renewed contact among technocrats from both sides was established yesterday.

Confirming the deadlock still existed, Bahle Sibisi, the chief director for foreign trade relations at the SA trade and industry department, said yesterday he was unaware of the bid to elevate the talks to Mbeki's level. No comment was received from Mbeki's office this week.

The bid to involve Mbeki and Santer underscores worries in Brussels that EU members' interest to conclude the SA-EU deal next year could fade as the EU focuses on a packed domestic agenda that will include the launch of the economic and monetary union.

At issue is the EU's demand that SA phase out the use of "port" and "sherry" in its domestic market, a demand that SA has rejected. SA, which already has indicated its willingness to phase out the use of the names in third markets, wants to retain their use in the Southern African Development Community.

Although EU leaders have postponed the SA negotiations to March, the commission still hopes the dispute will be resolved by EU ministers before year-end.

New trade relations 'must deliver benefits'

BD 21/12/98

John Dludlu (714)

SA's newly established network of trade relations with a range of African countries will have to start delivering benefits to SA exporters in the new year, says Mfundo Nkuhlu, the chief director for Africa trade relations at the trade and industry department.

Nkuhlu, whose responsibilities also include relations with Middle Eastern countries, said that it would be difficult to begin negotiations for bilateral trade accords next year.

More attention would be paid to accelerating progress in the two sets of trade negotiations in southern Africa: that is, talks towards the creation of a free trade area in the Southern African Development Community (SADC) and the revamp of the Southern African Customs Union.

Nkuhlu said the pace of negotiations was worryingly slow and would have to be accelerated. Instances of instability in the SADC — election demonstrations in Lesotho, the conflict in the Democratic Republic of Congo and renewed war in Angola — had conspired to soften investor confidence to the region. "We need to pull together more," he said.

June has been set as a deadline for the conclusion of the SADC's free trade talks, while April has been named by customs union trade and finance ministers as the target date for a new agreement.

Government has been accused of wasting time and resources by negotiating a plethora of bilateral agreements, especially with fellow SADC members and ignoring the multilateral route.

Nkuhlu said each bilateral approach would be assessed on merit, underscoring Pretoria's reluctance to pursue this route.

Regarding the delivery of benefits to exporters, Nkuhlu said that, for example, the contact which was established with west African countries this year would now have to be followed by efforts to "bring those (trade and investment) opportunities to marketing directors" of SA exporters.

The recently held national export week had shown readiness among the private sector — notably in the robust sectors of capital goods, steel, chemicals and vehicles — to expand their market shares, he said.

This year, high-level trade missions were undertaken to key west and north African countries as well as Middle Eastern countries.

The year ahead would see the department begin to put economic content into the concept of African renaissance, the centrepiece of Deputy President Thabo Mbeki's vision of the regeneration of the continent.

Close attention would be paid to Nigeria to see if the transition announced under the new ruler, Gen Abdulsalami Abubakar, was sustainable, Nkuhlu said.

Successes this year included implementation of the Zimbabwe-SA trade accord; the establishment of relations with west and north African and Middle Eastern countries; SA's integration into the Lomé group of countries (the trade and aid accord between the European Union and developing nations); and the strengthening of relations with bilateral partners including Mozambique, Malawi, Mauritius and Zambia.

The global financial meltdown had set emerging economies back, slowing down economic growth in the SADC and undermining confidence, he said.

The effect of the meltdown was more pronounced in at least two of the SADC's most industrialised economies, SA and Zimbabwe, which experienced a run on their currencies.

ST(BT)6/12/98

Port and sherry hangover as trade talks deadlock

FREE TRADE

By THABO KOBOKOANE

A DARK cloud hangs over a South Africa-European Union (EU) free trade deal after this week's meeting between Trade and Industry Minister Alec Erwin and EU Commissioner Joao de Deus Pinheiro failed to remove one of the remaining obstacles to agreement.

At issue is South Africa's determination to continue using the names port and sherry in its internal market and the Southern African Development Community (SADC) region. The EU rejects this position.

Sources say that while there are other outstanding issues, port and sherry remain a major stumbling block to a trade deal.

Talks will enter yet another decisive phase tomorrow when Pinheiro presents a package that is likely to include a compromise proposal, instead of presenting a final package to an EU council of foreign ministers as originally planned.

The council has a choice: it can agree to support Pinheiro, making it possible to reach agreement before the end of the month, or it can take a hardline stance and insist that its course is the right one.

As Erwin explained two weeks ago, a hardline stance will effectively signal the beginning of the most "frustrating process".

This Friday, Erwin told journalists that if the EU failed to support Pinheiro then a deal was unlikely before the end of December. "We will then have to find other ways to unlock the logjam."

The decision by the foreign ministers is key, and will signal how serious the European Union is about reaching agreement before the end of autumn — in line with its heads of state commitment to President Nelson Mandela in Cardiff.

The South African cabinet decision to back Erwin's course this week effectively puts the EU's back against the wall, requiring it to demonstrate its commitment to a deal by autumn.

The Pinheiro and Erwin meeting was expected to remove remaining obstacles to a trade deal following their earlier meeting in October.

Instead the two signalled this week that they had exhausted their mandates, and that they would have to report back to their principals.

FOREIGN TRADE

– GENERAL –

NOVEMBER 1998 - DEC. 1999

SA to back down on port and sherry

(74) WINE

BD 3/11/98

Tim Cohen

VIENNA — SA is preparing to concede to the use of the terms "port" and "sherry" for export products in exchange for increased agricultural quotas as a way of breaking the impasse in its stalled trade talks with the European Union (EU).

Agriculture Minister Derek Hanekom said yesterday that after a period of despondency over EU "obstructiveness" in the negotiations, both sides were increasingly optimistic that the conclusion of the pact could be at hand.

On the eve of the Southern African Development Community (SADC) conference with the EU, Hanekom said he could not divulge details of an impasse-breaking package that was negotiated recently between EU commissioner Joao de Deus Pinheiro and Trade Minister Alec Erwin.

Pinheiro sought agreement from the EU last week to negotiate a compromise agreement with senior EU bodies without publicly disclosing its terms.

However it is understood that the basis of the deal is that SA will make limited concessions regarding the trademark issues holding up the wine and spirits agreement in exchange for increased quotas of agricultural products.

In terms of the deal, SA would phase out the terms "port" and "sherry" over five to seven years on its export products, but would continue to use the terms internally. The term "grand cru", along with other terms, is also regarded by the EU as a trademark dispute.

In exchange, SA was pressing the EU to increase quotas on other agricultural products so that they matched the existing level of exports to European countries. Priority products include fruit, canned fruit, maize starch and wine.

Hanekom said SA was extremely unhappy with the EU's agricultural subsidies in terms of its common agricultural policy and whatever the outcome of the EU-SA trade pact, would continue to oppose these subsidies as part of the Cairns group of countries which are pushing for global free trade in agriculture,

He said there was no doubt that the EU's extensive trade subsidies distorted trade between SA and the EU. SA has a R17bn annual trade deficit with the EU.

The problem with the side agreement on wine and spirits was that the EU made no offers, but had laid down only conditions, some of which went further than the World Trade Organisation's Tripps agreement, Hanekom said.

However SA's exports of port and sherry were small and "significant" gains were possible even with small improvements to the tariff environment.

Hanekom said he would use the opportunity provided by the SADC-EU ministerial conference to lobby in favour of granting SA additional concessions and for the conclusion of the trade pact.

Meanwhile, Foreign Affairs Minister Alfred Nzo sought to dispel the concerns of other SADC member states about the consequences of the trade pact, saying that even as it engaged in bilateral negotiations, it had not and would not lose sight of regional concerns.

Opposition to the EU-SA trade pact has emerged from SADC members whose representatives have argued that as regional organisations, the EU's external relations should focus on the SADC rather than on a single member state of the organisation.

Nzo said SA's membership of the SADC did not exclude it forging bilateral relations, which were also pursued by other SADC member states.

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EU negotiators seem to have softened stance

BD 6/11/98 (74)

John Dludlu

THE European Commission, the executive arm of the European Union, has been given until next Wednesday to refine compromise proposals amid signs that EU member states have softened their attitude to concluding an EU-SA free trade agreement by year-end.

However, the EU's negotiators, drawn largely from the union's development department, have yet to convince their agriculture colleagues they should approve what negotiators believe is a generous compromise for SA's market access for its agricultural exports to the EU.

EU officials said this week member states had adopted a "liberal" interpretation to the outcome of the Luxembourg ministers' council. During the ministers' council a week ago, Austria, which is holding the EU's rotating presidency, issued conclusions, demanding that the commission should table its compromise to member states before presenting it to SA — an approach that would have effectively made it impossible to have the talks concluded this year.

However, under the liberal interpretation, the EU's negotiators would be able to proceed with the talks with SA, while simultaneously consulting member states. Under this fast track route, the prospects for a deal this year would improve. An EU official said a meeting with the Pretoria team was envisaged in the next two weeks.

News that SA was preparing to give concessions on its disputed use of "port" and "sherry" names had strengthened the EU negotiators' push for the quotas of SA's agricultural exports — notably, fruit juices and canned fruit — to be hiked up to levels that would be attractive to SA, said an official.

However, EU agriculture officials had yet to be persuaded to make concessions, said officials.

Until next Wednesday, negotiators under João de Deus Pinheiro, EU commissioner for development, had to refine their compromise to accommodate EU sensitivities, yet retain the compromise's generous character for it to be acceptable to SA. The compromise would be discussed for approval next Wednesday at the weekly meeting of all the commissioners, paving the way for the mooted meeting with Pretoria's team.

The official said that there was a renewed sense of urgency in Europe to have the negotiations on a trade, development and co-operation accord with SA concluded this year.

Glimmer of hope for deal in EU trade talks

ET 8/11/98

Indications are that a compromise may be on the cards, although elements in the EU remain stubborn, writes THABO KOBOKOANE

(74)

SOUTH African and European Union negotiators resume discussions on an elusive trade agreement later this month amid indications that a breakthrough could finally be on the cards.

The prolonged trade talks have yet to produce a decisive break, but the meeting three weeks ago between Trade and Industry Minister Alec Erwin and the EU's Joao de Deus Pinheiro appears to have produced a compromise that may see the talks resolved quite soon.

SA appears poised to agree to proposals on wines and spirits presented to Erwin by Pinheiro three weeks ago, provided the EU makes "substantial concessions" on the agricultural front. Principally this compromise will see SA agree to phase out the use of the terms "port" and "sherry" over a period of five years for its exports, but continue to use the terms internally and possibly within the Southern African Development Community for an open-ended period of time.

A third component of Pinheiro's proposal is that the agreements be revisited in 10 years' time.

In return, SA is hoping the EU makes substantial concessions on the agricultural front by allowing SA agricultural products greater market access — especially canned fruits, fruit, maize starch and wines.

But a Department of Agriculture official says no final decision has been taken on SA phasing out the use of the disputed brand names.

He says a final position is likely only after a "consultation" meeting between the wine industry and department officials on Friday.

South Africa is hoping the EU makes substantial concessions on the agricultural front

Pinheiro's proposals have, however, hit a brick wall in the form of the agricultural lobby in the European Commission, the executive arm of the EU, which wants the phasing out period for SA exports limited to less than five years. It is also opposed to the lack of time limits for phasing out the brand names in SA markets.

SA has also indicated that it is not prepared to accept these conditions and will await the EU final package when negotiations resume.

News reports on Friday said the European Commission had been given until Wednesday to refine compromise proposals. Negotiators will be hoping this is the last time they meet to hammer out a trade agreement three years after talks first started. But growing uncertainty seems to be replacing earlier optimism.

Mandela shames EU's mean men

If European Union leaders want to have any moral authority in the developing world, they must agree on an equitable trade deal with SA, writes Financial Times columnist Philip Stephens

(94) BD 10/11/98

BACK in the European summer, President Nelson Mandela joined the 15 leaders of the European Union at a summit in Cardiff. His hosts were extravagant in their adulation. The SA president is accustomed to flattery. Mere politicians heap praise on this rare statesman in the hope of stealing a little of his magic. Yet their words have the hollowest of echoes. Mandela knows it.

As the compliments gushed forth on this particular occasion (I am told that Germany's Helmut Kohl, France's Jacques Chirac and the Netherlands' Wim Kok vied with each other to lead the applause), one of those present whispered in Mandela's ear: Here was the moment to ask them to open their chequebooks. The reply came with a wry smile and without rancour: "They have no ink in their pens."

How prescient that has proved. I recall the exchange now because these presidents and prime ministers did in fact make one, exceedingly modest promise to their guest. And, for all their flatulent rhetoric, they have reneged on it. With the odd exception, they stand exposed as hypocrites and as mean of spirit as they pretend to be generous.

This week, the EU has a last chance to redeem what remains of its dignity when the EU's executive arm has a chance to refine the final compromise proposals. To pass it up would be to rob the union of moral authority throughout the developing world.

What Europe's leaders said in Cardiff was that they would conclude "by the autumn at the latest" a long-promised bilateral trade pact with Pretoria. It was not, in truth, much of a concession. Britain's Tony Blair had hoped that by inviting Mandela he might shame others into signing there and then (the British and Danish governments are the only angels in this story). However, these emperors without clothes wanted a cheaper veil to cover their embarrassment.

The offer of such a trade arrangement, after all, had first been made four years earlier when Mandela led his country to multiparty democracy. Some of you will recall that the proposed deal (a so-called free trade area) was much trumpeted during those heady times as a vital contribution to the prosperity of the new SA, and thus to regional stability and peace. Help for Mandela was an economic and a moral imperative.

Yet it seems that almost as this pledge was being uttered it was also being regretted. Widening SA's access to Europe's markets proved unpopular with domestic political constituencies, above all with the continent's cosseted farmers. That would never do. So forget the fine words. Kohl and Chirac could hardly put SA before the interests of German potato producers and French winegrowers. Kok had to look out for his country's cut flower industry.

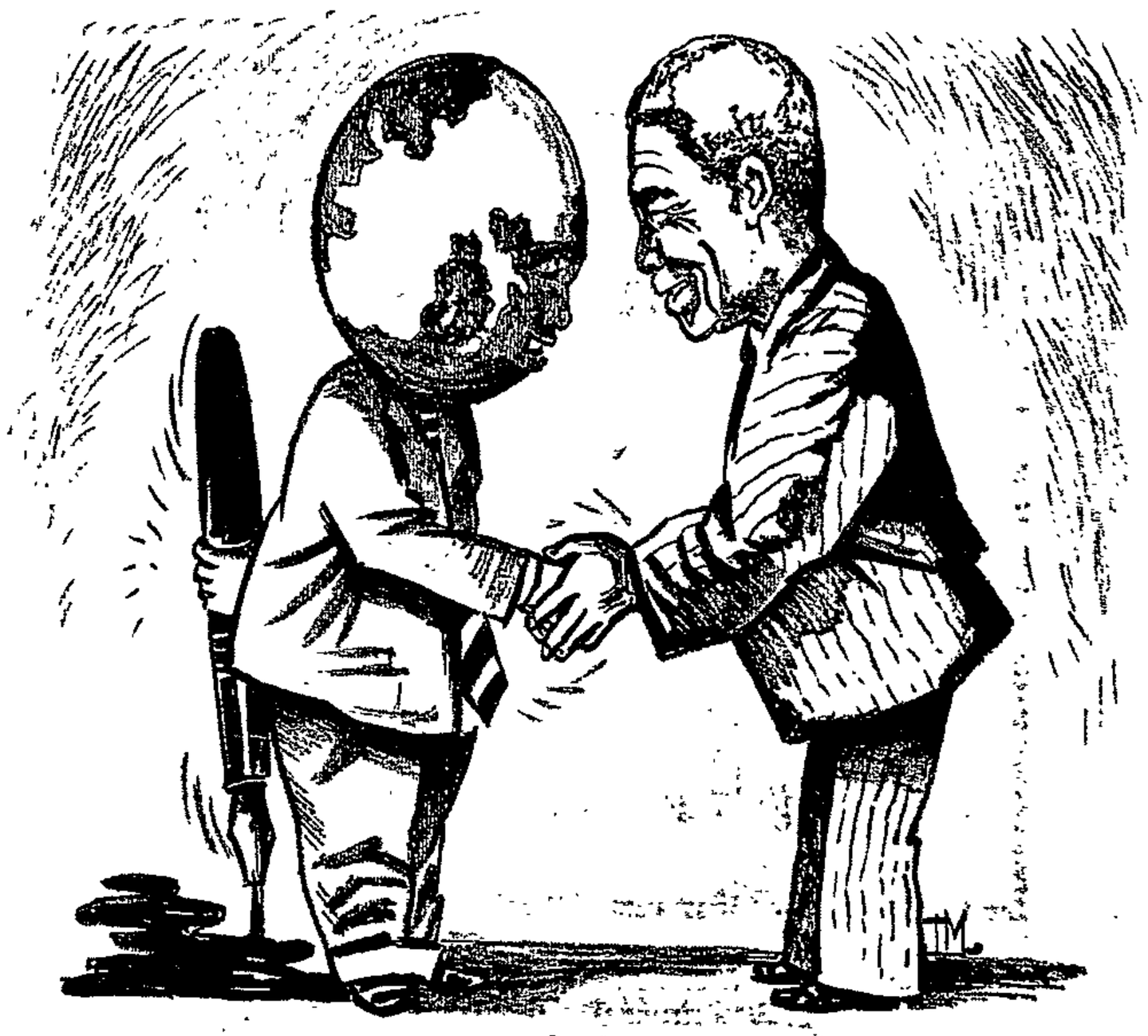
There is no irony here. These are real examples. For four years — and during more than 20 rounds of formal talks with the SA government — the EU has stalled, obfuscated and dodged to avoid honouring its commitment. And yes, extraordinary though it may seem, it has done so in the name of potato, wine and flower growers — and sherry and port producers, tomato processors, orange growers and fruit juice producers.

This is not the place to set out in detail every tortuous twist and turn. But it is worth recalling that a free trade area was always a second choice for SA. Pretoria had hoped to secure (and which it deserved) the trade and aid concessions available to 70 other African, Caribbean and Pacific nations in the Lomé convention. But EU governments want anyway to dilute their commitments to those countries. So SA was admitted only to Lomé's political dimension.

Mandela was promised that his country would not be disadvantaged. On the contrary, the deal offered to SA would be a post-Lomé model for the EU's development policy in the rest of the world.

The crucial point here was that it would be what the trade technicians call "asymmetrical". Both sides would open up their markets, but the richer EU would do so faster and further than SA.

Lest I am accused of being unfair to the European side, it should also be noted here that such agreements are complicated matters. This one, covering industry as well as agriculture, involves liberalising trade across many sensitive sectors. So it was always going to take some time to hammer out.



However, there the excuses end. No one, least of all the South Africans, would have complained had the talks lasted, say, two or even three years. If the EU had negotiated in good faith, an accord would have been worth the wait. Instead, the approach of the European side has been consistently devious, destructive and, above all, shamefully protectionist. From the outset, it has sought to hold SA hostage to its own subsidised farmers.

Absurdly, European governments have proposed that the asymmetry in the accord be turned upside down. Thus SA would gain access to only 62% of the EU's agricultural market. In return, Pretoria is expected to open up 81% of its domestic market. Adding insult to injury, many of the items on the EU's lengthy list of exclusions — potatoes and cut flowers among them — pose no discernible threat to European producers because SA has a different growing season.

We could go on. SA's economic and political development depends above all on the success of its farm industry. Europe, which records a big surplus in the overall trade relationship, is the country's most important market. Yet subsidised exports of European processed fruit are even now destroying the canning industry in the Cape. Spain and Portugal insist a free trade area be made conditional on SA relabelling its fortified wines. Who cares if they have been called port and sherry for 200 years. Heaping demand upon demand, the EU is now close to driving SA from the negotiating table.

Even now, with this week's last chance, it is too late to reclaim any honour from this tawdry affair.

The EU has been justly shamed by Mandela's generosity. But SA still needs the promised help. This time Europe's leaders must dip their pens in the ink.

EU says yes to new SA trade pact approach

(74)

John Dludlu and Tim Cohen

THE SA-European Union (EU) trade pact cleared another hurdle yesterday when the heads of the EU's departments endorsed a new approach to the outstanding issues, based on a watered-down version of the joint proposal of EU commissioner Joao de Deus Pinheiro and SA Trade and Industry Minister Alex Erwin.

The new approach, which EU sources said remained within the original EU mandate, will be presented to EU ambassadors today and will probably be presented to SA officials next week.

The significance of yesterday's meeting lay in the fact that the new approach had been approved by the chief objectors to the trade pact — the union's agriculture ministry.

BD 12/11/98

EU officials declined to comment on the contents of the new proposals, saying the agreement was part of continuing talks.

However, it is understood that the agreement deals with the naming of port and sherry, the speed of tariff reductions on both sides and some individual products such as canned goods and aluminium.

One senior official confirmed the proposal was not exactly the same as the eight-point compromise package which was hammered out by Pinheiro and Erwin three weeks ago. However, he declined to say on which points it differed.

Today's meeting will be the first opportunity that EU member states will have to comment on the new proposal — after the original proposal was presented to the union's foreign ministers about two weeks ago.

That meeting decided that any new proposal would have to be discussed again by EU foreign ministers before being presented to SA.

However, union officials said yesterday that this contact would be "informal" because the new proposal did not exceed the bounds of the original mandate.



FROM LONDON

SA getting thin end of EU wedge

(74)

Patently more give than take in proposed tariffs agreements with the EU, writes Tyrone Seale

Star 12/11/98

Buy South African. On the face of it, this injunction, arising from the recent Jobs Summit which examined unemployment in South Africa and harking back to the sanctions-busting Old South Africa, sounds like the last refuge of the desperate.

Yet, every member of a household where unemployment is a reality, will support any plea for patriotic consumer choices – at a time when post sanctions South Africa's increased trade with the rest of the world suggests that buying South African is a thing of the past.

It is a thing of the past if it's canned tomatoes you're after. European canned tomatoes enter the South African market at prices far below the domestic production cost of canned tomatoes.

The Italian variety is at least 30c cheaper than its South African counterpart on shop shelves – which led at the beginning of this year to Pretoria increasing from 23% to 30% the import duty on European canned tomatoes.

None of this is a problem, unless you are working in a South African canning factory – a fact painfully well understood by 2 500 workers at Langeberg Foods, the country's largest food processing company, who have lost their jobs as a result of European producers demanding freer access to the South African market.

Two years ago, the European Union spent nearly R5-billion on subsidies to their fruit and vegetable producers, with more than half of this going to tomato producers alone.

A year later, in 1997, South Africa was forced, in terms of World Trade Organisation rules, to scrap its General Export Incentive Scheme, the only state support given to local canneries for their exports, more than 50% of which are supplied to the EU.

Today, highly subsidised EU beef already accounts for 70 to 80% of all meat that now goes into canned meat production in South Africa – and the pressure is mounting for South Africa to keep opening itself to European exports.

It's taken South Africa four years to negotiate a maze of trade anomalies and injustices with the European Union. As if that weren't enough, South Africa is currently caught up in another, broader and substantially more complex round of talks, this time in its dual capacity as a member of the ACP group and the Southern African Development Community (SADC). The negotiations, which began two months ago, seek to find a successor to the Lomé Convention, the trade and aid pact that has linked the EU and the ACP for 25 years.

The EU wants to change this relationship and is advocating a new trade and aid regime based around a network of Free Trade Agreements (FTAs) to replace the present, ACP-wide deal.

The successor to Lomé, which expires in February 2000, must meet the terms of the global free trade rules enforced by the World Trade Organisation. The current convention bases its trading operations on the principle of positive discrimination in favour of ACP member states, which are largely composed of former colonies at varying levels of development.

In WTO terms, this means countries of equal levels of development excluded from the preferences are discriminated against, and that contravenes the worldwide, WTO rules on free trade.

Next week, Trade and Industry Minister Alec Erwin will be in London to lobby support for South Africa which is under pressure to remove tariffs on some 45% of its present imports from Europe, while the EU in turn would have to remove only 3% of its tariffs on imports from South Africa.

These estimates, attributed to a senior adviser at the EU's Economic Commission for Africa, have been highlighted by the London-based Panos Institute, a repository for informed debate on issues of environment and development.

In its latest briefing on trade relations between the EU and the 71 member African, Caribbean and Pacific (ACP) group of countries, Panos points out that new free trade agreements may complicate the situation of countries in the Caribbean and Southern Africa which are already signed up to existing Customs unions or free trade agreements of their own.

Alec Erwin at least has a shoulder to cry on in the form of Westminster's influential all-party International Development Committee which has rejected the European hard sell on FTAs as unacceptable. – Star Foreign Service

Talk of 'better' deal with EU

BRUSSELS – The European Commission yesterday promised to make a new effort to secure a free trade agreement with South Africa.

Officials said the EU executive had drawn up a new improved and "balanced" negotiating strategy that could satisfy Pretoria.

"We are hoping to respect the autumn deadline for concluding the negotiations," a commission spokesman said, adding: "Autumn is not over yet."

Talks between Brussels and Pretoria hit rock bottom in September after South Africa said it wanted improved access to European markets for its farm exports.

Pretoria also appealed for more time to phase out the use of the terms "port" and "sherry" for its fortified wines. The EU says such "designations of origin" can only be used by Portuguese and Spanish producers.

Talks on the free trade pact have been going on for almost four years. While both sides agree that they want the politically-important deal, differences have emerged on trade and market access issues. Progress in negotiations on a fisheries deal with Pretoria is also deemed important.

South Africa is also reluctant to accept a so-called non-execution clause which would allow the EU to suspend the treaty in case of flagrant human rights abuses.

● The World Bank has decried a steady decline in foreign aid to poor countries, now down to its lowest point in more than 50 years, and said even a modest increase in assistance could lift 25 million people out of poverty

A bank report this week found that while more developing countries were now pursuing sound economic policies, they were getting markedly less help from rich nations. – *Sapa-DPA*.

Erwin upbeat over EU, SA trade pact prospects

BD 17/11/98 (74)

Tim Cohen

LONDON — Trade Minister Alec Erwin provided a peek yesterday at how the remaining obstacles in the European Union-SA trade negotiations might be overcome, suggesting the EU might accede to SA's demand that neither party should be able to suspend the agreement unilaterally.

Speaking at a news briefing at South Africa House, Erwin expressed confidence that the trade pact would be ready for final ratification by December 5.

However, he said this was dependent on the package of breakthrough proposals he discussed with EU commissioner Joao de Deus Pinheiro three weeks ago being ratified by EU constituent groups.

This package included a mechanism to deal with the SA requirement that suspending the treaty could not occur unilaterally.

Erwin said this critical argument centred on the definition of the words "essential element". The EU had argued that a breach of an "essential element" of the treaty, which included human rights and good governance provisions, would allow suspension of the treaty as a whole.

"It is, to us, just an unacceptable principle that this could be unilateral," Erwin said.

He said there had to be reference to an internationally acceptable third party and a mechanism to deal with this concern had been proposed.

Erwin said the suggestion that SA should not use the terms "port" and "sherry" in European markets while maintaining these geographic appellations in home markets was "acceptable".

However, SA was looking for compensation for this concession in the agricultural and industrial goods sectors.

In agriculture the argument was about quotas: the question was whether they should be set at existing levels of trade and whether the tariff quotas should be zero tariffs. "This is where (the) commission may be having some difficulty," he said.

"We will be looking at that. We will not do a deal on port and sherry if we get nothing in the agriculture or industrial package".

On the fishing agreement, Erwin said SA was not prepared to open its waters to the European fleet and had no intention to set any time span on that decision. He said fish products were not "fundamental" for either the EU or SA.

The agreement was, he said, "achievable" by December 5. However, he said, "now is the time for decisive movement on a political level to cut through what we think are small technical issues".

In the end it would be SA that would be making major structural changes, not the EU.

The agreement would, however, be a breakthrough for SA, Erwin said, mainly because of the certainty it would add to the trading environment.

SA offers to accelerate tariff cuts

BD 17/11/98

(74)

Tim Cohen and John Dludlu

LONDON — SA could begin reducing its tariffs in terms of its free trade offer to members of the Southern African Development Community (SADC) by next year — ahead of the conclusion of the talks, Trade Minister Alec Erwin said yesterday.

Erwin said SA would "take the first step" in the proposed SADC free trade agreement, which has been agreed to in principle but negotiations on the specifics have just begun. The deadline for concluding the talks is June next year.

SA has offered to remove its tariffs faster than other members. Erwin's offer constitutes a bid to boost the trade agreement and develop a momentum which would see the negotiations completed by the deadline of June next year.

Erwin told a news briefing in London that SA's offer would have to be ratified by Parliament. This could happen early next year. The tariff phase-down would have to be conducted within the context of an SADC agreement for it to qualify in terms of World Trade Organisation rules, but if SADC members acknowledged the treaty, SA could ask Parliament to begin the phase-down period immediately.

Since SA has presented a joint offer with the other four partners in the Southern African Customs Union (Botswana, Lesotho, Namibia and Swaziland) it is likely that the faster liberalisation programme would be followed by the rest of the union's members. Alternatively, if SA moves ahead unilaterally, internal controls, including rules of origin, may have to be maintained to prevent products entering the SA market duty free from other SADC members from getting to the the rest of the customs union area.

While the customs union offer is already on the table, other SADC countries — including Zimbabwe and Mozambique — are finishing internal consultations on their offers. Stan Mangoma, the Zimbabwean consul-general in SA, said Harare's offer would be ready before the end of the year, ahead of the next negotiating forum meeting in January.

Zimbabwe, the SADC's most industrialised economy after SA, would have to roll back its tariffs by as much as 30% in certain cases to comply with the "standstill" and "roll back" clauses agreed to at a recent Windhoek meeting, Mangoma said.

The standstill clause prevents SADC members from raising tariffs while negotiations are under way. The roll back clause provides for any adjustments to be reversed to their levels as of July 1998 — when the reduction process begins.

Angola and the Democratic Republic of Congo will join the agreement when political conditions allow.

Erwin acknowledged that SA's trade balance with countries in the region had grown dramatically, but said this would not cause major complications if it was balanced by investment from SA into the region. In some cases, for example with Mozambique, SA's trade surplus was compensated for by investment going the other way.

However, with other countries investment was not taking place. For example, the SA-Zimbabwe trade relationship was "potentially quite a negative one".

Opening SA's markets to Zimbabwean textiles would not even begin to compensate for the imbalance, but open markets combined with an increase in SA investments in the Zimbabwean cotton industry would balance the relationship, he said.

Mangoma said Zimbabwe's trade deficit had grown to Z$10,2bn in 1997 from 1994's Z$4,1bn.

AY, NOVEMBER 17, 1998

'Silly' EU robs SA of trade dividends

74
TYRONE SEALE
FOREIGN SERVICE
ARG 17/11/98

London – "Silly, frilly protectionism" on the part of the European Union has robbed South Africa of the dividends of a free trade agreement with Europe, Trade and Industry Minister Alec Erwin has charged.

Mr Erwin was speaking yesterday at the South African High Commission in London. He meets his British counterpart, Peter Mandelson, today following a meeting with investment analysts. Mr Erwin is visiting London on his way home from Paris, where he attended a summit of the United Nations Conference on Trade and Development.

Mr Erwin said the European Union (EU) had failed South Africa in driving current trade negotiations to the point where negotiations concerned trade only and did not reflect European political support for the major structural changes in the South African economy.

"At the end of this agreement, it is South Africa that will have made the major structural changes in its economy. Now the EU has to do that. We've had enough now," he said.

Mr Erwin said the EU now had to shelve "silly, frilly protectionist issues" which delayed the trade talks.

Had an agreement been reached a year ago, the dividend for South Africa would have been much greater. Instead, South Africa had had to make all the changes and the EU was simply postponing by five years or so the restructuring of its own economy.

There was no point doing this, as there were certain industries and areas like agriculture in which the EU would not be able to match South African competitiveness in the next five decades.

NEWS

EU no longer supports SA's transformation, Alec Erwin complains

'Frilly protectionism robs SA'

CT(BR)17/11/98 (74)

TYRONE SEALE

London — "Silly, frilly protectionism" on the part of the European Union (EU) had robbed South Africa of the dividends of a free trade agreement with Europe, Alec Erwin, the minister of trade and industry, said yesterday.

Speaking at the South African high commission in London, Erwin said the EU had failed South Africa in driving current trade negotiations to the point where they did not reflect European political support for the South African economy's major structural changes in the past few years.

"At the end of this agreement, it is South Africa that will have made the major structural changes in its economy," he said.

"Now the EU has do that. We've had enough now."

Erwin said the EU had to shelve "silly, frilly protectionist issues" which delayed the trade talks. Had an agreement been reached a year ago, "the dividend for South Africa would have been much greater".

Instead, the EU was simply postponing by five years or so the restructuring of its own economy, he said.

Last week, Erwin said an agreement with the EU was extremely close.

He said agreement on agriculture could be reached within days on the EU's insistence that South African producers drop the names "port" and "sherry".

South Africa proposed dropping the names on exports to the EU, but with a phase-out period to be negotiated with markets outside the EU.

Erwin added that South Africa would not forgo these traditional names in the domestic market.

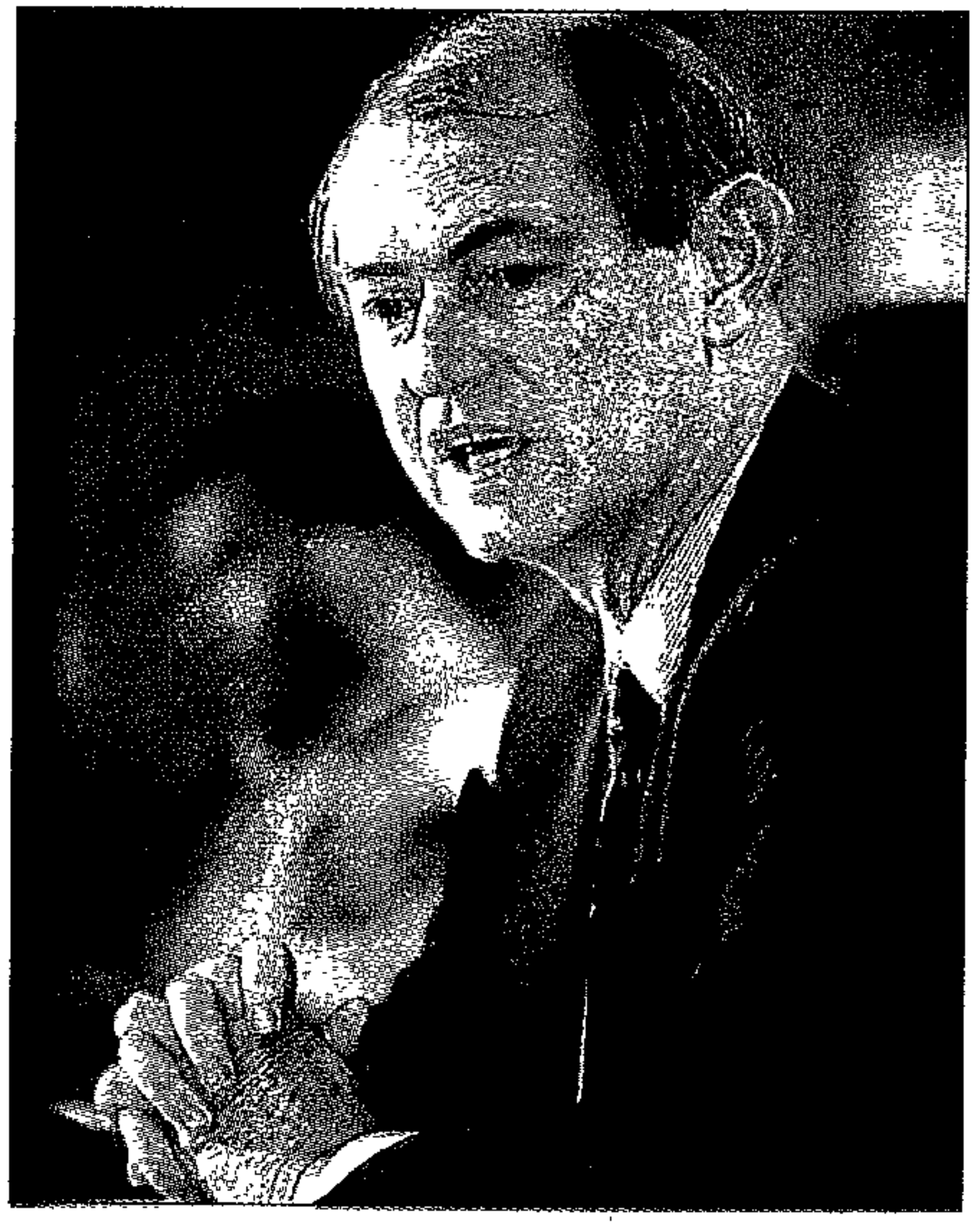
He said South Africa was not prepared to open its waters to the European fleet and had no intention of setting any time to discuss a change.

Erwin said South Africa was awaiting its neighbours' response to its proposals to phase out, unilaterally and without reciprocation, import tariffs from Southern African Development Community (SADC) member states over the next five years.

If the SADC could agree on this proposal — and therefore keep the agreement within World Trade Organisation rules — the first stage of the tariff phase-out could begin next year.

He added: "Our growing trade surplus isn't compensated for by capital investment in southern Africa."

Talks on the trade pact are expected to resume on November 19. There have been 21 negotiating sessions so far. EU officials and leaders are hopeful that the final terms of the deal will be settled by the end of the year. — International Foreign Service



TURNABOUT *Alec Erwin, the minister of trade and industry, says SA has made economic changes, and now it's Europe's turn*

SA, EU aim for trade pact

By Sowetan Business Reporter

MARATHON trade talks between European Union (EU) and South Africa will make another bid this week to hammer out a ground-breaking free trade agreement.

EU officials say talks on the trade pact will open on Thursday and continue until the two sides agree on the terms and contents of the accord.

"Hopefully this time the talks will be to the finish, but it's difficult to make any firm commitments," an EU official said.

The EU has been slow in making the farm concessions that are of key importance to South Africa, while Pretoria has dragged its feet in opening up its market for European industrial products.

Brussels and Pretoria have been trying to clinch the free trade deal for over three years. To date there have been 21 negotiating sessions.

EU leaders who met President Nelson Mandela promised, however, that they would do their best to conclude the talks "by the end of March".

Negotiators say that prospects for the coming talks have improved after a decision by the EU Commission last week to make a new effort to secure the pact.

According to officials, the EU is ready to open up its markets further to a list of South African products, including key items like canned fruit and juices, wines, cereals and dairy products.

But officials say the market opening will be gradual so as not to worry European farmers who fear increased competition from South Africa.

In return, the EU is asking South Africa to lower its barriers in the industrial sector. A compromise could also be found for Pretoria's utilisation of the terms port and sherry for its fortified wines.

The EU is seeking a commitment from South Africa that it will stop using such "designations of origin" – which are the prerogative of Portuguese and Spanish producers – but says it is ready to give the country more time to phase out such usage.

Discussions will also focus on the so-called non-execution clause which allows for the suspension of the treaty in case of flagrant human rights abuses by either side.

Kenya threatens SA with tariff hikes

BD 18/11/98 (74)

Michael Wakabi
and Claire Pickard-Cambridge

A TRADE dispute is looming between SA and Kenya, with Kenyan officials threatening to raise tariffs on SA imports.

Kenyan trade officials allege that unfair tariffs are blocking Kenyan exports to SA — particularly tea, flowers and canned foods — while Kenyan business is concerned about the growing trade deficit with SA. Kenya's exports to SA last year fell to $17m from $42m in 1996, while its imports from SA rose to $374m ($226m).

Francis Awuor, the permanent secretary in Kenya's trade ministry, said in Nairobi last week his government would raise tariffs on SA imports if a solution to the dispute was not found within weeks. "We want a solution by the end of next month, failing which we will have no alternative but to retaliate by reviewing tariffs charged on SA imports," he said.

However, SA's chief director of Africa trade relations, Mfundo Nkuhlu, denied last night that Kenyan products were being targeted or discriminated against.

Although Kenya alleged in August that SA's policies were protectionist, it had not sought a meeting recently to discuss the issue. "If Kenya has concerns about its degree of market access we would be prepared to talk about it," Nkuhlu said.

SA business is emerging as a significant force in east Africa, and the Kenyan protest follows a recent incident in which Kenya Breweries was barred from selling its Tusker and Tusker Premium brands in SA following a trademark dispute. Kenyan authorities interpreted that move as an extension of the battle for Kenya's beer market in which SAB's Castle Brewing Kenya is pitted against Kenya Breweries.

A Kenya Export Promotion Council official blamed the decline in exports on high tariffs facing Kenyan goods. "There is a huge market for flowers and food produce in SA's winter, but the tariffs seem intended to block our produce."

Nkuhlu said World Trade Organisation rules did not allow Kenya to target SA specifically. SA's large trade surplus with most African countries needed attention. However, the onus was also on those countries to create a more attractive investment environment which would boost export production.

AFRICAN BUSINESS

Fears of a vital industry threatened by SA-EU free trade pact

CT(PBR)18/11/98

Namibia acts to support meat exports

(74)

TABBY MOYO

Windhoek — Namibia, whose lucrative meat industry could be adversely affected by the free trade area agreement between South Africa and the European Union, has launched a marketing drive aimed at safeguarding the country's current export market as well as enabling penetration into new lucrative markets.

The industry contributes 90 percent of the country's agricultural gross domestic product. South Africa is Namibia's major market for livestock and meat products, accounting for over 70 percent of total exports. Namibia fears this market could be harmed as a result of competition with European producers.

The newly launched Farm Assured Namibian Meat Scheme (Fan Meat) is aimed at boosting foreign meat consumers' confidence in Namibian meat. Cleophas Mutjavikua, the Meat Board chairman, said consumers worldwide were demanding assurances from producers that their meat was healthy for consumption and naturally produced.

He said as a result of consumers' insistence on high-quality meat, some governments were passing legislation to ensure consumer protection on health aspects and for the consumer to be given clear information on the product label of the production process.

"The Fan Meat scheme has been designed to give consumers the assurance that any meat or meat product bearing the Fan Meat logo conforms to high standards and is both safe and healthy," Mutjavikua said.

The marketing scheme combined existing legislation with good management practices and thorough record keeping throughout the production process.

All stakeholders from the producer to the exporter formed a vital link in the scheme.

The Directorate of Veterinary Services would act as the inspector for the Fan Meat scheme through monitoring of the livestock throughout the production process.

Using a comprehensive data management system the Meat Board would ensure the traceability of the origin of meat and meat products.

Mutjavikua said the scheme was voluntary and all producers certified to export their meat products automatically qualified to participate.

Abattoirs interested in participating in the scheme would be required to comply with minimum standards and to keep comprehensive records of the animals they slaughtered.

Mutjavikua said he was confident the Fan Meat scheme would place Namibia at the forefront of animal welfare standards and in production of safe meat that was in harmony with the environment.

"Fan Meat will allow us to maintain our current export market and enable us to gain entrance to new markets," he maintained. — Independent Foreign Service

Can of worms over tomatoes

CT(BR)18/11/98 (74)

GRANT LUKE

Cape Town — Local trade unions are mounting national protest campaigns against controversial trade negotiations with the European Union (EU) which, they fear, will do little to help South African tomato growers already at risk from Europe's trade policies.

The negotiations are aimed at setting up a free trade agreement between the two markets, and are being conducted on the fringes of renegotiations on the Lomé Convention — a trade and aid pact between the EU's 15 nations and 71 countries from the African, Caribbean and Pacific regions — which runs out in 2000.

The free trade deal seeks eventually to phase out import duties. But local unions say in the meantime, Europe is maintaining high duties on South African products while flooding the South African market with heavily subsidised European goods.

According to a research paper prepared for Action Southern Africa, a London-based non-governmental organisation which campaigns on issues in the region, canned tomatoes are one product which has been hit hard by protectionist measures embodied in a European Common Agricultural Policy (CAP).

The policy, one of the cornerstones of EU policies for over 30 years, has long been criticised for hindering development.

A briefing document by the Institute for Development Studies in Sussex, says: "By protecting Europe's high-cost farmers, and preventing developing countries with agricultural potential from exploiting their comparative advantage, it distorts global production and acts as a disincentive to agricultural development in poor countries."

The Action Southern Africa paper, by Gottfried Wellmer and titled The Southern African Development Community Agricultural Trade with the EU in the Post Lomé Future, says developing countries are under pressure from the EU to make future trade arrangements consistent with its CAP.

"This singularly fails to address the issue of the impact of EU agricultural subsidies and administered price schemes for agricultural products on the third country markets. Failure to address the issue will certainly generate severe disruptions in important agricultural sub-sectors," he adds.

South Africa is the largest supplier of canned fruit and vegetables to the EU, with more than 50 percent of its exports destined for Europe.

Some 150 000 tons of tomatoes are canned every year in South Africa, providing full employment to some 3 000 people, mainly women, and seasonal employment to a further 4 000, says the research paper.

It says that tomato canning forms the core activity of a number of small vegetable canneries and is an important product for some of the larger fruit and vegetable canning operations.

But it is suffering a double blow of lost subsidies and Europe's high import taxes.

In common with many developing countries, South Africa has cut its agricultural subsidies because of domestic financial constraints and because it is under pressure from the World Trade Organisation.

But European canners continue to enjoy substantial official assistance. In 1996, the EU spent about 655 million ecus (R4,38 billion) on subsidies to its fruit and vegetable producers, with more than half of this going to tomato producers.

The Action Southern Africa paper estimates that 284 million ecus are spent each year by the EU in support of its domestic tomato canning industry.

Another major problem the industry faces is Europe's high import tariffs on canned products. Europe charges 23 percent duty on canned pears, compared to the US's 16 percent, Japan's 14 percent and South Africa's 5 percent.

In January, the South African government increased its import duty on European canned tomatoes from 23 percent to 30 percent in an attempt to stem the flood of cheap imports from Europe. But this has had little effect, according to Fanie Buys, the chairman of the South African Fruit and Vegetable Canners' Association.

"Because of high subsidies, the European producers still seem to be able to beat the tariffs," Buys says.

Taken together, this means that jobs in the South African canning industry are under threat — European canned tomatoes entering the South African market are priced way below even the production costs of domestic canned tomatoes.

According to a South African supermarket survey, imported Italian canned tomatoes are at least $0,05 cheaper than the local canned tomatoes in a 410g can.

The direct result of the lopsided trading arrangement is that the share of South African exports to Europe has fallen from 65 percent to 60 percent in the last three years.

Langeberg Foods, the country's largest food processing company, has been forced to close its principal canning plant, in Paarl. The closure will put 2 500 people out of work.

The firm also announced that it was withdrawing from the EU market.

Some labour analysts say this is just the beginning of a crisis. At least 5 000 other jobs in the industry are under threat at present. Related sectors — such as can production and sugar processing — also stand to suffer.

So far, labour unions have responded by marching on parliament and European embassies in Cape Town.

Led by the Food and Allied Workers' Union (Fawu), the workers are protesting against the EU's attempts to "recolonise our country" through unfair trade practices.

William Thomas, a Fawu official, visited Europe this year to campaign among sympathetic labour organisations in the UK, Germany and the Netherlands.

Thomas says further action is being planned. The campaign to press the EU to include more South African products in the trade deal will gather momentum as other African unions join the campaign.

South Africa was forced to look for trade deals after being denied access to the trade chapter of the Lomé Convention which gives preferential trade access to the European market.

Although South Africa is allowed to be a voting member of the convention, it cannot benefit from these preferential trade provisions because of its more developed economy.

A trade analyst, who asked not to be named, says South Africa has more to gain from a preferential trade agreement with Europe, as enjoyed by the other 70 countries under Lomé, than a free trade agreement. — Sapa-Panos

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AFRICAN BUSINESS

Namibia, South Africa sign VAT deal on TransNamib-carried goods

(94) CT (BR) 18/11/98

TABBY MOYO

Windhoek — Namibia's transport parastatal, TransNamib Transport, has struck a deal with the South African Revenue Service (SARS) which will exclude all exports from South Africa transported by TransNamib from paying value-added tax (VAT).

The move, the corporation said, was aimed at overcoming the obstacles likely to be experienced by Namibian importers as a result of the implementation of the VAT payment.

With effect from yesterday, South Africa introduced a 14 percent VAT payable on goods imported from South Africa by its partner countries in the Southern African Customs Union (Sacu) via South Africa where a transporter was contracted and paid by an importer in these countries.

Sacu members are Namibia, Botswana, Lesotho, Swaziland and South Africa.

An importer from Namibia and other Sacu partners would then have to reclaim VAT after confirmation to SARS that the goods had left South Africa.

Jack Dempsey, TransNamib Transport's senior manager for business development and co-ordination, said yesterday: "TransNamib Transport met with the South African Revenue Service recently, (and) TransNamib Transport satisfied all the conditions set by SARS.

"In terms of this, all goods imported from South Africa to Namibia by TransNamib Transport customers in Namibia can now be invoiced at zero percent (as in the past)." — Independent Foreign Service

Looming dispute with Kenya could give SA a bad name

BD 19/11/98 (74)

Tension between Kenya and SA over trade has been simmering for some time, writes Daniel Kamanga

KENYAN trade officials are angry about SA's attitude to trade relations between the two countries and are threatening tariff barriers against SA goods and services.

Why have things come to a head and what is likely to happen in the future?

It is important to point out that political relations between the two countries — read the African National Congress and the Kenya African National Union — are not good.

Various reasons can be advanced for this, among them, a botched decision by Kenya's President Daniel arap Moi to visit SA's former president, FW de Klerk, shortly before the ANC took over in 1994. One does not need special insight to see that De Klerk needed the visit — especially from an African head of state — to consolidate the claim that he had initiated the dismantling of apartheid. No guesses as to why Arap Moi was the loser in this diplomatic game.

Between the Arap Moi visit and the recent bomb blasts in Kenya and Tanzania, a lot of water has flowed under the bridge. Briefly, Kenya was pushing for a trade agreement. Just before the bomb blasts, prospects for an agreement looked dim, although diplomatically, negotiators from both sides appeared optimistic. Although the trade deal was not on the cards, Arap Moi was to make his first state visit to SA. Kenyan diplomats in SA were busy preparing for the visit when the bomb blasts happened and the visit was postponed.

It was hoped that the involvement of South Africans in assisting victims of the bomb blast, which received great prominence in the Kenyan media, would lead to friendlier relations.

Although the business community has been jittery about the presence of SA companies in Kenya, media interviews reflect a warm reception by Kenyans. This is obviously because of the greater choice, better quality and price that the competition is bringing to the market.

Now Kenya has publicly — for the first time since the negotiations began — announced it is considering increased tariffs against SA imports.

The looming trade dispute is likely to bring to the public eye the deep suspicions that exist between the two countries; Kenya may be the economic loser, but SA will be left with a bad name. The reasons are obvious: SA is, without doubt the continent's economic "big boy" despite its diplomatic strategy to avoid the image.

In fact, ironically, SA is treating Kenya the way the European Union has treated it: SA is keen to gain access to the huge EU market just as Kenya is desperate to sell its goods and services to SA. Kenyan trade officials claim that unfair tariffs are blocking Kenyan exports to SA, particularly tea, flowers and canned foods. Despite this, Kenya has had an open-door policy towards SA goods, services and investments.

The balance of trade between the two countries is in SA's favour and is reflected in Kenya's growing trade deficit with SA. Kenya's exports to SA last year fell 60% to $17m from $42m the previous year, while its imports from SA rose nearly 40% to $374m (from $226m) during the same period.

Kenya's trade ministry has said it would raise tariffs on SA's imports if a solution was not found within weeks.

Without over-analysing Kenya's threat, some key issues emerge, the most important being SA's relations with the East African Community (EAC), the regional trading bloc with a total population of 60-million. The community, which brings together Kenya, Uganda and Tanzania, is a huge market for SA. Many SA companies are already doing business in the region.

The difficulty of Kenya's threat being implemented is the fact that Tanzania is both a member of the EAC and the Southern African Development Community (SADC), leaving Kenya and Uganda — which are both keen to have trade agreements with SA — as the aggrieved parties.

Already, Kenyan businesses are doing what SA businesses may be forced to do: using Tanzania as the springboard for business with SA and therefore enjoying whatever SADC concessions exist.

SA's chief director of Africa trade relations, Mfundo Nkuhlu, says Kenyan products are not being targeted or discriminated against, but in a trade dispute with Kenya SA will be hard pressed to take the line that its policies are not protectionist.

Nkuhlu's statement that Kenya has not sought a meeting recently to discuss the issues only confirms the deep-seated differences between the two countries. However, there seems to be a glimmer of light at the end of the tunnel because SA has not closed the door. "If Kenya has concerns about its degree of market access we would be prepared to talk about it," Nkuhlu was reported as saying this week.

Although the incident in which Kenya Breweries was barred from selling its Tusker and Tusker Premium brands in SA following a trademark dispute has received the most media attention, there are more serious implications of a trade fall out between the two countries.

Kenya and SA play important economic and political roles in their respective regions. By adopting short-term and nationalistic trade strategies, they will be standing in the way of faster regional and pan-African economic and political integration.

□ *Kamanga, a former business editor at the Nation Group in Kenya, is now working in SA.*



Arap Moi did not get off to a good start with the ANC.

EU's firm line as SA trade talks resume

(74) ARG 19/11/98

Philip Lowe, the European Union's chief negotiator in crucial trade talks with South Africa, was last night warned not be be too generous to Pretoria today.

He briefed the 15 EU ambassadors in Brussels on the resumption of negotiations today for what could be the final session of the talks,which started more than three years ago.

Mr Lowe explained that he had outlined the EU's latest offer to his South African counterparts, and will give them the details today.

He said South Africa remained keen to protect its textile industry from EU competition and its waters from EU fishing and was seeking lower tariffs for farm exports. – Foreign Service

EU/SA TRADE

(74) FM 20/11/98

MORE GOODIES ON THE TABLE

Negotiators give it another go

European Union and SA negotiators make another bid this week to hammer out a free trade and co-operation pact, the first such deal to be attempted by the EU and an African nation.

EU officials say that after weeks of internal consultation — especially with EU Agriculture Commissioner Franz Fischler — they improved their farm offer to meet SA demands for better access to the European market for products like canned fruit and juices, wine, cereals and dairy products In exchange, the onus will be on SA to open up its markets further for EU industrial goods, including cars and auto spare parts, textiles and footwear

After three years of negotiations both sides are being careful not to raise hopes this will be the final round. "We're going to try and hammer out an agreement," says an EU negotiator. "But, of course there is no 100% guarantee this will happen."

The plan, however, is to keep talking — over the weekend if necessary — until a mutually satisfactory deal takes form

EU negotiators say prospects have brightened following a decision by the EU Commission to draw up a new list of improvements in the crucial farm sector.

The EU has focused on improving market access for a so-called "offensive" list of farm products that SA says is essential to its economic future. Partial liberalisation is being offered on key items that were initially on the EU's "exclusion list" Now, however, the EU will bring down barriers — albeit gradually

In return, the EU is asking SA to lower its tariff barriers in the industrial sector, especially for cars, auto spare parts, textiles, clothing and footwear. Brussels also wants changes in SA's competition and State aid policies and says recent tariff increases in areas such as textiles and wine must be rolled back.

A compromise could also be found for Pretoria's utilisation of the terms "port" and "sherry" for its fortified wines.

Discussions will also be tough on the so-called non-execution clause, which allows the EU to suspend the treaty in case of flagrant human rights abuses in SA.

Shada Islam, Brussels

EU and SA near accord to ease trade barriers

ARG 21/11/98 (74)

Brussels – The European Union and South Africa are close to concluding an accord that will liberalise about 90% of trade between them by 2008 and set a new benchmark for Europe's relationship with developing countries, both sides have said.

The outstanding points of disagreement, on textiles, fisheries and wine and spirits, could be wrapped up early next week, the EU's chief negotiator Philip Lowe said here.

The signs that a deal was imminent came after the EU offered improved access to its markets for South African agricultural products. In return, South Africa offered to phase out the use, in its export markets, of the terms port and sherry for fortified wines.

The EU, however, was holding out against a South African request to be able to continue using the terms on the domestic market.

EU member states Spain and Portugal insist that port should only be used for wine produced in Oporto, northern Portugal, and sherry for those from Jerez, Spain.

On textiles, the EU says it is willing to open its market to South African imports six years after the proposed free trade agreement is signed.

It is willing to grant South Africa a longer period of transition but wants a commitment that liberalisation will take place – which Pretoria has so far refused.

South Africa has also rejected demands for the EU's long-distance fishing fleet – dominated by Spain and Portugal – to be given access to its territorial waters.

The talks on a free trade deal with South Africa began in the summer of 1995 with the EU promising a "developmental package" that would help build a pole of stability and prosperity in the region.

The negotiations soon floundered, however, as the South Africans baulked at EU demands that about 40% of its agricultural exports to Europe be excluded from the final accord.

Under the revised EU offer, a number of the excluded products – fruit juices, canned and dried fruit, wine and cut flowers – will be allowed access to European markets at reduced tariffs. – Sapa-AFP

Breakthrough in SA-EU trade talks

John Dludlu (74)

SA AND European Union negotiators made a significant breakthrough in a final round of free trade talks on Friday, agreeing on improved terms for access of SA's agricultural exports into the EU. This removes one of the major hurdles to a deal this year.

However, Trade and Industry Minister Alec Erwin and João de Deus Pinheiro, the EU commissioner for relations with Africa, will meet next week to resolve three outstanding issues.

The two days of talks in Brussels last week also saw the two sides agreeing on the terms under which the accord could be suspended.

An EU official described the last round of talks as a "good one ... (although) we're not there yet". Elias Links, SA's ambassador to the EU and Belgium, said yesterday: "I am content ... I can live with the structure of what we have presented to each other."

The two chief negotiators, Links and Philip Lowe, the director-general for development at the EU, would meet this week to "firm up" the agreements of the past week in preparation for the Erwin-Pinheiro meeting, said Links.

The EU's protectionism, exemplified by its decision to exclude about 39% of SA's farm exports from the free trade accord, has constituted a major stumbling block throughout the three-year talks.

Links said last week's talks were guided by the parameters of an understanding reached between Erwin and Pinheiro last month.

The basis of the agricultural agreement was the EU's offer to raise the import quotas for SA's sensitive exports, including cut flowers, fruit juices and wines. The EU further gave assurances that the agreement would not be suspended arbitrarily.

Officials said the outstanding issues were:

- The EU's proposal for better market access into SA's textile and automotive industries;
- The EU's demand that SA stop using the terms "port" and "sherry" in third markets, and phase the two words out of SA in a yet to be agreed time frame; and
- The EU's suggestion that Pretoria commit itself to a date for negotiating a fisheries agreement with Brussels.

Although negotiators believe there is a way out of all these issues, they say a political decision — between Erwin and Pinheiro — is the most appropriate way.

The Erwin-Pinheiro meeting will take place days before the crucial EU foreign ministers' council at which the European Commission — the EU's executive arm — hopes to present the final deal for approval.

SA has suspended fisheries talks with the EU to delink these negotiations from the broader trade, development and co-operation discussions.

BD 23/11/98

Mugabe's woes hit SA trade

(~~358~~) (74)

PAUL RICHARDSON

Johannesburg — Mounting political and economic woes in Zimbabwe last week have ended seven years of rampant growth in trade with South Africa, and economists say recent declines are likely to gather pace next year.

Information from South Africa's Industrial Development Corporation (IDC) shows that in the first nine months of this year, South African exports to Zimbabwe slipped 3,1 percent to R3,96 billion.

"This is significant, given that they are our biggest trading partner in Africa and our ninth largest trading partner globally," said Karen Swart, an economist at the IDC.

Economists say that with little prospect of the Zimbabwean currency recovering, trade between the two countries is likely to deteriorate in the months ahead. — Reuters

CT (BR) 23/11/98

imports

EU, US take a stand against 'cheap'

SA is one of six countries linked to the dumping of hot-rolled steel coils in Europe

BRUSSELS — The European Union steel lobby has filed a formal antidumping complaint about EU imports of unalloyed, hot-rolled coils from SA, India, Iran, Taiwan, Bulgaria and the former Yugoslavia, an industry official said yesterday.

The European Confederation of Iron and Steel Industries (Eurofer) filed the complaint on Monday to the EU Commission, Eurofer director Christian Mari said. The complaint could lead the commission to impose anti-dumping duties on EU imports of the product from the six countries.

Hot-rolled coils are flat steel products transformed for use mainly in the automotive and building industries. Anti-dumping duties are meant to counter imports sold at below normal value.

The commission has 45 days to decide whether a formal anti-dumping inquiry is warranted. It would then have nine months to complete an anti-dumping inquiry.

Eurofer said for the imports had caused "serious injury" to EU producers and the amount of imports was 320% higher in the first eight months of the year than in the same 1997 period.

Total EU imports of unalloyed, hot-rolled coils in the first eight months of the year averaged 477 000 tons a month, about half of which had come from the six countries covered by the anti-dumping complaint. Mari said Eurofer was confident the commission would launch an inquiry and find evidence of dumping as a result of its complaint. "We think our case is strong."

Meanwhile, the US steel industry won another battle against cheap foreign imports as the US administration ruled that Japan and Russia might face additional duties for hot-rolled steel imports.

The US commerce department on Monday found that imports doubled over five months as domestic producers were preparing their case to fight the shipments, making importers potentially liable for an additional 90 days of retroactive payments for any future finding of dumping.

The department expects to make a preliminary ruling in mid-February on whether Japan, Russia and Brazil have flooded the US market with steel imports dramatically below production costs or home market prices.

The US steel industry is seeking protection from foreign imports at a time when the Asian financial crisis is sending the US trade deficit to record levels. The Clinton administration is concerned that the battering sustained by US manufacturers will increase demands for protectionism in the US with steel the first of a number of industries petitioning for import relief.

Domestic producers say they cannot compete because of subsidies and other foreign practices that drive down the price of imported steel. — Dow Jones, Sapa-AP.

Real power is economic

SA-EU talks 'to be concluded soon'

Sowetan 25/11/98

By Shadrack Mashalaba

TRADE negotiations between South Africa and the European Union are expected to be concluded by next month, Trade and Industry Minister Alec Erwin said yesterday.

Speaking at the opening of the National Export Week at Gallagher Estate in Midrand, Erwin said the next two weeks would be crucial for the country as there were a few minor obstacles that still needed to be resolved.

South Africa has been engaged in trade talks with the EU to get free access to the European markets.

The main differences of late between South Africa and the EU has been the use of the words "port" and "sherry" on local wines and the reluctance by EU farmers to allow local agricultural products to gain access to European markets.

"The end is always difficult. Trade talks with the EU have been a fascinating experience," said Erwin.

The practical implementation, according to Erwin, would come into effect at the beginning of next year.

He argued that the trade deal with the EU was of strategic importance, a deal that would not only benefit South Africa but the Southern African Development Community at large.

On the development of a strong export sector in South Africa, Erwin said the objective was to improve the operational efficiency in the economy through cooperation.

The Government was also committed to the development of effective finance instruments that would be made accessible to potential users.

The National Export Week was launched in March under the theme "Growing exports in partnership".

During the week the ministry aims to consolidate Government and private sector efforts to develop South Africa's export capabilities and formulate platform for the development of a national export strategy.

The campaign ends tomorrow.

Erwin also said his ministry would be forming an advisory council which would act as a forum to address any problems experienced by exporters.

"Our strategy will also include the establishment of a small exporters programme. "For us (South Africa) to succeed we need dynamism to achieve our targets.

"We cannot operate in our selective corners, the goal is to come together and establish a platform that will operate on a sustainable basis," the minister concluded.

EU trade benefits may take years

BD 25/11/98 (74)

Tim Cohen and John Dludlu

LONDON — The full benefits of the ambitious trade accord between the European Union (EU) and SA could take as long as three years to come through, although steps have been taken by the two sides to speed up the implementation of the key trade concessions.

In terms of a fast-track plan, trade concessions, including tariff liberalisation, could come into effect in January 2000, a Brussels official said yesterday.

Trade and Industry Minister Alec Erwin said he expected the agreement's implementation to begin next year even though talks could be concluded this year. Erwin and João de Deus Pinheiro, EU commissioner for relations with Africa, are expected to meet next week to try remove the remaining hurdles to the deal's conclusion this year.

Although he said the final stages of the talks were difficult Erwin, who is effectively in charge of the talks at a political level, remained confident that they could be concluded next month.

Even if the talks were concluded next month, in line with a commitment given by EU heads of state last June, the implementation of the agreement would take longer as the trade, development and co-operation accord would have to be ratified by both sides, critics pointed out.

While the ratification by the SA legislature could be quicker, ratification by the EU's 15 governments is a notoriously long process which, a source familiar with the EU processes said, could take three years.

However, an EU official said plans were taking place for an interim agreement that would allow the trade concessions of the deal to kick in relatively earlier in the life of the agreement.

A precedent for this fast-track route existed in Brussels, said the official, pointing out that the EU's agreements with the Mediterranean and eastern European countries followed similar procedures.

Under this fast-track plan, the EU-SA deal would require the approval of the EU ministers' council while the EU's 15 members went through the process of ratifying the deal in their national parliaments.

Although the trade chapter, which would open the two sides' markets to one another, would be part of the fast-track schedule, development co-operation could be included as well.

One of the best comparative treaties which fell victim to the EU's snail pace of ratification is the Lomé convention — the EU's trade and aid accord with Africa, Caribbean and Pacific states which is constantly renewed.

Special arrangements were included in 1995 and a new treaty was signed by the parties in November of that year, called Lomé IV bis. Two-and-a-half years later the treaty, to which SA is a qualified signatory, had not been ratified, even though projects worth millions of ecus planned by the European Investment Bank were being held up as a result.

The treaty was eventually ratified just less than three years after it was signed, even though the initial time frame for full ratification was estimated at the outset to be one-and-a-half years.

The problem for the EU is that although the European Commission, the EU's executive, has the competency to negotiate trade deals, these have to be ratified individually by each of the participant member states. As the EU has increased in size, the problem of fitting this type of legislation into the calendars of all the member states has become acute.

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COMPANY

DEVELOPMENT *IDC spearheads bank's creation to boost country's export market*

Export-import bank for SA

ET (BDR) 26/11/98 (74)

THABO LESHILO
BUSINESS EDITOR

Johannesburg — The Industrial Development Corporation (IDC), the state-owned development finance company, was spearheading the establishment of an export-import bank, the corporation said yesterday.

Gert Gouws, the IDC's general manager for finance, said an export-import bank had proved successful in helping developing countries grow their export markets.

He said South Africa needed to establish such a bank to boost its export market. "We have a very limited market. South Africa's growth will have to be led by exports."

The export-import bank would have to be a standalone entity and separately capitalised.

Gouws said the IDC had the expertise to start a successful export-import market within months

The corporation announced solid results for the 1998 financial year, with net profit up 50 percent to R525 million on turnover 40 percent higher than the previous year at R3,5 billion.

"It was one of the best years the IDC has ever had," said Khaya Ngqula, the IDC's chief executive.

Ngqula said the "real star" had been Foskor, the phosphate producer, which contributed R135 million to net operating income — 150 percent more than in 1997.

ADE, the commercial vehicle supplier for the agricultural market, came in second with R70 million — 133 percent more than last year's R30 million.

Sapekoe, the tea producer, only managed to break even from last year's loss of R23 million, while losses at Columbus Stainless Steel increased from R61 million to R74 million.

Financing activities and other investments brought in 13 percent more at R394 million.

Ngqula said financing approvals, excluding guarantees, increased by a staggering 80 percent in value to R5,6 billion.

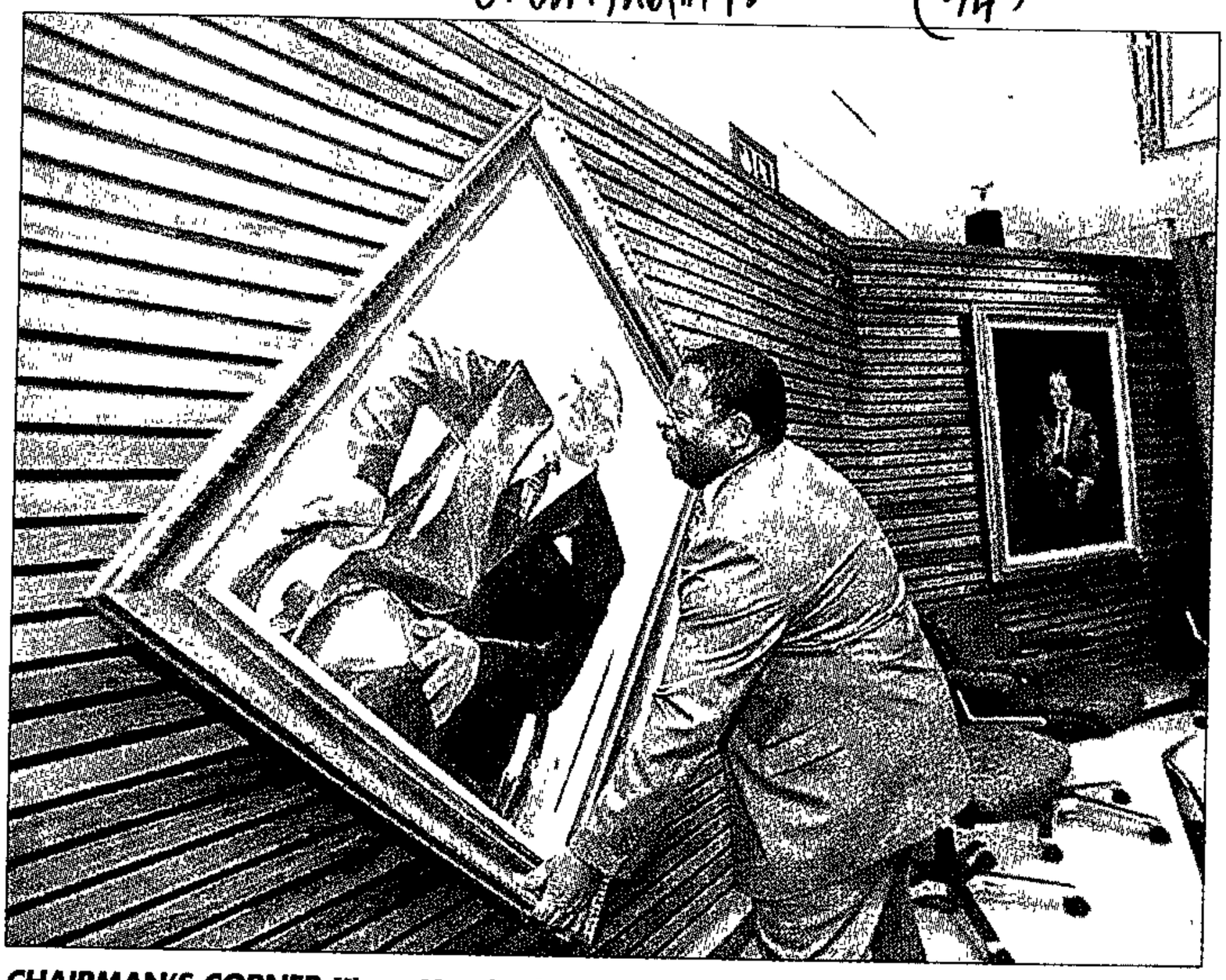
Four large projects to the value of R4,2 billion authorised during the year were the Eastern Cape zinc smelter (R1,7 billion), the Mozal project in Mozambique (R1,6 billion), Saldanha Steel (R500 million) and Foskor (R410 million).

Industrial financing, which includes loans to small businesses, increased by 22 percent to a total of R1,9 billion.

Gouws said the recent American anti-dumping action against Columbus Steel affected only 1 percent of its turnover and would not have a significant effect on the company.

"It's unfortunate, but not crippling," he said.

The IDC's listed investments, with a value of R5,4 billion, include Billiton, Sasol, Sappi, Iscor and Gencor.



CHAIRMAN'S CORNER *Khaya Ngqula, the Industrial Development Corporation's chief executive, takes time off in one of the corporation's boardrooms to straighten an oil painting depicting a previous chairman*

PHOTO JOHN WOODROOF

Erwin launches export advisory council

(74) CT (BBR) 27/11/98

THABO LESHILO
BUSINESS EDITOR

Johannesburg — Alec Erwin, the trade and industry minister, yesterday launched the National Export Advisory Council, a partnership between the government and the private sector aimed at boosting the country's export market.

The launch of the council marked the end of the first inaugural National Export Week, which started on Monday and culminated in the President's Export Awards ceremony last night.

Eleven companies won an award: Gentyre (now known as Continental Tyres SA), KWV, Durban Clothing Manufacturers, Energy Measurements, Macadams Bakery Manufacturing, Consani Engineering, Rand York Minerals, Swasap, Intertrading, Tradewinds Parasol and Burger International.

The overall winner was Continental Tyres.



SET IN MOTION *Alec Erwin, the trade and industry minister, speaks at the launch yesterday*

PHOTO: SELWYN TAIT

Erwin said the launch of the council was in line with the trade and industry department's strategy to transform South Africa into an advanced export-led economy.

"We are not trying to replace the private sector but want to identify synergies between us to grow our exports," Erwin said.

Brenda Joyce, whose company markets South African gold products overseas, said the local jewellery industry would shortly embark on a thrust to become a significant producer of beneficiated jewellery products.

Erwin said members of the council would include himself and the ministers of foreign affairs, tourism and minerals and energy, as well as other government departments that dealt directly with the economy.

BD 27/11/98

Govt, business announce export strategy

John Dludlu

GOVERNMENT and business announced details of a joint export strategy yesterday, marking the first major push by SA after 1994 to venture into foreign markets.

A key part of the strategy, following a national export week, is the establishment of a National Export Advisory Council, several working groups and sectoral export targets.

At a launch function in Midrand yesterday, Trade and Industry Minister Alec Erwin said the council consisted of senior government officials, parastatals and business associations and would meet at least three times a year. "We do not want a mass rally," he said, signalling the intention to keep the body focused.

He warned that government would not work with export councils that did not have clear strategies.

Erwin said that for the first time industry and government were pushing in the same direction.

The working groups would look into the development of sectoral export strategies; improvements in export finance; transport and logistics; and further development of an institutional capacity within the business sector.

The council, which would include nominated business representatives, would begin its work early next year.

Another crucial part of the strategy is a small exporters' programme, a plan by which government is seeking to identify and nurture the development of 100 small exporters each year. Certain sectors have already set up industry export councils as part of this drive.

Faizel Ismail, the chief director for export and investment promotion at the trade and industry department, said the overall export targets included increasing the contribution of finished manufactured exports to 30% of total SA exports over the next three years from 20%.

The targets also included raising manufactured exports 14% a year in real terms and increasing the penetration of SA's exports in nontraditional markets.

Ismail said the overall targets were in line with government's growth, employment and redistribution strategy.

In terms of strategies submitted by the motor manufacturing and components sector, vehicle exports should rise 5% and exports of components 25% in 1999/2000, he said.

The capital goods sector is hoping to increase volumes of SA's manufactured capital equipment 60% by 2003.

Although Asian economies might be in trouble, Erwin said exporters should not forget that market.



Trade and Industry Minister Alec Erwin announces the launch of a joint export strategy at Gallagher Estate in Midrand yesterday. Picture: TREVOR SAMSON

NATIONAL

EU asked to intervene to conclude pact with SA

BD 30/11/98 (74)

Delegations of MPs seek successful end to four years of talks

Linda Ensor

CAPE TOWN — Delegations of SA and European MPs have agreed on the need for urgent political intervention by the European Union (EU) to conclude negotiations on a free trade agreement between the EU and SA which have lasted four years.

A joint statement to this effect was forwarded to João de Deus Pinheiro, the European Commissioner in charge of relations with SA, by a group of EU MPs and a delegation of SA MPs who visited Strasbourg under the leadership of of the National Assembly Speaker Frene Ginwala.

The statement stressed that the European parliament expected the negotiations agreement to be concluded under the Austrian presidency. Ginwala said on Friday the SA MPs hoped the agreement would be ratified by the EU next month and by the SA Parliament at its first session next year.

Trade and Industry Minister Alec Erwin is due to meet Pinheiro tomorrow in a bid to iron out outstanding areas of dispute.

Roberto Mezzaroma, chairman of the European parliament's delegation for relations with SA, told Pinheiro in a letter that the credibility of the EU was on the line over the agreement and relatively minor issues should not be allowed to hinder finalisation.

"I believe that we are now in a phase of negotiations where a clear political decision must be taken which demonstrates without any ambiguity the long-term commitment of the European Union to enhancing the relationship with SA and its peoples. The SA government has made a clear strategic choice in favour of the EU. Now we must deliver what is expected of us, because it is in our interests and theirs to end a long period of uncertainty during the negotiations.

"Moreover, with elections taking place in SA and the European Union in the first part of next year, the two parliaments must be given the opportunity to ratify the agreement before the election campaigns begin, otherwise the whole process will run into the sand," Mezzaroma said. "This cannot be allowed to happen."

Ginwala said the discussions centred also on the management by the European Commission, the EU's executive, of an SA aid programme. There was consensus that decision-making should be more decentralised, with less need for intervention from Brussels. Also, resources should be focused more on sectoral priorities within the reconstruction and development programme.

The delegations agreed that procedures had to be simplified and streamlined to enhance project identification and implementation. Ginwala said the bureaucratic, undemocratic and "completely disempowering" procedures in place at present meant that SA had been unable to take up the full EU grant.

SA would prefer the transfer of money by the EU to the SA government within a framework of broad principles, but that then it remained a responsibility for SA to distribute the funds within its own procedures.

Euro launch 'not likely to hamper SA's exports'

(74) BD 30/11/98

John Dludlu

ALTHOUGH preferential trading blocs like the European Union (EU) tend to divert trade away from outsiders, the launch of the EU's single currency in January was unlikely to hamper the rise in SA's exports to the union, said Graham Boyd, chief SA strategist at brokers Warburg Dillon Read.

Boyd said at a seminar organised by Warburg Dillon Read on the European economic and monetary union (EMU) last Friday that while arrangements for regional integration helped regional trade and diverted trade away from outsiders, SA exporters should not be discouraged.

He said SA exports to the EU, and the trend towards diversification away from commodities, were likely to continue.

Boyd told the seminar, which was also addressed by John Major, the former British prime minister, that the creation of the euro could see the continuation of the trend of SA companies seeking listings in London or in the EU, in part, to evade trade restrictions on companies from outside the monetary union.

About 11 of the EU's 15 states have qualified to participate in the single currency to be known as the euro.

Boyd said that although the release of gold by the European Central Bank (ECB) could halt the upward movement of the metal, it was unlikely to disrupt the gold market.

Speakers at the seminar said that low interest rates in euro countries could see investors shift from bonds to equities, a move that could benefit SA.

Joe Krider, an EMU project leader at Warburg Dillon Read, warned delegates that the single currency would present companies with operational risks. These were significant as they would occur 11 months ahead of the year 2000 computer bug.

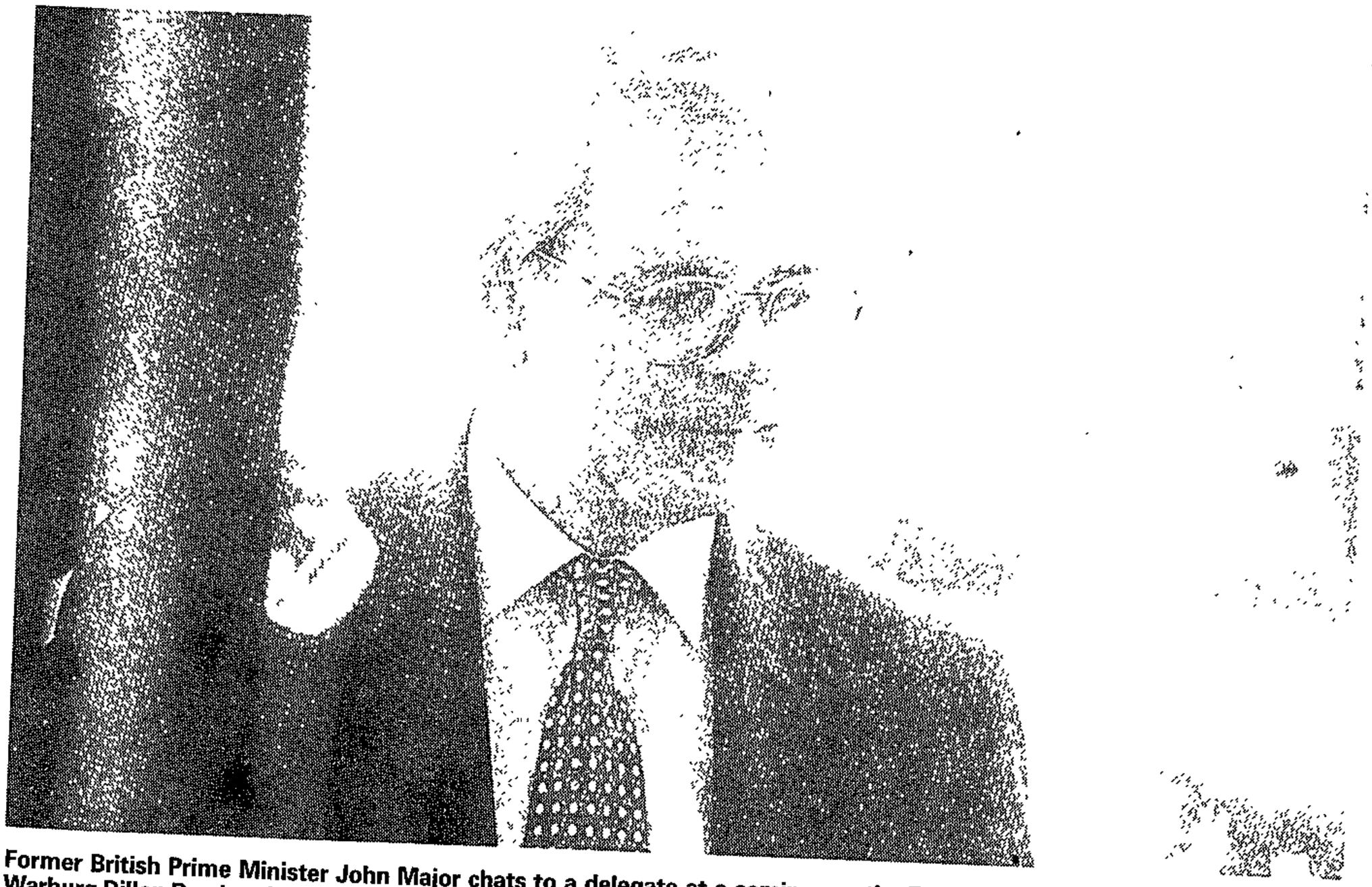
The new currency would affect "all of us", he said.

Major commended SA's efforts to keep its economy open, warning that protectionism destroyed foreign investment.

He said SA's future lay in developing its assets and maximising relations with the world. If SA locked the world out, the world would look away, he warned, noting that SA need not fear the launch of the euro.

The single currency, by far the EU's most ambitious project, has been welcomed by analysts as signalling the beginning of transparency in prices and reduced business costs.

Although Major described it as a "bold" and "reckless" experiment, he said the currency would be born with a silver spoon, a reference to the anticipated positive effects of the ECB's healthy reserves.



Former British Prime Minister John Major chats to a delegate at a seminar on the European monetary union organised by Warburg Dillon Read at the weekend. Major told delegates that SA had the potential to be a mighty economy and change the face of sub-Saharan Africa.

Picture: TREVOR SAMSON

Zimbabwe to make bold trade offer

(74)

BD 4/1/99

Free trade agreement sought with SA in clothing, textiles and footwear

John Dludlu

IN A surprising move, Zimbabwe is set to make far-reaching trade liberalisation proposals to its regional partners, including offering zero-tariff trade with SA.

The proposal, including an "immediate reciprocal free trade" agreement with SA in footwear, textiles and clothing, is to form part of Zimbabwe's opening offer to the free trade negotiations within the Southern African Development Community (SADC) this month.

Although other countries, including SA, have already tabled their opening positions for the SADC talks, Zimbabwe's position has yet to be formally unveiled.

However, draft government papers being circulated within Zimbabwe industry suggest that SA, which has a bilateral trade accord with Zimbabwe, will be asked to reciprocate a Zimbabwean free trade gesture in the three sectors. Clothing and textiles have a history of stiff tariff protection in SA, and have special restructuring plans.

The draft documents indicate that sensitive items such as sugar and vehicles will require longer liberalisation periods.

Eddie Cross, the chairman of the Confederation of Zimbabwean Industries' industrial associations, was quoted in Zimbabwe's Financial Gazette as saying wheat and milk would also be exempted from liberalisation because they were heavily subsidised in the European Union. Any agreement between the EU and SA could affect SA's neighbours.

A Zimbabwean business source said the free trade offer affected a broad range of sectors, and the proposals had been put to senior SA cabinet members, including Trade and Industry Minister Alec Erwin and Deputy President Thabo Mbeki.

The source said Erwin, who has met Zimbabwean private sector representatives twice in recent months, was amazed at "how progressive we have been".

Trade observers have expressed surprise at the Zimbabwean gesture, given the generally shaky state of its economy. They questioned whether Zimbabwe, which recently raised protectionist barriers, could afford to open its industries to such competition.

The Zimbabwean business leader, however, said the offer was inspired by the need to develop competitive regional industries underpinned by specialisation.

"Well-managed companies that have survived so far are ready (for free trade)," he said, describing the Zimbabwean gesture as an olive branch to SA.

"We want a regional market where efficient producers thrive."

The source said SA appeared less enthusiastic in matching the offer, and this could be a reflection of concerns about the competitive edge Zimbabwean industries could gain from a weaker currency.

News of the Zimbabwean offer follows a recent review of the implementation of fresh tariff concessions granted to Zimbabwe. A more thorough analysis is due later this month.

It is understood that Zimbabwe, which has previously accused SA of protectionism and which has experienced a growing deficit in its trade with SA, wants its quotas for goods enjoying preferential treatment in SA to be increased.

Mfundo Nkuhlu, the chief director in charge of Africa trade relations at the SA trade and industry department, was not available for comment at the weekend. Neither were representatives of SA's clothing and textile federations.

Attempts to get comment from Cross and Zimbabwean government officials were also unsuccessful.

□ **Themba Hlengani** reports that a 14% value-added tax (VAT) will be levied on imports from SA's partners in the Southern African Customs Union from today.

The SA Revenue Service said the measures would exclude livestock imported by SA vendors registered with the service. However, the importation of livestock carcasses, meat, meat products and by-products would be levied.

The four countries to be affected by the levy, which forms part of Pretoria's policy to clamp down on fictitious imports and smuggling, are Botswana, Lesotho, Namibia and Swaziland.

According to the revenue service, SA loses about R100m each month due to tax evasion and smuggling.

Zimbabwe trade proposal likely to meet resistance

(74) BD 6/11/99

John Dludlu and Samantha Sharpe

A PROPOSAL by Zimbabwe for tariff-free trade with SA in a range of sectors, including sensitive ones such as clothing, footwear and textiles, is likely to run into a storm of resistance in SA, it has emerged.

Cunningham Ngcukana, the general secretary of the National Council of Trade Unions, cast serious doubts yesterday on the advisability of clinching free trade arrangements with countries like Zimbabwe, which did not uphold human rights such as workers' rights.

He warned that the conclusion of free trade deals in a situation where SA was the only country that upheld human and socioeconomic rights could lead to jobs being exported into neighbouring countries.

In a surprising move last week, it emerged that Zimbabwe was set to propose immediate duty-free trade with SA in the three sectors. Draft government papers being circulated within Zimbabwean business suggest that SA should be asked to reciprocate the free trade gesture in the three sectors.

Meanwhile, SA business officials, who did not wish to be named, yesterday expressed concern regarding Zimbabwe's ability to police its customs borders. They said Zimbabwe, which already had a bilateral trade accord with SA, could easily be used as a conduit for cheap and illegal imports from outside countries in the Southern African Development Community (SADC).

However, a Zimbabwean business leader said at the weekend that the Zimbabwean private sector shared the concern regarding illegal imports.

The offer, known to be still at the drafting stage, will form part of Zimbabwe's opening offer to fellow SADC partners when free trade talks resume in Harare later this month.

Kenneth Kotelo, an economist at the Pretoria-based Africa Institute, said the offer could just be a negotiating tactic by Harare. Thanks to both the shaky state of the Zimbabwean economy and the sensitive nature of the products involved, a compromise could be struck. With this offer, Zimbabwe would be seen to be more committed to the goal of regional integration, he said.

MAIL & GUARDIAN
January 8 to 14 1999

Controversy over trade zone

(74) M+G 8-14/1/99

Chiara Carter

Moves by a South African company to create a free trade zone on a tiny island off the West Coast of Africa have been slammed by environmentalists.

West African Development Corporation (Wadco) has won a contract to operate a free trade zone stretching across a third of the island of Principe — a 139km^2 volcanic island in the Gulf of Guinea.

The proposed free zone is intended to serve market and industry needs in the gulf, where more and more oil companies are operating, and function as a free trade haven such as the Channel Islands, Mauritius and the Bahamas.

Activities would range from a deep-water port to tourism, trade and industry and financial services.

The agreement between Wadco and the government of São Tomé and Principe includes a provision that any development is dependent on an environmental assessment report. The agreement also stipulates that Wadco has to comply with a range of international environmental norms.

However, conservation groups want the free zone to be relocated to the larger island of São Tomé , which is 800km^2 and has a larger population. The World Bank agrees that São Tomé would be a better site for the project.

Conservationists are concerned that large-scale development will threaten the ecosystem on the island and in surrounding waters. Principe and São Tomé were never part of the African continent, which means several species of wildlife and plants are unique to the islands.

Principe is one of the 20 top bird conservation areas in the world and the nearby rocks are a major breeding ground for birds.

According to Martim Pinheiro de Melo, a researcher at the Percy Fitz-Patrick Institute of the University of Cape Town, if the trade zone goes ahead, workers would have to move to Principe placing pressure on forests surrounding the free zone area.

De Melo said the $250 000 insurance Wadco has to pay against the possibility of environmental degradation was low, as was the $100 000 annual rental Wadco would pay the government.

Locating the free zone in São Tomé would have greater socio-economic benefits and fewer environmental risks.

However, the agreement between Wadco and the government specifies that the assessment would not look at other possible sites for the free zone.

EU in dilemma over SA trade agreement

(74)

Sowetan 8/1/99

By Ido Lekota

THE European Union is in a dilemma on whether to make concessions to South Africa in their current trade agreement talks because other countries negotiating with the EU will then expect concessions for their products.

A Government source revealed yesterday that the delay in signing the agreement was due to the fact that the EU would not like to set a precedent by making concessions to South Africa "because then it would have to make the same concessions to other parties like the Latin American countries and New Zealand".

During a joint briefing with British prime minister Tony Blair in Pretoria yesterday, Deputy President Thabo Mbeki said the outstanding question was on the EU's demand that South Africa not use the descriptions port and sherry for its export wines.

Mbeki also said the delay in signing the trade agreement did not relate to wine exports only "but should be seen in the broader context of EU negotiations with other countries".

He was optimistic that the agreement would eventually be signed.

Mbeki said Britain, as the largest investor in South Africa, had a special role to play in ensuring that the EU took into cognisance the development needs of South Africa.

"I would not expect that the British government saw itself as just another player in the EU-SA trade agreement negotiations."

Blair said Britain regarded itself as "the champion of South Africa in the EU" He was hopeful that an agreement would be reached soon

Media reports earlier this week quoted Blair as saying that the delay by the EU in signing a trade agreement with South Africa did not augur well for the organisation's image, especially in developing countries.

Meanwhile, both Mbeki and Blair said they supported the move by the United Nations to hold talks with the Angolan government and Unita rebels to find a lasting solution to the conflict in that country.

"We support the position that it needs to interact with the belligerent parties," said Mbeki.

"We will do everything we can to promote a lasting solution to the conflict. We support very much what is going on at the moment," Blair said.

3

Blair may spur on SA-EU trade talks

The UK prime minister's support for SA might kick-start stalled three-year negotiations with Europe, writes THABO KOBOKOANE

ST(CM) 10/1/98 (74)

BRITISH Prime Minister Tony Blair's comments this week that the European Union had reneged on its pledge to have a trade agreement with SA by last autumn may well help speed up the stalled talks. Blair told a media conference failure to reach agreement was "a poor reflection" on the EU.

Negotiators on both sides have yet to seal an agreement three years after negotiations started. They have repeatedly failed to meet a number of self-imposed deadlines — the latest being an EU pledge to President Nelson Mandela in July in Cardiff to have an agreement by the end of last year.

The final hurdle remains the use of the names "port" and "sherry", which SA has agreed to drop in export markets, but insists on retaining in the domestic market. The EU insists the names be phased out in SA too over a period of 13 years.

The latest pledge is to have an agreement by March and Blair's support for SA may well nudge his EU counterparts in that direction.

Blair and Deputy President Thabo Mbeki pledged to help settle the trade agreement, which is taken to mean the two may directly intervene in the dispute which Trade and Industry Minister Alec Erwin and the EU Commissioner have also failed to resolve.

There has not been any contact between either side in the past three weeks, but it is likely negotiators will get in touch in the next week to get talks moving again.

Blair's comments were made during this week's three-day visit which was expected to bolster trade between the two countries in the light of SA's decision to award a portion of its R29-billion arms purchase to UK firms.

The SA government said at the time the R29-billion spending spree would be offset by counter-trade worth R110-billion.

Blair and Mbeki signed a declaration of intent on industrial co-operation which could see up to R40-billion invested in SA by UK firms as part of the counter-trade deal.

British Aerospace and Westland were the biggest winners recently when SA announced the names of its preferred bidders for 24 jet trainers and four maritime helicopters.

State arms manufacturer Denel has already bagged a R1-billion contract to supply the British army with a modular charge system including supplying up to 30 000 rounds for the Britain Challenger tank gun as part of a windfall from the defence contracts.

EU offers $10m to SA wine producers

BD 15/11/99 (74) BUSINE

John Dludlu

THE European Union is offering up to $10m in marketing and technical assistance to SA wine producers, and to increase quotas of SA wines to the EU, as part of the fresh bid aimed at resolving remaining hurdles to a bilateral free trade deal.

A senior EU official yesterday confirmed the details of the EU's proposal, which were published in this week's edition of the Financial Mail, saying that the proposal, still under consideration, had been flagged to Pretoria officials.

It is also hoped the stalled talks could receive fresh impetus later this month when SA politicians and EU executives attend the World Economic Forum in Davos, Switzerland. Jacques Santer, the president of the European Commission, the EU's executive, is expected to attend the meeting.

The talks failed to reach finality last year over the disagreement on SA's use of the names port and sherry for its fortified wines. The EU wants SA to stop using these terms both in third as well as domestic markets. Pretoria, on the other hand, which says its producers have been using the names for more than 100 years, wants to retain the terms both in its domestic market as well as in the Southern African Development Community.

The latest plan, crystallised last month in the corridors of the Vienna summit of EU leaders, is designed to break the impasse and enable the EU to meet its March deadline for the conclusion of the talks, which already have missed a number of self-imposed deadlines.

The $5m to $10m compensation, which would help shore up the cost of marketing alternative wine brands, underscores Brussels' determination to protect the two names. The EU has scored some successes in this battle. The money would not form part of the 125-million euros-a-year aid package to SA.

Further, it is understood the EU is also offering fresh concessions — including either removing import tariffs on SA wines into the EU altogether or increasing wine quotas — to sweeten the proposal for SA.

Bahle Sibisi, the chief director for foreign trade relations at the trade and industry department, said last night: "We have yet to establish contact (with the EU) to agree on the way forward."

A Brussels observer warned yesterday that further delays in wrapping the deal could open the danger of it being scuppered by EU members who believed the new proposals were too generous.

The deal will see the EU removing tariffs on 95% worth of SA exports, while SA has offered to liberalise on 86% worth of imports from the EU.

FM FOCUS

Edited by Peter Honey

SA/EUROPE TRADE TALKS (74)

EU MOOTS TRADE-OFF TO BREAK IMPASSE OVER PORT & SHERRY fm 15/1/99

European Union governments, hoping to clinch a free trade agreement with SA by March this year, are considering fresh options to conclude the long-running trade talks The focus is to resolve a dispute over labelling of SA wines and spirits, a technical issue which in recent months has turned into a major political problem for both sides

In a bid to break the negotiating deadlock, officials in Brussels say the EU may be ready to finance a multimillion dollar marketing and advertising campaign for SA's fortified wines if Pretoria agrees

>> This is an issue which unites all EU governments. After all, practically every EU country has some special product that it wants to protect <<
EU negotiator

to stop using the names port and sherry on both the domestic and SADC markets The EU may also increase the current import quota for sales of all SA wines in Europe

The proposals are being drawn up as part of a drive by EU governments to inject momentum into the faltering trade talks "We have to find a way to get the negotiations back on track," an EU official says "The solution has to satisfy both sides"

Under the plan, the EU would give financial and technical assistance to SA wine producers and distributors, helping them to change the name of their products and create a new marketing image for SA wines Officials say this compensation package could be worth US$5m-$10m, over three to four years The money would be added to the 150m euros a year development aid SA receives from the EU

In another move to help SA wine-growers expand their sales in Europe, officials in Brussels suggest the EU could increase its import quota for SA wines This could be done by either increasing the current 32m litre quota or further reducing EU tariffs on SA wine imports As a result, SA wine producers could increase their share of the lucrative European market for foreign wines

What the EU is not prepared to do, though, is tone down its insistence that the terms port and sherry are the exclusive "intellectual property" of producers in Portugal and Spain and cannot be used to describe fortified wines produced in any other country In recent years, protecting these so-called "denominations of origin", including products such as French champagne, has been a top priority in EU negotiations with countries such as Switzerland, Australia and Cyprus

"This is an issue which unites all EU governments," says an EU negotiator "After all, practically every EU country has some special product that it wants to protect"

For the moment SA, too, is taking a tough line Under EU pressure, it has agreed to stop using port and sherry labels on wines exported to Europe and the US But, SA negotiators are adamant that no changes can be made in the domestic and neighbouring markets

SA wine industry sources react cautiously to the EU's suggested trade-offs KWV corporate affairs director Kobus van Niekerk says he won't comment as "nothing firm has been placed on the table yet"

SA exports only about 1,3m litres of its 39m litre production of fortified wines — earning R51,3m of a total R790m The bulk of consumption is domestic (see table)

"We have been producing sherries and port wines locally for about a century," says Van Niekerk "Notwithstanding similar pressures from the EU, the US, Canada and Australia are all still standing firm and fighting for their right to export their own ports and sherries We are not alone in this issue"

Highlighting the importance of the issue for SA, President Nelson Mandela warned in a letter to EU leaders in December that "for ordinary people, such an agreement (with the EU) cannot be concluded by us surrendering the household names in southern Africa of our own port and sherry"

"For my government this is an uncalled-for and unnecessary inequity at the end of a long and tough negotiation," Mandela said — the free trade pact with the EU must be "embraced by our people as a partnership of equals"

EU officials are hoping the compensation package and improved trade offer on wines will persuade SA to return to the negotiating table In fact, both sides are tantalisingly close to a deal Over the past few weeks, SA has persuaded the EU to partially liberalise the import of several SA farm items, including canned fruit and juices, cereals and dairy products These goods had been on the EU's so-called "exclusion list" of products that were to remain outside the free trade pact

In exchange, SA promised to open up its markets to European exports of textiles and automobile parts. The new moves mean that in 10 years, the EU will have removed tariffs on 95% of its trade with SA After 12 years, 86% of SA's imports from the EU will no longer be subject to customs duties

SA'S PORT & SHERRY COMPLEXION

	Volume (litres)	Value (R)
Domestic production of fortified wines	39m	790m
Domestic consumption	37m	742m
Imports	0,07m	2,9m
Exports	1,3m	51,3m

Imports originate mainly from: Chile, Portugal, Spain, US, Argentina, Zambia, Australia
Main export markets: Paraguay, UK, Mozambique, Germany, Netherlands, Canada

Having failed in the past to meet deadlines, EU governments are reluctant to commit themselves to a new date to conclude the negotiations. The EU is keen, however, to sign the pact before the SA elections. Germany, which took over as EU "president" on January 1 for six months, has also said it wants a deal before the EU summit in Brussels in March.

EU and SA negotiators say it is now up to their "political masters" to take a decision on the future of the EU-SA relationship

The port and sherry problem is likely to be raised by Spain's Foreign Minister Abel Matutes who will accompany King Juan Carlos to SA shortly EU Foreign Ministers will discuss it in Brussels on January 25 Senior EU officials attending the World Economic Forum in Davos, Switzerland, at the end of the month are hoping that a face-to-face meeting with Mandela and his Ministers may break the impasse **Shada Islam, Brussels & Arnold van Huyssteen**

A LABOURED POINT

"Like old Labour, the African National Congress needs modernising It is anachronistic that the ANC will be contesting the forthcoming elections still in an alliance with the SACP and Cosatu" — The *Financial Times*, commenting on British Prime Minister Tony Blair's recent visit to SA

LIBAM

YOUNG BLOODS TO THE BRIDGE

Liberty Asset Management (Libam) — fund manager for GuardBank unit trusts — has beefed up its investment team in a bid to improve the performance of some of its funds

Carmen Maynard left her position as MD of Fleming Martin Asset Management to join the group last year as its research and strategy director Soon after joining Libam, she changed the fund manager's philosophy and investment process

Four new investment professionals have also been added to the team Maynard has hired former Nedcor Investment Bank Asset Management transport analyst Theo Botha, HSBC's Carlisle Whittaker, BOE Securities consumer analyst Sascha Ewing and Rand Merchant Bank's Richard Middleton

"Instead of getting really big names," says Maynard, "I've gone for people who've done their apprenticeship and are ready to grow"

WAVERING TRUST

To January 1 1999 (Ranked)

	1 month	1 quarter	1 year	3 years
General equity funds				
BOE Growth	-1% (28)	10,3% (7)	-16,8% (42)	22,6% (24)
GuardBank				
Capital Focus	-1% (25)	5,6% (30)	-15,1% (29)	13,2% (41)
Growth	-3,6% (38)	4,5% (34)	-17,4% (43)	-11,8% (47)
Prosperity	-1,3% (29)	6,6% (22)	-17,6% (35)	-12,9% (48)

SOURCE: STANDARD & POOR'S MICROPAL

The changes, which came in mid-1998, have yet to trigger a noteworthy turnaround in GuardBank unit trust returns. Three funds can be found in the second performance quartile, one in the third and one in the fourth. But, says Maynard, "you don't turn the ship around just like that. Our philosophy was wrong, the process needed to be revamped and we lost a lot of good people But we've replaced them with young, enthusiastic and much more aggressive people

"I won't make any promises but I have every reason to expect better performance down the line."

There's still some way to go. GuardBank's three general equity unit trusts fell into the bottom performance quartile when measured over a year, according to Standard & Poor's Micropal 1998 unit trust figures During the third quarter, however, GuardBank Prosperity did move up to 22nd from 35th position over 12 months

BOE Asset Management, another outfit in the process of expanding its team, has hired Andre Joubert He starts with the Cape-based firm in February Joubert left Investec last year to become MD of Franklin Asset Management — the SA arm of US-based group Franklin Templeton.

BOE has yet to decide which unit trusts Joubert will run, says portfolio manager Kevin Cousins The fund manager plans to launch "a few" new products this year, including unit trust funds **Sharon Wood**

Japanese firms still see SA as a trade base

BD 18/11/99

(74)

Stephen Laufer and Louise Cook

JAPANESE companies continued to see SA as a base for economic exchange with Africa, despite the East Asian nation's current economic difficulties, former prime minister Ryutaro Hashimoto said in Johannesburg at the weekend.

He spoke as the first session of the new SA-Japan partnership forum, designed to intensify contacts between Pretoria and Tokyo, got under way.

A senior foreign policy adviser to Japanese Prime Minister Keizo Obuchi, Hashimoto met SA's Deputy President Thabo Mbeki twice during his stay in the country.

Senior officials participating in the partnership forum agreed on closer co-operation in demining in southern Africa; the development of SA products targeted at the Japanese market; tourism promotion from Japan; the development of small- and medium-sized enterprises in SA; and in science, culture and sport.

A foreign affairs statement said Japan had agreed to send several delegations to SA to follow up in specific areas.

Hashimoto said Japan wanted to work with Africa on environmental protection, development issues and United Nations (UN) reform. Tokyo is vying for permanent membership of the UN security council, and sees increased involvement in Africa as a demonstration of its international reach.

Praising the government's Growth, Employment, and Redistribution programme, Hashimoto said the retention of Africa's rich traditional culture and identity in the midst of globalisation was key to the continent's rebirth in the next century.

Japan's post-war economic prosperity was intimately connected to the availability of health and welfare services, as well as education, to all.

At the opening of a R185m water project in the Mpumalanga partly financed by the Japanese government, Mbeki praised Tokyo for its financial support to boost SA's water provision capacity.



Former Japanese Prime Minister Ryutaro Hashimoto visited the Tambo Memorial Hospital in Boksburg on the East Rand on Friday with Health Minister Nkosazana Zuma. Picture: TREVOR SAMSON

Mbeki said that contrary to popular belief, money from the Japanese Overseas Economic Co-operation Fund (OECF) used in the co-funding the project, was not tied. "The OECF did not insist that Japanese firms should get the business. They allowed the project to be divided up for tendering.

"Because of this, new African contractors were able to participate in its construction. This is the kind of practical capacity building which is essential if growth and reconstruction are going to take root."

The Kwandebele/Moutse/Moretele Water Supply Augmentation scheme is the biggest in the Reconstruction and Development Programme and will eventually benefit more than a million people in 50 villages.

Sherry truce sets up EU trade deal

~~WINE~~ 74

HUGH ROBERTON
POLITICAL EDITOR

ARG 25/1/99

South Africa's clash with Spain and Portugal over the export of sherry and port to the European Union could be over and a comprehensive trade agreement with the EU is expected within days.

Senior South African officials said the deadlock was broken by a tacit consensus – still to be formally worded and put to EU governments – to shelve the dispute for a decade.

In the meantime, South Africa would be allowed to export fortified wines under the titles "sherry" and "port" to the EU and other countries, but in limited and possibly diminishing quantities – some officials believe the 1998 export levels could be used to set the ceiling – and the issue would be reviewed during further negotiations, probably in 2010.

In exchange for agreeing to this compromise, South Africa is understood to have sought additional trade advantages for Western Cape fruit and wine exports to the EU, although officials declined to reveal what these might be.

The "sherry"and "port" proposal is probably the best deal South Africa could have expected in the circumstances, and if it is endorsed by all the EU governments – South African officials say they believe it will be acceptable to Spain and Portugal – the way will be open for a historic trade deal that could form the foundation of South Africa's economic growth in the new millennium.

"In the end, it seems, it was just too small an issue to hold up what is a vast and exciting opportunity for both sides," said an official today.

The EU's chief negotiator with South Africa, Philip Lowe, who is the European Commission's director-general of development, hinted at an impending breakthrough last week when he told the European Parliament in Brussels: "The discussions have been under way since June 1995 and it should only be a matter of weeks before they are completed."

He added: "A great deal has already been agreed, including a number of sensitive issues. A political solution to those that remain would appear to be possible.

"We are now poised for this important agreement ,which will send a positive message not just to South Africa and its neighbours, but for the future of our trade relations with the African, Caribbean and Pacific countries as well."

Trade and Industry Minister Alec Erwin is due in Europe for the Davos World Forum at the end of this week.

Also in attendance will be EU President Jacques Santer.

An agreement in principle is expected to be fleshed out then.

SADC to meet on tariff-free trade

John Dludlu BD 25/11/99

NEGOTIATORS from 11 member states of the Southern African Development Community meet in Harare today to resume ambitious talks aimed at creating tariff-free trade in the SADC in eight years.

Sources said the focus of today's week-long meeting of the SADC's trade negotiating forum, the body of negotiators, will be on the opening negotiating position by Zimbabwe.

Eight SADC members, including SA and its partners in the Southern African Customs Union, have tabled their offers, but Zimbabwe, the SADC's second most industrialised economy, has yet to do so.

Eddie Cross, the chairman of the confederation of the Zimbabwean industries' industrial associations, said at the weekend the Zimbabwean offer had just been completed. "It will be hot," he said.

Efforts to get the meeting postponed for two weeks to allow Harare time to finalise its position were rejected by the SADC, Cross said.

The SADC stance has been interpreted as signalling the organisation's determination to meet the June deadline set for the conclusion of the negotiations. "The main complaint in the ministers' council has been the (slow) pace of the trade talks," one source said.

Leaked draft proposals have suggested Harare is to ask SA to agree to reciprocal duty-free trade in at least three sectors — clothing, textiles and footwear. While SA is not seeking market access from fellow SADC partners, its customs union partners, Botswana, Lesotho, Namibia and Swaziland, are.

Mfundo Nkuhlu, the chief director for Africa trade relations at the trade and industry department, said yesterday all participating countries — except for the Democratic Republic of the Congo, Angola and the Seychelles — were expected to have their positions on the table this week. "On the basis of these (offers), we will begin discussing chapters for immediate liberalisation," he said.

The agenda included SADC rules of origin and the identification of non-tariff barriers to trade in the SADC that would have to be dismantled alongside import tariffs.

Members were expected to present positions on whether products produced in export processing zones should be included in the list of those qualifying for tariff-free trade in the SADC.

Cross said it looked like at least four sectors items — sugar, cereal, meat and milk — would be dealt with in special protocols because their production was heavily subsidised elsewhere in the world.

He said the agri-business sector had suggested the SADC should begin building a common external tariff system or a customs union.

It is envisaged that the three non-participating countries would join the free trade plan at a later stage.

CROSS-BORDER TRADE *Many 'exports' shown to be a scam to evade SA's 14% VAT*

SADC trade sleuths uncover strange customs

ST(BE)25/1/99 ([redacted]) (74)

TERRY BELL

Maseru — Estimates of cigarette consumption in Lesotho based on imports from South Africa have taken a sharp tumble this month. According to unofficial figures compiled by South African trade officials last year, the number of cigarettes exported by South Africa to Lesotho suggested that every man, woman and child in the small mountain kingdom smoked an average of nearly 400 cigarettes a day.

Supposedly exported goods had never left the warehouse in Johannesburg

This was one of the more blatant examples of round-tripping to avoid South Africa's 14 percent value-added tax (VAT).

According to customs officials in both Lesotho and Swaziland, most of the goods, ranging from cigarettes to clothing, textiles and liquor, never crossed the border.

"Some of these people would just drive by car to the border and present their clearance certificates, get them stamped, and then drive back again," said a senior trade official.

The supposedly exported goods never even left the warehouse in Johannesburg.

According to several sources, many of these goods ended up on the burgeoning informal market.

But much, if not all, of this seems now to have been stopped by a combination of the point-of-entry VAT rule and tighter border controls. On the Swaziland border, for example, three of the nine points of entry are no longer available for customs clearance.

Because of the growing trade in curios and handicrafts, VAT has also been extended to these items.

"Anyone importing into South Africa curios valued at more than R1 200 can expect to pay VAT," said a spokesman for the South African high commission in Mbabane.

"The object is obviously not to penalise legitimate tourists."

It was for this reason, as well as monitoring difficulties, that no steps had been taken to charge VAT on tanksful of petrol taken out of Swaziland, where fuel is some 30c a litre cheaper than across the border.

South African border farmers and residents of border towns who regularly fill up in Swaziland will therefore remain immune from VAT for the time being.

In cases of substantial imports, the South African Revenue Service offers a deferred payment system for the VAT owing. This has apparently defused earlier protests from legitimate importers concerned that the new regime would result in cash flow problems.

Beyond a vague "many millions", both customs and trade officials were reluctant to put a figure on the amount lost annually to the South African fiscus as a result of previous round-tripping.

Meanwhile, by the time the Southern African Development Community (SADC) free trade area agreement is scheduled to be signed in June, Swaziland plans to launch a major campaign to win long-term investment.

The campaign, to be spearheaded by the recently established Swaziland Investment Promotion Authority (SIPA) promises incentives "as good as any in the region", said SIPA acting general manager Joe Beirne.

Negotiations were still under way between government and a SIPA team led by chief executive Sishayi Nxumalo to finalise details of the incentives.

These, Beirne agreed, would be a case of "what you see is what you get".

This means the existing system, which gives the minister of finance the right to grant additional, unmarketable and usually undisclosed incentives in excess of the advertised five-year tax holiday, would have to be scrapped.

Swaziland plans to launch a major campaign to win long-term investment

But the five-year tax break is also likely to be either scrapped or severely modified, together with the 15 percent withholding tax now applicable to new investors.

"We will be looking for long-term investors," said Beirne, who also noted that greenfields ventures were usually unlikely to see any profit for at least the first two years.

With Swaziland generally recognised as having, next to Mozambique, perhaps the best economic potential in the region, SIPA executives are confident their campaign will have "a lot of impact" throughout the SADC and beyond.

But Beirne admitted that the authority, which nominally came into being in May last year, had been slow to get off the ground.

It has only now recruited staff and moved into permanent offices with a substantial budget to call on. The SIPA initiative will seek not only to attract new industry to this mountain kingdom, but also to encourage further downstream investment in the highly efficient Sappi- and Mondi-dominated timber industry.

"There are also beneficiation possibilities in the sugar sector," said Beirne.

The developments are being monitored closely by the trade officials of other SADC countries.

"Swaziland has great advantages and has been very much undersold," said one.

SA, Taiwanese trade drops as China moves in

BD 26/11/99 (74)

John Dludlu

TAIWAN's trade with SA suffered a dramatic fall last year, the first year since Pretoria switched diplomatic ties from Taipei to Beijing, figures from the Taipei liaison office suggest.

Meanwhile, China, with which Pretoria has established full diplomatic relations, says the establishment of diplomatic relations has "greatly improved trade cooperation".

Sun Zhongren, the commercial and economic counsellor at the Chinese embassy in SA, said at the weekend that trade between the two countries reached $1,29bn in the first 10 months of last year, suggesting a 2,8% increase over the same period a year earlier.

Data from the Taipei liaison office in SA, show bilateral trade between SA and Taiwan fell to $1,4bn last year from 1997's $1,8bn.

However, SA Chang, the economic counsellor at the Taipei liaison office, attributed the fall to the Asian economic turmoil "that reduced the market requirement of both countries". Growth in trade would continue when the market recovered, he said.

SA exported more products than the value of those it imported from Taiwan last year.

Tsediso Matona, a director for bilateral relations at the trade and industry department, was reluctant to attribute the growth in China-SA trade to the establishment of diplomatic ties, saying that full diplomatic recognition of Beijing had not changed the market access terms of SA's products in the Chinese market.

Instead, the growth could be a reflection of the phenomenal rates at which the Chinese economy had been expanding.

Chang said Taiwanese investments in SA should not be deterred by lack of "formal diplomatic ties".

Zhongren said China had established more than 60 joint ventures worth about $150m in SA despite the effects of the Asian financial troubles.

Asian economic crisis boosts trade with SA

BD 26/11/99 (74)

Cultural ties reinforce investment potential, writes **David Jackson**

AUSTRALIA celebrates its national day today with one of the features of the country's relations with SA the flourishing trade that has mushroomed in the post-isolation years.

This special day on Australia's calendar commemorates the establishment in 1788 of the British colonial settlement at Port Jackson, today the site of Sydney, Australia's largest city.

More than 200 years later, Australia, which hosts the Olympic Games in Sydney next year, has a dynamic economic infrastructure and is reaching out to global markets SA is a key focus, and its largest trading partner in Africa by far.

The export trade from Australia continues to grow as SA's economy opens up and demand for new products and technology increases

Total trade between the two countries in 1997/98 topped A$1,6bn — Australian exports to SA at A$1,097,285bn and imports from SA A$515,329m.

Cultural and social ties, similarities in climate, geography and economic structure, contribute to the trade and investment potential.

Key Australian exports include alumina (aluminium oxide) and meat — SA is the biggest export market for Australian mutton. Australia is also SA's biggest supplier of imported dairy products.

Also on the export list are automotive parts, industrial machinery and equipment, as well as leather.

Australia's principal imports from SA include steel, paper and paperboard and fertilisers, while the 3-series BMW car, assembled in SA, is one of the major export success stories "Down Under".

While, in some instances, the two countries tend to be competitive in the area of minerals in world markets, this has led to cross-investments in Australia by some South African companies. There has been a surge of South African investment in Australia, with retail and service organisations and information technology (IT) companies active.

Terry Goss, senior trade commissioner with the Australian Trade Commission in Johannesburg, says over the period 1996/97 Australian exports to SA grew at an annualised rate of 35%. This rate of growth tapered off last year to about 8%.

But there has been a renewed surge in the past few months due to the Asian economic crisis, which has adversely affected some Australian companies and prompted them to look at diversifying their markets.

Australian companies have traditionally concentrated heavily on Asia because of high rates of growth.

"We have had a high rate of inquiry and expect that to translate into success over the next 12 months or so, with many new companies bringing new products and services into the market here," Goss says.

Although there has been a lower rate of growth in South African exports to Australia, this increased from A$423,6m in 1996/97 to almost A$582m in 1997/98.

Notable in these statistics is the dramatic rise in sales of motor vehicles from SA, which have shot up from A$19m in 1996/7 to more than A$110m last year, representing the success of the BMW 3-series export programme

Meanwhile, cash-rich and well-managed South African companies are increasingly taking on major Australian acquisitions.

These include sectors such as mining, downstream metal processing, automotive, paint, food distribution, both wholesale and retail, clothing chains, mixed consumer goods, communications, financial services and the IT industry.

Many local companies with strong underlying businesses, low levels of gearing and solid cash flows are eager to expand beyond the domestic markets.

John Chapman, director of ACN Consultants, a Johannesburg-based Australian business and migration consultancy, says those companies that have made significant forays in the Australian market see it as a preferred destination for investment. Factors include Australia's stable economy, supportive and non-intrusive government, a similar business culture and its strategic position in Southeast Asia.

"Australia, as a first world economy with a similar business ethic, financial services sector and legal profile to SA, as well as outwardly expanding value-added processing industries, both in goods and services, offers South African corporates attractive opportunities for secure investment and business opportunities not available in the African region."

Chapman says with the lifting of international restrictions on trade and investment, South African industry has responded aggressively to the opportunities of a globalised market by investing in a range of industrial global markets, with Australia seen as a gateway to Southeast Asia and Far East markets.

Anti-fraud law is raising hackles

Govt accused of imposing paper solution on what is a law and order problem, writes **Tim Cohen**

BD 29/11/99

CAPE TOWN — A debate is raging between government and freight companies about the efficacy of recently enacted legislation aimed at combating VAT fraud, estimated to cost SA R1bn a year.

The new legislation makes it necessary for exporters from Botswana, Lesotho, Swaziland and Namibia, the BLSN countries, to pay and reclaim VAT on transit traffic through SA. It forces importers from these countries also to use SA-registered freight companies.

In introducing the legislation, government argued strongly that it was necessary to curb VAT fraud, which was reaching epidemic proportions. It was estimated that goods worth R100bn a year were involved. While initially understanding about the need for the legislation, freight companies are now becoming concerned about how it may affect their business and SA's entire trade regime, with some arguing it would ultimately be ineffective.

The legislation introduced a provision allowing zero-rating for export goods originating in SA as long as the consignee took responsibility for the delivery of the goods to the foreign destination. This was intended to prevent the zero-rating of goods which would never in fact leave SA by ensuring an SA-registered organisation, subject to SA law, was involved in transporting the goods.

BLSN freight companies can register, but this provision has had the effect of making it impossible for importers to contract with a single freight company to pick up and transport goods from a variety of different suppliers.

The second leg of the legislation designated certain border crossings for commercial use and required payment of VAT at the border post for goods being transported through SA which the exporter would then reclaim on exit.

This provision was targeted at fraudulent exporters who would purport to be transporting goods through SA but who would in fact offload the goods within SA.

SA Revenue Services spokesman Christo Henning said the service had sympathy for exporters whose cash flow might be hit by this measure, but he pointed out that the legislation was simply placing the BLSN countries on the same footing as all other countries.

Henning said the service had undertaken that no hold-ups at border posts would last longer than three hours.

The legislation included a window period during which regulations would not be strictly applied to allow importers and exporters to get used to the new system. This period technically ended at the beginning of last week and business organisations said no major hold-ups had been reported so far.

However, Ed Little, CE of the SA Association of Freight Forwarders, said one incident where 70 trucks were stuck at the Martinsdrift border post near Gaborone had been reported, although this problem was dealt with swiftly.

One unintended aspect of the legislation was that exporters from Zambia and further north were now able to use border posts other than Beit Bridge, which was often congested. However, problems had occurred because clearing agents were not available at some newly designated entrance points.

Although SA freight companies said they understood government's concern at the extent of VAT fraud, they expressed concern about the implications for the industry as a whole, especially during the transitional period.

Freight companies from BLSN countries have been particularly upset because although they can still pick up goods in SA once they have registered, they must now be contracted by a local company for each parcel of goods.

Freight companies and organised business are worried that the legislation might encourage exporters from the BLSN countries to seek new export points, like Beira. Alternatives to the new legislation, though, are difficult when differing tax regimes in neighbouring countries make what is effectively the round-tripping of goods a tempting prospect.

Director of VAT policy Peter Frank said the measures did not interfere with legitimate trade but were necessary to prevent tax evasion.

According to Gavin Cooper, the head of the Cape Town branch of the SA Association of Freight Forwarders, government is seeking to impose a "paper solution" on what was essentially a law and order problem. The problem of VAT fraud would be solved only once those committing fraud were caught and punished. Changing the legal environment might make fraud difficult, but those intending to defraud the tax office would ultimately find ways round the new legislation.

SA in dangerous waters with EU

(74) M+G 29/1-4/2/99

The European Union insists the free trade agreement with South Africa will be good for development. But it's missing the mark, argues **Dot Keet**



A fishy business: South Africa's trade needs in Europe are being used to force us to open our waters to the Spanish fishing industry. PHOTOGRAPH: DAVE BUZZARD

The European Union has pressed reciprocal free trade upon South Africa as a condition for South Africa to get better access to the European market. The EU emphasises its benevolent intentions and the development potential such a free trade agreement will contribute to in South Africa.

But such formal declarations of good intent are contradicted by the hard-nosed bargaining and blatant arm-twisting that have characterised the negotiations, diplomatic public statements by both sides notwithstanding.

The most recent example is the tactic of the Spanish government, acting on behalf of the crisis-ridden Spanish fishing industry, to use South Africa's trade needs in Europe as a lever to force this country to open up its fishing waters and resources to European operators. Such access has had catastrophic effects in the fishing fields of countries — such as Canada — with much greater resources and monitoring capacities than South Africa.

Increased international access to South African fishing resources is very much against the express wishes of all stakeholders — small-scale fishermen, trade unions and the large fishing companies alike — as well as the technical researchers and policy advisers in the relevant government departments.

But such access may yet be conceded as part of the overall trade "package". Such a deal, South African negotiators are prepared to concede, may well bring negative effects to "certain sectors", but these are presumably judged to be acceptable within the expectation of an "overall positive balance".

The uneven effects of free trade are evident in the impact on agriculture: at the same time that European states have been demanding access to South African resources and markets, the formal EU negotiating position continues to exclude competitive South African agricultural products from entering the European market under more favourable terms.

Despite various compromises from the South African side in its proposals in other sectors, the EU negotiators have remained determined to exclude some 46% of South African agricultural exports from the agreement.

The overall exclusions may yet be slightly reduced. But what is equally significant is that, of those South African agricultural exports that will eventually be allowed into the EU, most will only do so towards the end of the stipulated period — a tried-and-tested protectionist trade device known as "backloading".

Yet EU agricultural exports will continue to flood into South Africa and the rest of the Southern African Customs Union, underpinned by the vast subsidisation of the EU's Common Agricultural Policy and other more disguised governmental supports.

This amounts to a form of "dumping" and can justifiably be deemed to be unfair trade. It carries serious dangers for smaller and unsubsidised producers throughout Southern Africa — such as those already well documented in the meat production sectors.

There may be some South African agricultural exporters, such as those in the canned fruit industry, who believe they will benefit from free trade with Europe. But there are other producers in this sector — and their employees — who won't benefit, and who are already being badly affected by even the trade liberalisation that has already been introduced.

Even the "assymetricality" in the trade liberalisation that South Africa has managed to gain during the negotiations is somewhat misleading, and certainly unsatisfactory.

Under these adjustments, the EU will open its markets to local exports faster (over 10 years) than would be required of South Africa in relation to European exports (over 12 years). And the respective coverage, spacing and rate of tariff reductions over these periods will differ.

However, what this still means in practice is that some 53% of EU-manufactured goods will enter the local market tariff-free within the very first years of the agreement coming into effect — and well before South African industries have had time to restructure and face up to the impact of such powerful competition.

Such implications of the proposed free trade agreement for industrial development and diversification in this country are usually overlooked or underplayed, even among government policy analysts, while the limited media coverage focuses on the more immediately evident effects of the agricultural trade aspects.

It is also significant that the attempt by the South African side to introduce the concept of "ring-fencing" around targeted important but vulnerable industries was not well received by the Europeans, although they insist on protecting their own vulnerable sectors.

The terms under which such industries in South Africa would be opened up would be defined within agreed criteria, and enshrined in special protocols for key industries such as clothing and textiles, footwear, tyres and non-ferrous metals. But South Africa has already made concessions on this front, in an endeavour to persuade the Europeans to offer concessions on the agricultural side, as yet without apparent effect.

In the final analysis, however the details may be modified, the basic problem with the free trade agreement proposals is that they are based on the dubious proposition that free trade creates a level playing field and is beneficial to all participants.

Free trade has very different implications for economies of different size, structure, levels of development, technical resources and export capacities. Years of analysis have pointed out the tendentiousness of free trade claims by most developed countries, and evidence is mounting of the bad effects it has on foreign reserves and balance of payments, and on unemployment and de-industrialisation, especially in less developed countries.

Fundamental challenges to the free trade and free market concepts are emerging. It is becoming more recognised by mainstream analysts — including the likes of economics guru Jeffrey Sachs and World Bank chief economist Joseph Stiglitz — that the radical deregulation and integration of the world's financial markets carry dangerous effects. The free trade dimension of the neo-liberal paradigm will also have to be revised.

It would be most unfortunate if South Africa were to allow itself to be pushed into signing a highly unsatisfactory free trade agreement with the EU at precisely this historic period of change on the global plane.

South Africa should use the present "suspension" of its talks with the EU not to continue tinkering with the details and trying to get marginal improvements. It should rather link up with, and use, the debates and international struggles that are opening up.

South African analysts, governmental and non-governmental, could be developing alternatives to the simplistic and dangerous free trade/free market paradigm currently dominating the world.

Dot Keet is a senior research fellow in the School of Government at the University of the Western Cape

Erwin and Pinheiro toast a chilly agreement in port and sherry

ARGT 30/1/99 (74)

Davos, Switzerland – South African and European Union negotiators yesterday announced they had finally reached agreement on the outstanding issues of a proposed SA-EU free trade and development deal.

They declined to immediately make public details of the compromise reached.

The outstanding issues were resolved at a meeting between Trade Minister Alec Erwin and EU commissioner Joao de Deus Pinheiro at a two-hour meeting here, and now the agreement has to be referred to their principals for ratification.

Both men were confident that the compromise reached was within the mandate they had been given.

"I am very happy to say that today we were able to breach some of the gaps with some of the difficulties we have had," Mr Pinheiro said.

"As you know both of us will have to report back to our masters – Minister Alec Erwin will have to report back to the (South African) Cabinet, I will have to report back to the Council of Ministers in Europe.

"But I think that the work we did today is in compliance with the orientations we got from our masters.

"I think that today we reached a compromise, which as all compromises have not left any one of us happy, but we can live with it. That is the spirit of compromise."

Mr Erwin said the compromises reached were acceptable to the South African negotiators.

"I think in view of the sensitivities for many people around these compromises we won't elaborate on them a great deal now.

"I think it would be fair to say that as negotiators we have come to the end of these very important negotiations and hopefully these will be sanctioned by the principals."

Both sides had attempted to meet each other half-way, Mr Erwin said.

He would not disclose whether South Africa had backed down to EU demands that South African wine producers cease using the brand names port and sherry, saying only that the final agreement reached on the issue was complicated and had to be considered in its entirety.

It is expected that South Africa will phase out use of the brand names "port" and "sherry" and in return the EU will increase the quota of other wines South Africa may export to the EU and make funds available to market new brands of fortified wines.

"I think the best thing to do is to drink some port and sherry in this cold weather and we will make an announcement about this later," Mr Erwin quipped.

Mr Pinheiro said many of the issues discussed during the negotiations would be covered in broader trade negotiations to be conducted by the World Trade Organisation.

"We tried to have an agreement bearing in mind that in two years' time things would be solved in a more broad way, and that the (port and sherry) issue would be part of these broader negotiations."

He felt it was unfortunate that the negotiations had become stuck on the port and sherry issue because there were other parts of the agreement which had far greater economic consequence.

Mr Erwin said both sides had made certain last-minute concessions.

President Mandela was initially expected to attend yesterday's negotiations but arrived too late – he was unable to fly to Davos by helicopter due to heavy snow, and had to drive to the ski resort from Zurich. – Sapa

ST 21/1/99 (74)

EU deal clears way for investment

THABO KOBOKOANE

THE conclusion of the trade negotiations between South Africa and the European Union is set to double EU investment in South Africa and substantially improve trade flows between the two countries.

Fidelity FBC Investment Bank economist Mike Schussler said the deal would double Europe's investment in South Africa, particularly in heavy industries such as aluminium and the motor industry, and improve market access for SA exports to the EU.

Leonidas Tetzapsidias of the EU Pretoria mission expected the deal to substantially boost trade between the two countries.

The agricultural sector, which accounts for 14 percent of SA exports to the EU, is expected to benefit substantially from improved market access buoyed by lower or zero tariffs on almost 70 percent of products. The deal thrashed out between Trade and Industry Minister Alec Erwin and EU Commissioner Joao de Deus Pinheiro in Switzerland on Friday has yet to be approved by the SA Cabinet and the EU Council of Ministers.

Thereafter the deal will have to be ratified by the SA and European parliaments.

The trade and co-operation agreement will see the removal of tariffs on 95 percent of SA exports, while SA has offered to liberalise 86 percent of imports from the EU.

● See Business Times

Deal struck with EU on use of 'port' and 'sherry'

BD 1/2/99

(74)

Jim Jones and John Dludlu

DAVOS — SA's port and sherry producers will continue using these fortified wine names for 12 years if a deal hammered out at the weekend by Trade and Industry Minister Alec Erwin and European commissioner for development João de Deus Pinheiro is endorsed by their principals.

It is understood that the key to the resolution of the port and sherry problem, which was one of several matters delaying the conclusion of trade negotiations with the European Union (EU), was agreement on its phrasing.

Erwin and Pinheiro would not divulge details of their compromise until their principals had seen and endorsed it. However, it is understood that while SA may retain "port" and "sherry", the arrangement will be reviewed after 12 years.

The dispute arose from the EU's demand that the terms be dropped by SA.

The compromise has brought the two sides tantalisingly close to the conclusion of four years' negotiations on a trade, development and co-operation agreement.

The Financial Times reported on Saturday that Erwin said: "With a bit of luck, it's an agreement."

However, Eltie Links, SA's ambassador to the EU, said: "It's not over yet." Erwin and Pinheiro have to sell their compromise to their principals. The SA cabinet is expected to discuss it on Wednesday.

Pinheiro will brief his colleagues in the commission, the EU's executive, on Wednesday, while Philip Lowe, the director-general for development at the commission, is expected to brief EU member states on the same day.

Pinheiro will also discuss the deal at the meeting of EU foreign ministers on February 22.

Links, SA's chief negotiator, praised Erwin and Pinheiro for the compromise. "It was very much a joint effort. At final stages of the game, you cannot get everything you want," he said.

It is understood the compromise includes confirmation of a range of concessions on the EU's part, such as better access to the EU for specified volumes of SA wines, canned fruit and dairy products.

Wine industry expert Michael Fridjohn speculated that the compromise would be a satisfactory resolution if the SA wine industry received real benefits for its voluntary derogation and the move did not confer more rights to the EU's wine producers than those allowed under the World Trade Organisation.

Daan Botha, chairman of the national chamber of industry of the Afrikaanse Handelsinstituut, said yesterday he was "a bit worried" about deferred parts of the agreement, such as the fisheries accord.

Apparently the fisheries talks, suspended at SA's request to separate aspects of the talks, will resume in a year. It seems the compromise also includes agreement by the EU to relax restrictions on SA's trade in automotive components.

Comment: Page 9

European trade deal good for some, but not all

(74)
Star 1/2/99

By Matthew Burbidge and Peter Fabricius

South Africans are set to benefit from cheaper prices and a greater choice of products after the clinching of a trade agreement with the European Union, but some could lose their jobs.

The deal, which took four years to hammer out, will see the removal of tariffs on 95% of South African exports, while SA has offered to liberalise 86% of its imports from the EU.

The EU's chief negotiator agreed to allow SA to continue selling its port and sherry under those names in the domestic market indefinitely – which helped resolve the last outstanding issue.

Economist Nico Czypionka said some people could lose their jobs as some businesses would suffer from less protective tariffs.

EU investment in SA is expected to double, and trade flows will improve.

The agreement also applies to Lesotho, Swaziland and Namibia.

The port and sherry concession by EU Commissioner Joao de Deus Pinheiro, in negotiations with Trade and Industry Minister Alec Erwin in Davos, Switzerland on Friday, paved the way for a draft free-trade area agreement which must still be approved by the SA Cabinet and the EU Council of Ministers and then ratified by the SA and EU parliaments.

It is understood Erwin and Pinheiro agreed the liquor problem should not form part of the free-trade-area agreement.

SA's multinational companies will become more integrated with their European parents, while domestic companies will have to cultivate foreign markets.

Economist Tony Twine said an agreement that oiled the wheels of re-entry into the world economy was welcome.

Erwin confident of SA-EU trade pact by March

ET(BR) 2/2/99 (74)

MADELEINE WACKERNAGEL

Davos, Switzerland — The free trade agreement between South Africa and the European Union (EU) could be finalised by March now that a compromise had been reached on the port and sherry issue, Alec Erwin, the trade and industry minister, said yesterday.

Erwin said implementation of some aspects of the deal could begin this year, with the majority starting from January 2000.

In discussions in Davos last Friday, Joao de Deus Pinheiro, the EU commissioner for trade, and Erwin agreed that a final solution to the fortified wine issue would be reached within 12 years.

Spain and Portugal had argued for a ban on South Africa's use of the names, but South Africa believed a ruling could not be made either way until the parameters for geographic appellations, which could cover port and sherry, were decided in the appropriate multilateral forums.

The World Trade Organisation was scheduled to begin talks soon on developing guidelines for geographical appellations. The 12-year breathing space allows South Africa time to adapt its industry according to international strictures.

"The issue is not only one of money and protecting markets, but also one of standards," Erwin said.

The agreement as it now stands will be presented to parliament at the earliest opportunity.

EU and SA endorse compromise deal (74)

BD 4/2/99

Agreement on port and sherry wins promises of help from Europe

John Dludlu, Wyndham Hartley and Sapa-AFP

SA's TRADE negotiations with the European Union received a significant boost yesterday when the SA cabinet and the EU's executive body endorsed last Friday's compromise deal struck by Trade Minister Alec Erwin and João de Deus Pinheiro, the European Commissioner for relations with Africa.

One of the key elements of the compromise is that SA port and sherry producers will continue using those names for fortified wines in domestic markets — that is, within the Southern African Customs Union — for 12 years, after which the names will be reconsidered jointly.

Erwin confirmed yesterday that the period for the compromise on port and sherry was 12 years, but said he could not give further details because it was a sensitive issue with the EU.

However, it is understood the disputed terms will be phased out in eight years within the Southern African Development Community. In third markets, a phase-out period of five years has been negotiated.

In return, the EU has agreed that specified volumes of other SA wines be exported to the 15-nation market at preferential rates. Additionally, technical and financial assistance will be provided to SA to help port and sherry producers market alternative brands.

Crucially, the Erwin-Pinheiro deal received the backing of the European Commission, including Agriculture Commissioner Franz Fischler.

He said the 20-member commission had been satisfied that the lengthy transitional period granted to SA did not set a precedent which could be exploited by other countries currently negotiating trade deals with the EU.

Deputy President Thabo Mbeki announced that cabinet had agreed to the deal at a news briefing last night with Austrian Chancellor Viktor Klima, who was on an official visit to SA.

Klima said that Austria was in favour of the agreement as well, but he stressed that his country was but one of 15 member states.

He said Austria wanted the trade agreement to be implemented as soon as possible.

Erwin told journalists after the briefing that the EU now had to agree and this would determine whether or not the agreement could be ratified by Parliament in this short session before the election.

He said this probably could not happen and ratification would have to wait for SA's second democratic parliament.

Earlier Mbeki thanked Klima for all the support that Austria, which held the EU presidency until last December, had offered in the protracted negotiations leading to the finalisation of the deal last week.

Klima said it was important for the EU to have a reliable partner in Africa and SA was that partner.

Simultaneously, the details of the compromise were unveiled to the body of ambassadors of EU states, Coreper, yesterday.

A more detailed discussion of the EU-SA talks on trade, development and co-operation agreement will be held today by the Africa Group, a specialist Coreper subcommittee.

An EU official said yesterday signing could "reasonably" be expected between April and June.

Yesterday's double endorsements have significantly strengthened Pinheiro's hand in winning the backing of the EU's member states.



Austrian Chancellor Viktor Klima, left, arrived at Tuynhuys in Cape Town yesterday for meetings on economic matters. His first appointment was with Deputy President Thabo Mbeki. Picture: TYRONE ARTHUR

Cabinet approves port, sherry compromise

CT (pm) 4/2/94 (-74)

FROM SAPA

Cape Town — The South African Cabinet has, in principle, approved a compromise trade deal with the European Union (EU) on not using the names port and sherry for fortified wine, Deputy President Thabo Mbeki said yesterday.

South Africa has bowed to pressure from Portugal and Spain to stop using the words. However, said Mbeki, there were a few issues still to be tackled.

"Cabinet discussed the matter today. In principle we think the agreement reached is a good one. But we will still have to look at details," Mbeki told the media after meeting Viktor Klima, the visiting Austrian chancellor, at Tuynhuys in Cape Town.

Klima hoped the agreement would be signed during Austria's presidency of the EU. He said his country wanted a trading co-operation agreement as soon as possible. "Therefore we support a compromise."

Alec Erwin, the trade and industry minister, said Mbeki's remarks did not mean there were still outstanding issues on the table. Mbeki meant he had still to be thoroughly briefed by Erwin on the final details of the agreement, Erwin said.

The compromise was struck during the World Economic Forum in Davos, Switzerland last week. Because of its sensitivity, South Africa preferred the EU to announce the deal, Erwin said.

Yesterday the European Commission approved the draft trade deal struck last week by Erwin and Joao de Deus Pinheiro, the EU development commissioner.

Pinheiro and Erwin agreed last Friday to press ahead with the trade and co-operation deal, which has been under negotiation for almost four years.

Under the new deal South Africa will stop using the names "port" and "sherry" in five years. On the domestic market, the phase-out period will be 12 years. The deal will not include sensitive products like cereals and sugar, but duties on wine exports to the EU will be scrapped.

Pinheiro now faces the task of getting EU countries to back the deal. The 15 EU foreign ministers will be asked to give their opinion on the final package on February 22, said Pinheiro's office.

SA to debate Zimbabwe's free-trade proposals

BD 5/2/99 (74)

Michael Hartnack

HARARE — A three-member SA delegation has returned home to study Zimbabwean proposals for the abolition of tariffs in clothing, textile, leather and footwear after a fact-finding mission to the Zimbabwean industries.

"(Trade and Industry Minister) Alec Erwin will then flight a set of proposals to SA trade unions and industry associations before coming back with what are in a sense a set of counterproposals to the ones we put on the table in October," said Eddie Cross of the Confederation of Zimbabwean Industries, one of the SA delegation's hosts.

Cross, head of the confederation's industries committee, said Erwin had acknowledged the situation (on 1997 trade figures) of Zimbabwe importing Z$13bn SA goods while exporting Z$3bn to SA was "not acceptable". More than 40 000 jobs have been lost in Zimbabwe's clothing and textile sectors since 1993, when SA introduced stringent protectionist measures.

SA unions fear loss of jobs due to disguised, cheap, Far Eastern imports entering under Zimbabwean labels. They also protest against wages allegedly a sixth of SA levels and lack of "shop floor democracy" in Zimbabwe.

Cross denied there was an element of bluff in the Zimbabwean industrialists' pleas for tariff abolition. The only exceptions to proposed free trade from next January 1 were motor industry items and sugar, he said. There "some protection might be necessary".

Cross also denied Finance Minister Herbert Murerwa would veto tariff abolition because some commentators estimated a loss of Z$10bn excise revenue, thus making it impossible for Murerwa to meet International Monetary Fund budget deficit targets.

Cross said tariffs yielded about Z$4bn, or 8% of total state revenue, with SA trade contributing 70% or Z$3bn. "That can be made up," he said, or offset by value-added tax to be introduced in March next year.

"The South Africans are committed to trying to get a counter offer out from the SA system by the end of February," he said. "We are trying to fast track this as much as we can."

The South Africans were impressed that the Zimbabwean clothing industry was fairly substantial and well organised.

Cross said in textiles and clothing, Zimbabwe had alternatively proposed a broad-based quota system if tariff abolition was not acceptable, with stringent rules to ensure products were of Zimbabwean origin.

"They were very satisfied with our controls on this side," said Cross.

SA-EU TRADE TALKS

(74)

PORT IN SIGHT AFTER A FOUR-YEAR VOYAGE

FM 5/2/99

Political compromise suggests trade agreement may be close

The long-awaited free trade and co-operation treaty linking SA to the European Union could be signed this June, thanks to last Friday's political agreement on a draft final package by Trade & Industry Minister Alec Erwin and European Development Commissioner João de Deus Pinheiro in Davos, Switzerland.

The compromise package agreed by Erwin and Pinheiro still needs to be approved by the SA government and the 15 EU states. President Nelson Mandela, also in Davos, has already said publicly that he is pleased with the deal, virtually ensuring SA governmental approval.

Pinheiro, however, faces a more difficult task. His first test was due on February 3 when the agreement was to be presented for endorsement to the 20-member European Commission. In the past, EU Farm Commissioner Franz Fischler has been critical of Pinheiro's efforts to open up the EU market to SA's agricultural exports.

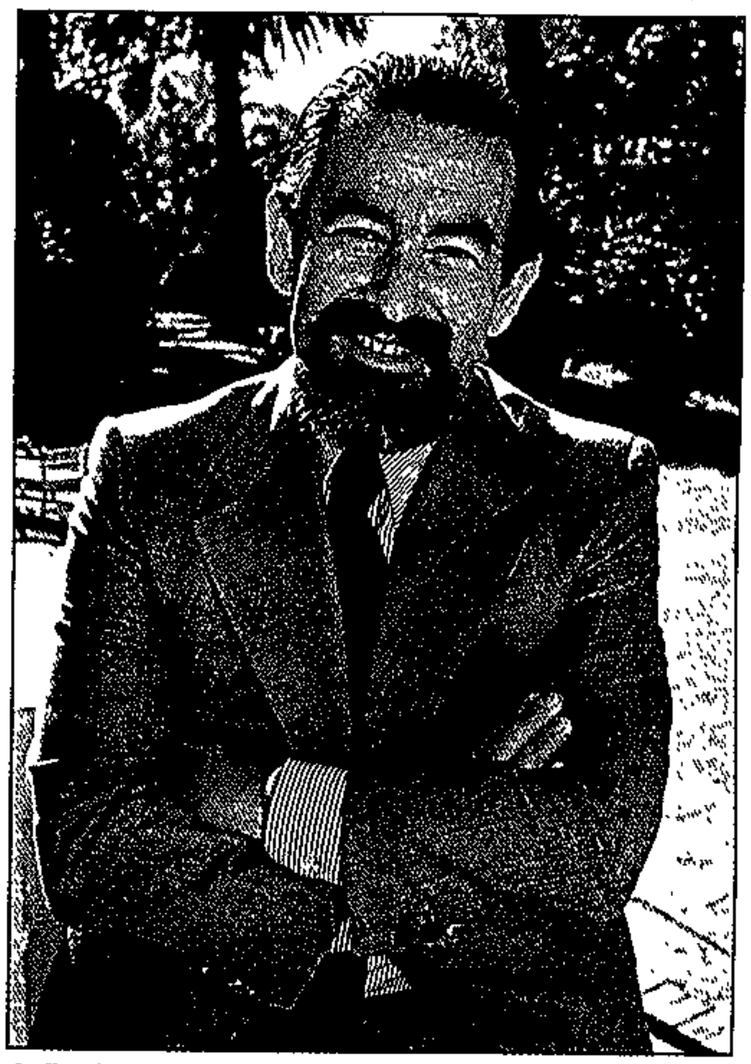
On February 22, the 15 EU Foreign Ministers will be asked to give their opinion on the compromise. In time-honoured EU tradition, each government will then consult its farm and trade departments. A formal EU approval could come in March, however As one EU negotiator said: "After four years of difficult negotiations, this is the closest we have been to a final deal."

Still, the commission admits it has to do a great deal of "analytical and presentational work" on the agreement before it can be presented formally to EU governments. Though details of the compromise are still being kept confidential, the final package is believed to include all sectors, as well as the EU's contentious demand that SA should phase out the use of the terms "port" and "sherry" on the domestic and Southern African Development Community markets.

Indications are that under the new deal, SA will be given up to 12 years to eliminate such labels at home and in neighbouring nations. In return, the EU has promised special financial aid to improve the marketing of SA wines. An increased quota for imports of SA wines into the EU is also expected to be part of the agreement.

EU officials admit that getting all 15 countries on board could still be a problem. And details of the pact's compatibility with international trading rules as laid out by the Geneva-based World Trade Organisation have to be thrashed out

If no new, last-minute obstacles are raised by either side, however, the agreement could be signed in June, when Germany is holding the six-month rotating presidency of the EU. It will then enter into force in early 2000. **Shada Islam, Brussels**



João de Deus Pinheiro *. . . European Commissioner facing a difficult task*

Trade glee masks unequal nature of deal

(74)

ST(BT) 7/2/99

The negotiators may be reaching for the bubbly, but in many cases SA industries have been given a rough ride, writes THABO KOBOKOANE

NEGOTIATORS are understandably chuffed with themselves about last week's compromise trade deal with Europe. However, there are concerns that the spat over the terms "port" and "sherry" put the lid on other compromises which may have helped SA's export potential in years to come.

Details of the final agreement between Trade and Industry Minister Alec Erwin and EU Commissioner Joao de Deus Pinheiro will remain under wraps until principals have been briefed. As a result, a thorough assessment of the trade accord is difficult.

Some analysts say the high-profile concession over "port" and "sherry" — the terms will be phased out over five and 12 years in export and domestic markets respectively — may have come at the expense of trade in other industrial products.

SA may have come through the Davos round of talks, but the agreement to phase out the terms "port" and "sherry" is hardly a victory — port and sherry constitute less than 1% or R100-million of agricultural exports.

The overall agreement has to be measured against the EU's commitment in Luxembourg in 1994 to support the new SA in its reconstruction. The will to carry this undertaking through has often been found wanting.

At the time, the commitment was widely taken to mean SA would be included in the Lomé Convention, the trade and aid co-operation agreement that governs relations between the EU and 70 African, Caribbean and Pacific countries.

Instead, SA was offered only qualified membership, with a separate trade and co-operation agreement leading to a free trade area that had to be hammered out from scratch.

Dot Keet, senior research fellow in the school of government at the University of the Western Cape, says SA did not originally ask for reciprocity, but for improved market access.

"The EU's response was that if SA wanted improved access it had to be based on reciprocity," she says.

In effect, the EU's early expressions of solidarity were replaced by demands for reciprocity, demands which Rob Davies, chairman of the parliamentary portfolio committee on trade and industry, said would increasingly shape relations between the EU and the developing world.

Time and again negotiations were held hostage by EU obfuscation and protectionist tendencies.

A development-related trade deal would normally seek to encourage export diversification.

But the EU's final proposal was to exclude 38% of SA's agricultural products — an improvement on its original intention to exclude 46% of the products. This means that the EU will lower tariffs on 62% of SA agricultural exports over 10 years.

The exclusion list flies in the face of the World Trade Organisation rules that free trade should cover "substantially all trade" — about 95% — without excluding any sector.

In return SA has agreed to drop tariffs on 81% of EU agricultural imports over a 12-year period.

Other agreements are that SA will be allowed to export 60 000 tons of canned fruit at "favourable conditions", and about 32-million litres of wine will enter the EU at 50% rebates to the most favoured nation rate.

Rolf Otto of the Department of Agriculture estimates that, based on existing trade and tariffs levels, SA will gain R3-billion in tariff savings when the agreement is fully in place.

Some economists suggest that the deal thrashed out at Davos may have been at the expense of certain products.

The clothing industry, for example, was seeking duty-free access for three years. In return SA offered lower tariffs of up to 50% over 8 to 10 years. Apparently this has been refined to allow at least 80% duty-free access over the same period.

US hopes to pave way towards pact

Simon Barber

WASHINGTON — Vice-President Al Gore travels to Cape Town next week with a large retinue of cabinet officials for the first full-blown session of the US-SA binational commission since August 1997.

The two-day gathering is expected to conclude with the signing of a trade and investment framework agreement, which the US hopes will pave the way towards a formal free trade pact.

The framework agreement will create a mechanism for managing trade disputes like the US complaint that SA is violating its World Trade Organisation obligations by threatening pharmaceutical patent rights, and SA's concerns that its steel industry is being unfairly targeted by US anti-dumping actions.

Attorney General Janet Reno joins the party for the first time to co-chair a new law enforcement committee with Safety and Security Minister Sidney Mufamadi.

The commission meeting, the fifth since 1995, is more a punctuation point in a process than a summit. This time, aside possibly from the pharmaceuticals case, there are no major fires — like the Armscor affair — for Gore and Mbeki to put out.

Committees of mid-level bureaucrats have been toiling away at deepening bilateral co-operation in such spheres as trade, agriculture, education, scientific research, conservation and defence. Each will report on its activities to Gore and Mbeki at a plenary session next Thursday when "deliverables" will be announced.

One such deliverable was announced yesterday: the US will help airlift troops to SA from other African countries to participate in the Blue Crane regional peacekeeping exercise planned for April.

The future of the commission remains clouded. Last July, Gore and Mbeki agreed to scale back its plenary sessions from two to one a year.

With Mbeki about to take over as president, and Gore increasingly focused on winning his own presidency, the question is what becomes of the institution in their absence.

Southern Africa closer to free trade pact, says Erwin

(74) BD 11/2/99

Wyndham Hartley

CAPE TOWN — SA should be bold in promoting a free trade agreement in the Southern African Development Community (SADC) as the first step towards creating an economic community similar to the European Union, Trade and Industry Minister Alec Erwin said yesterday.

Updating the parliamentary trade and industry committee on negotiations for a trade agreement, Erwin said he hoped to have the broad outline of the agreement negotiated with the 14 members states by the end of April.

Some domestic groups were apprehensive because they saw an SADC free trade agreement as a threat to local industries. Erwin said the agreement would lead to profound changes in SA exports, and an improvement in performance. The 5% export rate of 10 years ago had grown to 20%, and SA exporters into Africa were replacing European and US companies.

This widened the trade imbalance between SA and its neighbours, because SA bought little from African countries. The only feasible solution was to encourage investment there, "buy from them and build the economies of our neighbours as we build our own", he said.

Department chief director Mfundo Nkuhlu said SA and its customs union partners had put together an offer based on the principle of asymmetry; SA would scale down tariffs faster than the others.

Negotiations on sectors, starting with minerals, steel and iron, should be completed, and followed by agreement on the rules of origin, nontariff barriers and industrial agreements. It was hoped an interim agreement would be implemented by January next year, with the full free trade agreement in place 10 years later.

Regional development is a first priority

Erwin says free trade in SADC won't hurt jobs

BE 11/2/99 (74)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — The impact of a free trade area within the Southern African Development Community (SADC) on jobs in South Africa would be minuscule compared to the impact of a continued decline of regional economies, Alec Erwin, the trade and industry minister, said yesterday.

Briefing the national assembly's portfolio committee on trade and industry, Erwin said the aim should be to improve the competitiveness and efficiency of regional economies through the free trade area by promoting production and building capacity.

This called for "bold and innovative moves" rather than fears that free trade could affect jobs in South Africa.

He said it was unlikely that South Africa and its neighbours would be able to even out the flow of trade between them for some time. Some states were, in fact, buying more from South Africa now than at any time in the past.

"The bigger concern is that our neighbours are getting larger and larger trade deficits as a whole and this is generating problems for them," he said.

"Our difficulty would be that if this situation were to continue and they do not get foreign investors, their macro-economic position becomes problematic.

"Of greater concern is the exact composition of these deficits. The fear that we have is that we are seeing a continuous de-industrialisation process in our neighbours such as Zimbabwe and Zambia."

This was largely due to the inappropriate tariff protection policies imposed on them by the International Monetary Fund.

"This process of de-industrialisation cannot be to our benefit," Erwin said.

For example, South Africa was helping countries such as Mozambique and Tanzania to improve their industrial output, which it would buy from them.

The government was also holding talks with local retail chains who were active in the SADC to work out ways in which they could buy goods from the region.

Instability in Angola and the Democratic Republic of the Congo had increased the need for action, while the Zimbabwean economy had been badly affected by its need to raise tariffs for revenue purposes.

Mfundo Nkuhlu, the director in charge of the SADC trade negotiations, said that so far only 11 of the 14 SADC states had indicated that they would take part in the trade talks, which would focus on chemicals, wood and paper in the next round later this month.

EXPORTS, VAT & FRAUD

FM 12/2/99 (74)

REVENUE BEATS THE BADDIES BY BLOCKING VAT LOOPHOLES

Insistence on upfront Vat payment saves SA millions

The SA Revenue Service's tough stand on Vat evasion at border posts with four key neighbouring states seems to be paying off. Up to 90% of the losses previously suffered on Vat refunds on indirect exports to Botswana, Lesotho, Namibia and Swaziland (the BLNS countries) have already been staunched, says Revenue's director of Vat policy, Peter Frank.

Revenue estimates that as much as R100m a month in Vat takings was being lost through fake export transactions, where the goods never left SA. In just one case of fraud uncovered late last year — involving Zamar Trading and Cordless Phones — around R59m in fraudulent Vat refunds was claimed.

Indirect exports are transactions where a SA-registered Vat vendor sells goods to a middleman who claims the goods are for export and thus entitled to a zero-rating or refund of the Vat paid to the original vendor. The refund is paid once the middleman produces fraudulent Customs documents "proving" the goods' export, often with the collusion of crooked border officials. In this way, billions of rand worth of goods — ostensibly transported across a border, mostly to the BLNS states — never actually leave SA. Instead, they are resold here with Vat added on, and the seller claims a full Vat refund from Revenue, thereby pocketing the 14% tax.

BLNS have been more prone to Vat abuse than other export points (such as international airports, Zimbabwe and Mozambique) because the SA tax authority was unable to post officials at BLNS border posts when Vat began in 1991. Customs officers generally handle Vat documents at borders but, as member countries of the Southern African Customs Union are exempt from duties, customs officers were not stationed at BLNS posts.

The new export incentive scheme for Vat began last November, and Frank says it has worked so well that Revenue is now refunding only about R9m of Vat a month, suggesting 90% of previous "exports" to BLNS were falsely described.

Under the new Vat export rules, zero-rating is not allowed. The Vat must be paid upfront and the export refund can only be made by Customs officers at designated export crossing points, with far better supervision than in the past.

On the import side, Revenue expects to net about R100m a month in Vat, though the initial take has been lower. In the two weeks since implementation on January 4, Revenue netted only about R33m. In this case, though, fraud was generally not the issue Revenue was always capturing about R20m a month in Vat from subsequent transactions with final purchasers.

Revenue's intention is to capture Vat in an earlier leg of trade — the actual import transaction, not the final transaction It means there can be no input tax credit, because the preceding transaction has taken place outside SA The more Vat that can be captured at the import stage, the better for cash flow to the treasury

Frank says meaningful statistics are not yet available for so-called direct exports, transactions where the SA supplier itself transports the goods over the border and claims zero-rating or a Vat refund.

Problems persist, though, with livestock and red meat exports, as Revenue is still allowing local sales to be zero-rated. The same source of fraud — fictitious exports — has not yet been blocked. Nor has failure to levy Vat on imports These are politically delicate areas, but Revenue is engaged in negotiations with interested parties and intends reaching an agreement

A private-sector grouping, the Customs & Vat Enforcement Caucus, helped to lay the foundation for these reforms through meticulous detective work Caucus chairman Richard Ferrer and convenor Lee Dutton have uncovered several networks responsible for export fraud. But the Vat miscreants haven't given up, says Dutton Already, new styles of Vat fraud are beginning to appear.

Robin Friedland

VAT SCAM

Size of the problem

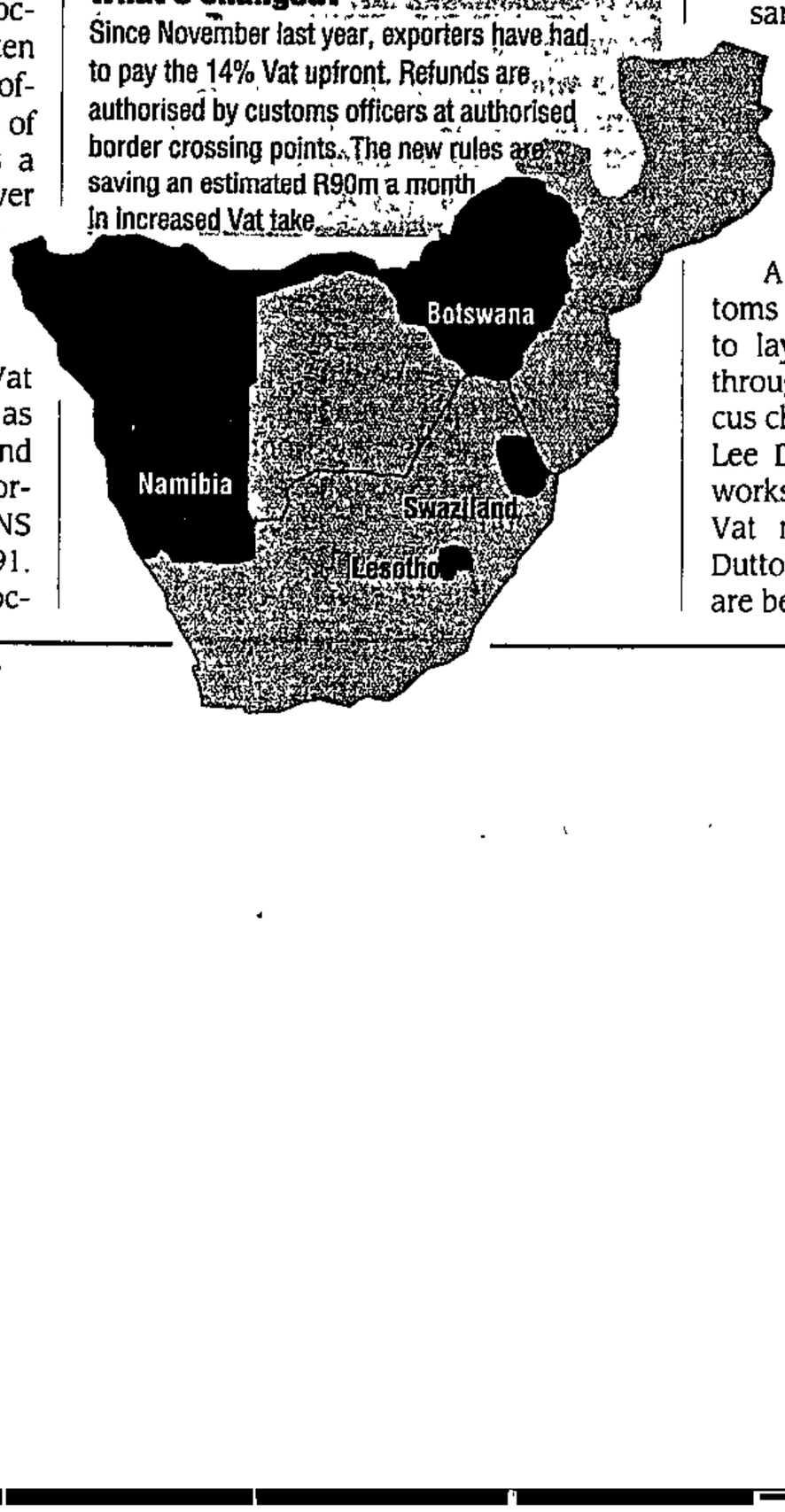
SA Revenue Service estimates evasion on exports to Botswana, Lesotho, Namibia and Swaziland was costing R100m a month in lost Vat.

How it was done

A middleman would buy goods from a vendor on the undertaking that the Vat will be refunded once the goods have been exported to one of these countries. The middleman gets fraudulent export documents and claims a Vat refund. But the goods never leave SA and are resold, allowing the seller to pocket the 14% Vat.

What's changed?

Since November last year, exporters have had to pay the 14% Vat upfront. Refunds are authorised by customs officers at authorised border crossing points. The new rules are saving an estimated R90m a month in increased Vat take.



New hurdles could scupper EU deal

BD 15/2/99 (74)

John Dludlu

SA's negotiations for an accord with the European Union face new hurdles which could scupper plans to have the trade, development and co-operation deal approved at next Monday's meeting of EU foreign ministers.

EU and SA officials close to the talks confirmed at the weekend that certain EU member states were unhappy with the provisions of a package agreed to in Davos, Switzerland, between Trade and Industry Minister Alec Erwin and João de Deus Pinheiro, the European commissioner responsible for relations with Africa.

Additionally, EU members, including Germany and Holland, want the agreement to include a clause covering repatriation of illegal aliens. Though SA is not being targeted with the clause stipulating that illegal aliens from the two areas should be sent back to their country of origin, the EU does not want to set a precedent exempting a partner from this, particularly ahead of other trade talks.

It has emerged that some EU member states are demanding adjustments to the Erwin-Pinheiro deal, a move that could upset the delicate balance the two men struck in Davos.

An EU official said on Friday there was concern among some EU members — including Spain, Italy, Portugal and France — that the "port" and "sherry" resolution was too generous to SA.

Although details of the Erwin-Pinheiro agreement have yet to be officially made known, it is understood agreement was reached that SA would phase out the use of port and sherry in export markets over five years. The two names would be phased out in eight years within the Southern African Development Community. Within the Southern African Customs Union, the names would have to be jointly agreed after 12 years.

The EU official said: "They (the EU states) say we gave too much away and what we got back is not clear."

Sources familiar with the talks say although the matter has not reached "crisis" stage, a crisis could easily develop.

The EU's unhappiness so far has been expressed at Coreper, the EU ambassadors' body, but sources from both sides say a decision by EU foreign ministers could go either way.

Rejection of the deal by EU governments next Monday will cast doubts on prospects of wrapping up the negotiations by March — the latest deadline set by EU governments. It could also cast a shadow over the state visit to SA this week by the Spanish royal couple.

It is understood that SA's government, which endorsed the Erwin-Pinheiro package a week ago, has indicated that it is not ready to adjust it. No comment could be received yesterday from SA's negotiators.

"The next step will be to report (SA's response) back to the commission (the EU's executive)," said the EU source.

The Erwin-Pinheiro package was given preliminary approval by the 20 European commissioners, including Franz Fischler, the farm commissioner, a week ago.

The EU official said it was difficult to change the package. Given the fact that there were no official meetings planned before next Monday, the EU ministers would either have to approve or reject the deal.

Officials say a solution could be found on immigration, given the modest nature of the EU's demands. SA should at least agree to discuss co-operating on immigration at a later stage.

Diplomats warn of 'serious problems'

ET(BR) 15/2/99

Spain throws spanner in EU trade deal

(74)

BONTLE HEADBUSH AND JOHN FRASER

Brussels — Spain warned at the weekend it would not accept the draft trade accord reached by South African and European Union (EU) negotiators in the Swiss ski resort of Davos recently.

The warning came as EU ambassadors met in Brussels to discuss terms of the deal, which will open up markets in Europe for South African exporters, while giving European firms greater opportunities in South Africa.

Bahle Sibisi, the chief director for foreign relations in the department of trade and industry (DTI), said these issues would be discussed when King Carlos, the Spanish regent, arrived in South Africa this week on an official visit.

"As far as the DTI is concerned, we have concluded the negotiations on the trade development and co-operation agreement with the EU," said Sibisi.

"All that's left is for (EU Commissioner Joao de Deus) Pinheiro to get an agreement from the council of ministers before we meet again on February 22."

But an EU diplomat who attended the meeting said the Spanish had warned they would not accept the deal. "They called on the European Commission negotiators to go back to the South Africans and secure changes," he said. "We are not talking of fine-tuning here — we are talking of serious problems."

Spain had wanted an assurance that the use of the terms "port" and "sherry" for fortified wines would be reviewed after 12 years, the diplomat said.

In return for an agreement to stop using the two names, South Africa was offered tariff-free wine export opportunities in the European market and EU cash aid to assist with the marketing of new brand names.

"The Spanish also thought the EU team has been too generous over agricultural goods like oranges, frozen strawberries and canned fruit," said the EU diplomat. "And they are nervous that the EU will not get a good fisheries deal with South Africa."

A source close to the talks said Spain, one of the world's most active fishing nations, regarded access to South Africa's fishing waters as a very desirable cherry on top of any deal it could get out of the negotiations.

"What South Africa wants, on the other hand, is an agreement opening up access to each other's markets — not access to each other's resources," he said.

France and Italy have also voiced concerns about the agricultural concessions in the agreement. There were demands that tighter assurances be given by South Africa on the repatriation back to the country of illegal immigrants in Europe

"It is difficult to see the South Africans giving much further ground," said an EU diplomat.

"EU foreign ministers will have to decide when they meet on the 22nd of this month whether or not the deal can go ahead."

Fury over new hitch to EU-SA trade deal

(74) BD 16/2/99

Stakeholders warn that further delays could undermine benefits of agreement

John Dludlu and Wyndham Hartley

GOVERNMENT and business leaders reacted angrily yesterday to the European Union's attempts to wring out last-minute concessions from SA on trade, development and co-operation talks.

This follows reports suggesting that certain EU members — including Germany, Spain, Holland, Portugal and Italy — are demanding adjustments to an agreement struck recently between Trade and Industry Minister Alec Erwin and João de Deus Pinheiro, the EU commissioner for relations with Africa.

Essentially, these countries want the talks reopened to review provisions on fortified wines and to get SA to agree to co-operate with the EU in addressing the problem of illegal aliens. The EU wants a repatriation clause for illegal aliens.

Michael McDonald, head of the economics division at the Steel and Engineering Industries Federation of SA, warned that further delays to the conclusion of the talks could undermine the benefits of the agreement, especially the "asymmetrical character" of the deal. The idea behind asymmetry is that the EU will open its markets to SA products faster than will be required of SA.

"If it is going to be good to us, it will have to come quickly," said McDonald, who believed the EU had been constantly pushing SA into compromises.

It is understood that SA's government — which had endorsed the deal — has written to the EU saying reopening the talks will be unacceptable.

Briefing the parliamentary committees on trade, foreign affairs and agriculture in Cape Town yesterday Bahle Sibisi, chief director of bilateral trade relations at the trade and industry department, said SA hoped that good sense would prevail among EU members which had expressed misgivings about the agreement.

Replying to questions about Spain, which was reportedly still unhappy about the compromise reached on the use of the terms "port" and "sherry" by SA, Sibisi said the deal had been negotiated with the EU as a whole and not with individual member countries. If any country did not want to accept the agreement then that was an internal EU procedural matter which had to be sorted out internally.

EU foreign ministers are due to discuss the EU-SA talks on Monday. EU leaders have promised to have the talks concluded by next month — the latest of a series of deadlines.

SA Foundation executive director Neil van Heerden warned that more delays could see the EU-SA talks "overrun" by the review of the Lomé convention, the EU's trade and aid agreement with developing countries. Fears have been expressed that the start of the Lomé review, coinciding with preparations for the EU's eastward expansion, may push the EU-SA talks to the back burner.

Henriette Kievet, an analyst at Amsterdam Consulting Group, lashed out at the EU, expressing shock that SA was yet again becoming a victim of wrangling within the EU. She said it was "absurd" and "scandalous" that the Dutch and German governments should use the issue of illegal aliens, which had nothing to do with either SA or trade, to hold up these negotiations. Both countries' immigration policies have been criticised within the EU for being too lax.

The protesting EU states are understood to be concerned that the deal is too generous to SA, particularly with the provisions on SA's use of port and sherry for its fortified wines. Pinheiro and Erwin agreed that SA would use the names in the Southern African Customs Union for 12 years, after which the situation would be jointly reviewed.

However, Van Heerden and Kievet both felt it likely that the EU foreign ministers' council would approve the deal with SA. An SA government official said that if the council rejected the deal SA would maintain the "moral high ground" and the EU's credibility in SA could suffer.

A business source speculated that a rejection by the council could constitute an embarrassment for Pinheiro, who brokered the political deal with Erwin in a move seen by some in the EU as putting his career on the line.

The latest twist in the talks, coinciding with the Spanish royal couple's visit to SA, could also embarrass Madrid.

Carlos turns blind eye: Page 2
Comment: Page 13

'Sense to prevail' in EU pact

(74) CT(BR) 16/2/99

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — Spain's last-minute objections to the planned free trade pact between the European Union (EU) and South Africa could scupper negotiations, but officials were optimistic yesterday that "sense would prevail".

Diplomatic sources said Spain was not the only country unhappy with the planned pact, and intense debate was expected when the EU's council of ministers met next Monday to consider the agreement. If Spain and others continue to object, the agreement will have to be renegotiated, which could delay it considerably.

This, sources said, would be an "outrageous capitulation to vested EU interests" and would send negative signals to developing countries preparing to renegotiate the Lomé Agreement.

Spain's King Juan Carlos did not refer directly to Spain's threat to the talks when he addressed parliament yesterday, but he said the agreement, once negotiated, would "take its place as a model of a deep and mutually productive relationship".

If any country was raising objections to the agreement, said Bahle Sibisi, the chief director for foreign relations in the trade and industry department, "that is an internal process that will have to sort itself out". The agreement had been negotiated with the EU as a whole, not with individual countries.

Spain has objected to South Africa's use of the names port and sherry. Sibisi said that under the new deal thrashed out by the EU and Alec Erwin, the trade and industry minister, South Africa would be able to continue using the names domestically for 12 years while phasing them out in third-country markets.

Trade in products with tariff protection of under 10 percent, which include capital and intermediate goods, would be opened up within three years. There would be full liberalisation of 86 percent of imports over 12 years. In sensitive areas, special protection would be provided for up to 12 years.

The EU's list of exclusions had been reduced from 46 percent to 38 percent of trade. This fell to 26 percent if the quotas were included. "The commitment to have regular reviews ... is very important," Sibisi said.

Last night, Reuters reports, President Nelson Mandela called on Spain to back the deal. "The package is a compromise for the mutual benefit of all parties," he said at a banquet for the king and queen.

FREE TRADE PACT

A right royal cul-de-sac

(74) CT(MR) 16/2/99

LESLIE TILLEY

When Alec Erwin, the trade and industry minister, said in Davos recently that ratifying the European Union (EU) free trade deal might be "more difficult for the EU than for the South African parliament", little did he know what an understatement that would prove to be.

Only weeks later, the deal he brokered there with Joao de Deus Pinheiro, the European commissioner responsible for relations for Africa, looks to be in tatters again.

And while yesterday's arrival of Spain's King Juan Carlos and Queen Sofia on the first official royal visit to South Africa underlines Europe's view of South Africa's importance in uplifting Africa and the region, the attempt at closer ties is overshadowed by the weekend's news that Spain had refused to accept the draft trade accord.

Spain has repeatedly been blamed for stalling the accord over agricultural problems such as the use of the terms "port" and "sherry" by local producers. Through the negotiations, the Spanish have stuck to their guns over their and Portugal's claim to ownership of the brand names.

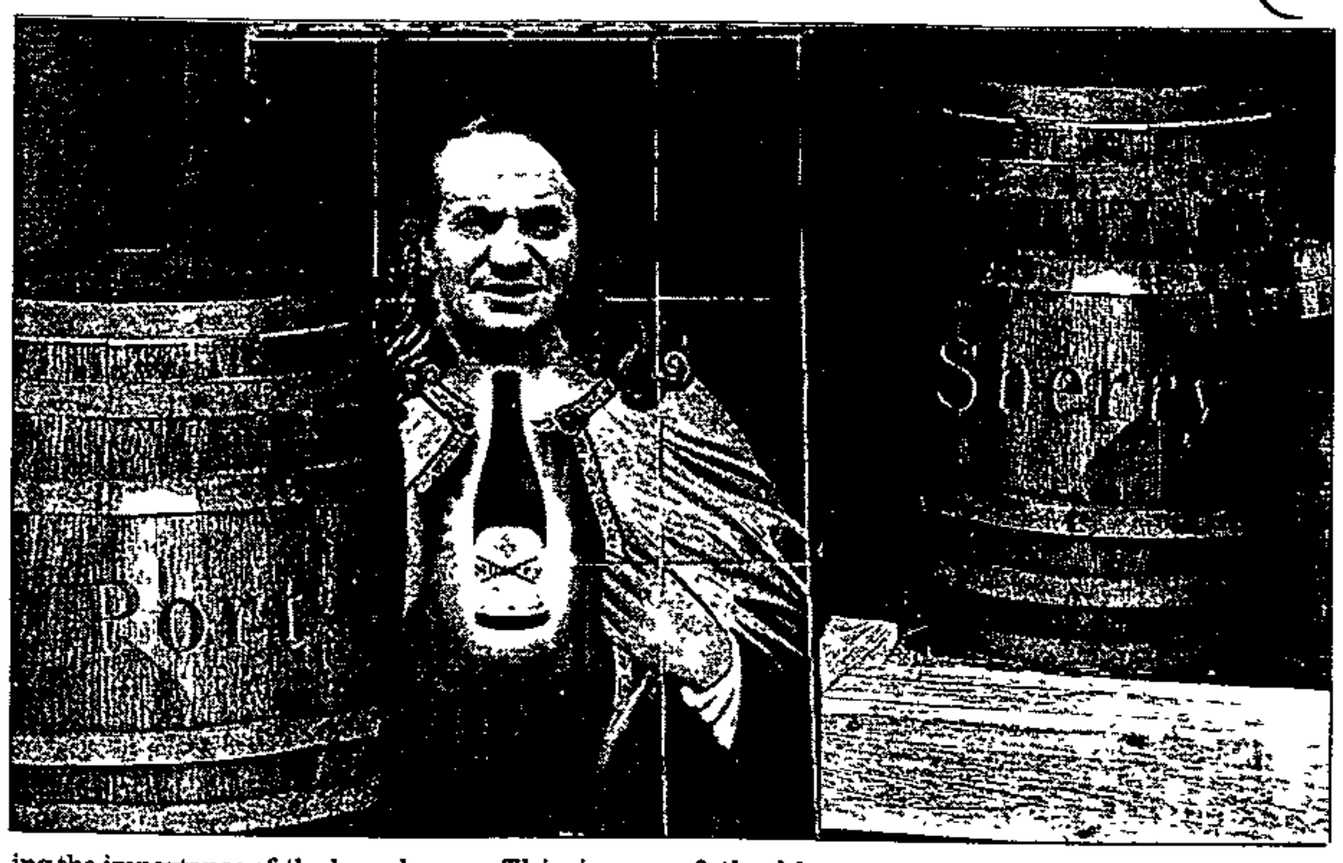
Yet it was clear on my recent visit to Spain that the Spaniards hoped the negotiations would be complete by the time the king and queen arrived in South Africa. Erwin was confident in Davos the deal would be signed and sealed by March, with some implementation beginning soon.

The Spaniards refuse to accept all the blame for the hiatus, arguing that the brand names belong to the EU, not just Spain and Portugal. They point out that Greece, Italy and France are also holding back negotiations over agricultural products but Spain seems to take all the flak for the deal's complexity.

"If the only problem between the EU and South Africa is the sherry and port issue, then I am ready to accept the blame," said Ramon de Miguel, Spain's deputy minister of foreign affairs and the EU.

"There are many other problems. In the EU, everyone has the tendency to use other countries as a screen." He refused to elaborate on other issues reportedly holding back the deal.

But anyone not acknowledging the importance of the brands among Europeans should note that even specialist wine shops in the UK carry posters in their window saying that only sherry made in Spain is the real thing.



Bear in mind that the UK exports more sherry than the Spanish, and one can understand the complexities of the European mind on intellectual and brand ownership issues.

This is one of the biggest stumbling blocks of negotiating with the EU. Each country has a right of veto over any issue affecting its domain, but an enormous shadow is thrown into the public arena.

Few outside those directly involved in the horse trading have any idea what compromises are being sought on other, perhaps unrelated issues.

Insiders at the meeting of the EU ambassadors in Brussels last week, when they discussed the details of the trade deal, say there was an enormous amount of confusion but at the end of the day Spain had refused to sign. However, the EU has learnt to keep its deliberations secret, and most comments can be taken with a pinch of salt.

An apparently new issue to have hit the public last week is an EU demand on the repatriation of illegal aliens. If this is true, it can be taken as fact that the negotiations are not just about trade issues but about numerous other problems which the EU feels need to be resolved before it can form closer ties with South Africa.

However, one should not let complexities over trade negotiations get in the way of the importance of the royal visit. Indeed, in his address to parliament yesterday, King Juan Carlos was at pains to downplay the trade issue.

Spain has a large historical presence in South America but is looking to expand its area of influence in Africa now that it is one of the world's top trading nations. Spain says it is the world's 15th-largest exporter and 14th-largest importer, accounting for 1,73 percent and 2,13 percent of global exports and imports.

South Africa accounts for 0,4 percent of Spain's trade. To support this, Spain is hosting a Spain-South Africa Investment and Business Co-operation Forum in Johannesburg tomorrow and Thursday.

The Insituto Espanol de Comercio Exterior says it wants to "promote Spain's image as an industrial nation with high-end technology, and therefore as a potential partner for South Africa. Specifically, the intention is focused on changing Spain's poor level — or even complete lack — of recognition as an industrial nation in South Africa."

Besides trade, one important aspect of South Africa's future relationship with Spain is that country's affinity with our movement to democracy after it went through much the same trauma after the Franco dictatorship. It is important to note that both Mandela and the king have been leading participants and mollifiers in the movements towards democracy and reconciliation in their countries' traumatic paths.

Given the transition Spain has gone through in such a short time, from a dictatorship and poor cousin of the EU to an up-and-coming world power, there are surely similarities between the two southern countries, albeit in different hemispheres.

A constant refrain from Spaniards, from politicians to senior executives, was how alike the nations' past and present were. Let's hope South Africa has as happy an ending.

EU trade accord about to bear fruit

(74)

Sowetan 17/2/99

By Malcolm Ray

THERE are signs that protracted negotiations between South Africa and the European Union towards a trade, development and cooperation agreement is likely to become final on February 22.

Trade and Industry Minister Alec Erwin told a press briefing in Cape Town yesterday that the agreement had been finalised between South Africa and EU Commissioner Pinheiro last month and had since been endorsed by the South African Cabinet and the European Commission.

He said South Africa was hoping for a "package deal" that would accommodate the interests of all member countries in the EU and South Africa.

The commencement of negotiations between the two trade partners in 1994 has centred on a free trade agreement, establishing preferential markets and a transitional period for the liberalisation of tariffs over the next 12 years.

Said Erwin: "As a major trading partner, South Africa's prigrity is to ensure that trade liberalisation takes account of changes in sensitive local industries like the auto, clothing and textile manufacturing sectors.

"To this effect, sensitive products will remain on a reserve list without any tariff elimination or reduction at this point. These safeguard provisions are important to ensure that South Africa can temporarily protect itself or slow down the pace of liberalisation against unequal trade.

"What is important is that the integrity of free trade and duty free access to one another's markets is maintained in the duration of the agreement," he said.

It is believed that tariff quotas will allow South African industries to make inroads into the EU on an unprecedented scale. According to Erwin, the EU list of exclusions had been significantly reduced from 46 percent in 1997 to 27 percent. He was confident that major hurdles had been overcome. "A political compromise on port and sherry which was reached in Davos late last month opens up a way forward for both partners," he said.

A number of trade related issues are still subject to intense debate, however.

Member countries in the EU are insisting on changes to the wording of port, sherry and immigration clauses in the agreement. "These are technical changes and should not delay the signing and ratification of the agreement," said Erwin.

Erwin resists re-opening EU trade negotiations

(74)

Wyndham Hartley

CAPE TOWN — Trade and Industry Minister Alec Erwin insisted yesterday that SA would not go back to the negotiating table to rework the trade agreement if the European Union council of ministers failed to approve the compromise struck in Davos late last month.

Erwin said that there was absolutely no point in reopening any clause in the trade deal which he and EU negotiator EU Commissioner João de Deus Pinheiro concluded.

He confirmed that the SA government had written a strong letter to the EU saying SA has "no intention of changing our position, and if this means that there is no agreement then this would be a pity".

He said he hoped the EU would see sense.

He refused to say which EU member countries were bedevilling the process by lodging further objections, saying that was a "futile exercise" The negotiations were with the EU, which had told SA that some aspects of the port and sherry agreement and the immigration clauses needed modification.

"Some of the changes are purely technical and are about the use of words. We hold similar views on some words but believe that we cannot keep re-opening these issues.

Erwin also said that the changes now demanded in the port and sherry agreement would have undone the compromise reached in Davos.

Erwin said the EU had to resolve their internal differences and "return with a response to our letter". He said he hoped the EU would approve the deal because it was a fair one and further change would cause imbalances

Earlier, Deputy President Thabo Mbeki said that he was confident that no-one wanted to unravel the agreement.

He said the problems were in the language of the deal, and not its substance.

EU ploy: Page 15

BD 17/2/99

Erwin lashes out over trade pact

CT(BR) 17/2/99 (-74)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — A visibly angry Alec Erwin, the trade and industry minister, lashed out yesterday at European Union (EU) states that were trying to wring last-minute concessions from their joint trade agreement with South Africa.

Organised business also indicated that any changes at this late stage would be unacceptable after four years of intense negotiations.

Addressing a briefing for diplomats and the media, Erwin said the negotiations with the EU had "to end some time and not be reopened every five minutes".

He was commenting on the fact that Spain, France, Italy and a few other EU states had raised fresh issues since the free trade agreement had been concluded.

"Each and every one of their separate concerns cannot be negotiated," Erwin said.

He said that since the Davos meeting at the end of January, he had been informed by letter by the EU that member states wanted changes to the wording of clauses covering the use of the words port and sherry, on immigration, vehicles, clothing and textiles.

"In the main, the wording changes proposed in everything, except port and sherry, are of a slightly technical nature ... but we can't carry on changing things," he said.

The new wording on the use of the names port and sherry was unacceptable, but he expected the impasse to be resolved internally by the EU. South Africa had no intention of renegotiating anything in the agreement, and if this meant there would be no agreement, "it would be a pity and a great mistake (by the EU)".

Erwin said the negotiations had been a pilot project in negotiating a sophisticated trade agreement between developing countries and the EU. It covered all sectors of the economy and all trade-related aspects. The aim had been to stabilise trade relations between South Africa and the EU over the next 12 years.

If there was no agreement, South Africa would have to deal with EU states on a country-by-country basis This would not destroy the South African economy, but would result in less than perfect trade relations.

Business chamber Sacob indicated business would not welcome changes to the trade agreement. Bess Robertson, personal assistant to Sacob's director-general, Raymond Parsons, said business found the offer as it was now generally acceptable, except for some issues, especially agriculture, it was not happy about.

Royal visit will boost bilateral trade relations

CT(BR)17/2/99 (74)

The historic visit of His Majesty Juan Carlos I and Queen Sofia to South Africa this week marks a turning point in trade and investment between Spain and South Africa — an area which has been long under-exploited.

The King will be accompanied by a delegation of 60 top businessmen, including high-level chief executive officers of Spain's top companies.

The royal couple's visit coincides with the staging of an important investment forum which is being held at the Sandton Sun and which is aimed at improving trade and investment links between the two countries.

One of the main purposes of the February 17 forum will be to introduce to both South African and Spanish entrepreneurs, the incentives and tools offered by Spain to Spanish foreign investors.

Another aim is to present the investment incentives offered to foreign companies to invest in South Africa by the South African Government.

Investment opportunities in selected sectors, such as electronic, automotive, infrastructures and tourism, will be analysed.

The delegation is headed by Minister of Foreign Affairs, His Excellency Abel Matutes and the Secretary of State for Trade, Tourism and Investment HE Ms Elena Pisonero.

From a trade point of view, Spain occupies the 11th position as a destination for South African products.

Last year Spain imported South African goods to the value of R3 billion or nearly 3 percent of the total South African exports.

On the other hand Spain exported goods to South Africa totalling R1,3 billion or nearly 2 percent of the total South African imports.

Therefore, and in terms of trade balance, South Africa maintains a healthy surplus with Spain of R1,7 billion.

These figures make the surplus with Spain the 5th biggest for South Africa, only behind Zimbabwe, the UK, Mozambique and Zambia.

The latest trade figures up to November 1998 show an impressive increase on bilateral relations.

Both South African exports and Spanish exports have shown rates of increase of up to 45 percent. This proves that there is a large potential still to be utilised.

For example Spain could very well come up to be, at the end of 1998, the 17th supplier to South Africa and the seventh buyer of South African products, becoming also the 11th most important trade partner immediately after France.

At a European Union (EU) level, South African exports to Spain are hardly 5 percent of total South African exports to EU.

However, South African imports from Spain are slightly over 2 percent of total South African imports from EU.

On a country basis, if comparing these figures with those of the remaining countries of the EU, the results are: South African exports destinations are mainly, and in descending order, the United Kingdom, Germany, The Netherlands, Belgium and Italy. Spain is at the sixth position on this ranking.

South African imports originate, also in descending order, in mainly Germany, United Kingdom, Italy, France, and the Netherlands. Spain is in eighth position.

> ***One of the purposes of the forum is to introduce South African and Spanish entrepreneurs***

> ***Both South African and Spanish exports have shown a 45 percent increase***

TRADE FIGURES: SOUTH AFRICA/SPAIN 1994-1998

Pesetas millions	1994	1995	1996	1997	1998	VAR 94/98	VAR 97/98
South African imports from Spain	22.496	26.959	35.242	**42.398**	**54.361**	**142%**	42%
South African exports to Spain	48.491	71.195	65.604	**68.708**	**86.537**	**78%**	41%
Balance	25.995	44.236	30.362	26.310	32.176	24%	22%

Rands millions	1994	1995	1996	1997	1998
South African imports from Spain	**900**	**1.078**	**1.410**	**1.696**	**2.174**
South African exports to Spain	**1.940**	**2.848**	**2.624**	**2.748**	**3.461**
Balance	1.040	1.769	1.214	1.052	1.287



BUILDING BRIDGES *His Royal Majesty King Juan Carlos I and Queen Sofia, who arrived in South Africa with a top-level trade delegation aimed at boosting the trade links between Spanish and South African business*

EU's latest ploy comes as no surprise

(74) BD 17/2/99

The time has arrived in the SA-European Union talks for a compromise which leaves everybody unhappy, writes associate editor **John Dludlu**

ONLY a few observers would be surprised by the latest attempt by a group of European Union (EU) states to delay, if not scupper, plans to conclude a bilateral trade, development and co-operation accord with SA.

While the countries involved this time are not a surprise for veteran watchers of the four-year-old negotiations, the issues are.

After all, a pattern seems to have been established that each time a breakthrough emerges, this or that EU member raises problems. However, nobody expected the issue of illegal immigrants to surface in what are essentially trade negotiations and most thought the port and sherry controversy had been put to bed.

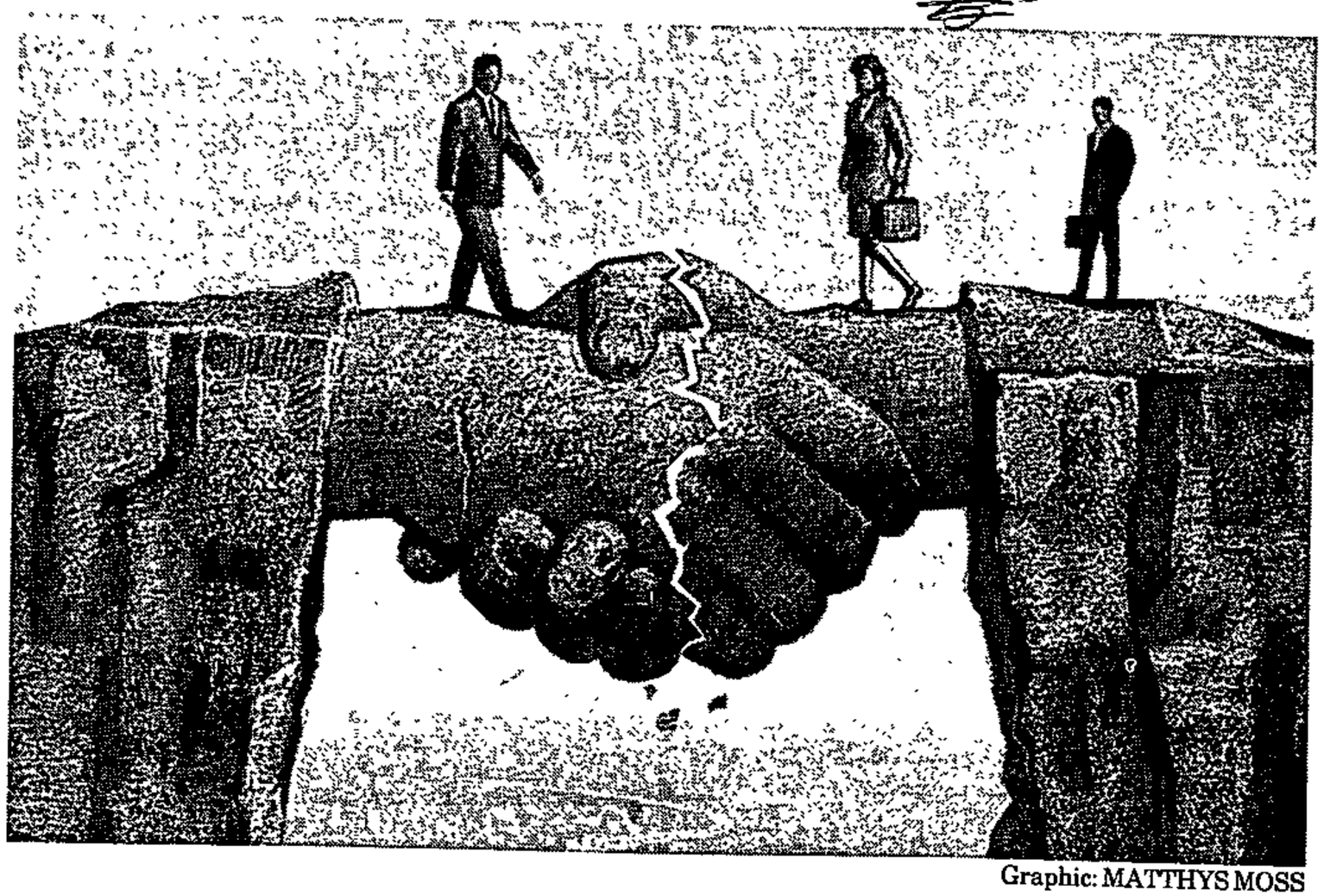
At the heart of the latest threats to have the deal rejected at Monday's meeting of EU foreign ministers are complaints that the draft agreement is too generous to SA.

Also, a hitherto relatively non-controversial issue has now been brought to the fore: a group of EU states, including Germany, the current EU presidency, and Holland, want SA to agree to a clause providing for co-operation on the "readmission of illegal aliens".

Though the immigration issue is not a serious problem — and an "acceptable text" could soon be found — it has nothing to do with trade or SA, says Henriette Kievet, an analyst at Amsterdam Consulting Group.

She says she is ashamed of being Dutch and SA is once again becoming the victim of political games within the EU.

Like SA, EU states are faced with a flood of illegal aliens. Against this background, the EU decided two years ago to insert a clause on the "readmission of illegal aliens" in deals with countries outside the union. The idea was that illegal aliens from contracting partners would be returned to their countries of origin.



Graphic: MATTHYS MOSS

As peripheral as SA may be in this case — comparatively few South Africans are illegal migrants in Europe — it is one of the first countries to have negotiated a deal with the EU after the decision on immigration.

Interestingly, this clause was not pushed at the start of the talks with Pretoria on Brussels' understanding that it would be included in the talks for a successor to the Lomé convention, the EU's trade and aid accord with its former colonies.

So what has prompted this last minute push by Germany and Holland? Sensibly, it is the desire to get a clear commitment from Pretoria that the EU can count on it as a partner when the Lomé convention, of which SA is a member, is renegotiated later.

The other reason is that it is an attempt by Holland and Germany to be seen to doing something about the immigration problem at home, says Kievet. It is absurd that the deal with SA should be threatened by intra-EU wrangling. But this has been the EU game for the past four years, says Kievet.

The other issue is trickier and could easily torpedo the deal. What makes it difficult is that it is more about perception than reality. A group of EU states — including Spain, Italy, France and Portugal — feel that January's Davos deal gives too much to SA. The Davos understanding was a political agreement between Trade Minister Alec Erwin and João de Deus Pinheiro, the EU commissioner in charge of the talks, to resolve an impasse.

The issues included the EU demand that SA agree to phase out the names "port" and "sherry" for its fortified wines. It is understood that the two men agreed that SA would phase out the names in third-country markets in five years and in eight years within the Southern African Development Community. Within the Southern African Customs Union, it was agreed that SA could use the names for 12 years and the situation would be reviewed by SA and the EU in no more than 10 years.

SA officials say the review will take into account the country's international commitments at that time. At present, there are no clear international guidelines on "geographical designations" — location-specific items such as "port" which the EU says belongs to the brand produced in Porto, Portugal.

To encourage SA to part with the names it has used for more than 100 years, Brussels is offering cash and technical assistance to market alternative brands. Additionally, specified volumes of SA wines will enter the EU at low duties.

Overall, 95% of SA products will have duty-free access to the EU's markets in 10 years' time, while SA will remove tariffs on more than 86% of EU imports in 12 years.

It is the cautious phrasing of the deal on port and sherry that worries the whingers in the EU most. "It is not clear what we get," they say, hence the desire to reopen the talks. Does it mean that after 12 years the EU will have a veto on SA's usage of the names, as some observers believe, or does it mean renegotiation of the real length of the phase-out in domestic markets too?

Is this brinkmanship or a genuine concern by the EU complainants?

It is a little bit of both: it will be remembered that Spain's desire for access to SA's fishing waters will be tackled later.

As in SA, the genuine fears of sectors facing steep adjustment costs lie behind the EU tactics.

SA Foundation executive director Neil van Heerden is not surprised by the EU's moves. Negotiators will try to squeeze the last drop of blood from each other, he says.

Though EU ambassadors' sentiments tend to be the barometer of ministers' decisions, Van Heerden says he will not be surprised if EU ministers approve the deal.

The SA government, which has already approved the agreement in principle, has taken a measured public line, though it is known to be angry about the attempt to reopen the talks. SA has urged Brussels to resolve the EU's differences internally

Reopening the talks will risk upsetting a delicate balance: members will raise more and new objections.

Kievet and Van Heerden feel Erwin should not budge at this stage.

Pinheiro should remind member states next week of his own maxim: that a good compromise is one with which everyone is unhappy, but everyone can live with. That is the only way the EU's promise of being a benevolent partner will be believed.

EU states lining up against 'too generous' trade deal

ET (BBR) 18/2/99 (74)

JOHN FRASER

Brussels — Spain and France were preparing to wreck the trade deal between the European Union (EU) and South Africa, diplomats in Brussels said this week.

The 15 EU foreign ministers will meet in Luxembourg on Monday to discuss the provisional accord Brussels and Pretoria reached last month in the Swiss ski resort of Davos.

The accord would set up a free trade area, bringing down European tariffs on an array of mainly agricultural South African exports. In return, South Africa would lift its own protective measures against mainly industrial goods from Europe.

The deal provides for phasing out in the South African market the terms port and sherry after 12 years, with speedier action in its export markets.

EU governments have had a mixed reaction to the accord. EU diplomats warned on Tuesday that the chances of the deal winning the unanimous support it needed were poor.

"The French and the Spanish say the deal is unacceptable, with the Italians and Portuguese lining up behind them," said one EU diplomat.

The diplomat said: "The Spanish are nervous about fisheries and believe that EU negotiators have been too generous in allowing South African agricultural products into the EU market." — Independent Foreign Service

'Wrecking tactics' threaten SA-EU trade deal

Pessimism over prospects for agreement by foreign ministers as port and sherry row rumbles on

(74) ARG 19/2/99

JOHN FRASER
FOREIGN SERVICE,

European Union diplomats in Brussels are predicting that Europe will be unable to agree to the free trade accord with South Africa, which was negotiated last month, when the issue comes before European foreign ministers on Monday.

Although EU Commission negotiators have reached a deal with South Africa, this still requires political endorsement from both sides.

Inside the EU, France, Spain and Portugal are leading opposition to the accord.

They are unhappy with the element of the agreement that South Africa will stop using the terms "port" and "sherry" on its domestic market after 12 years, with France arguing that the accord sets an unfortunate precedent for future EU negotiations with Australia and the United States.

There is also a feeling that too long a transition period has been given to South Africa.

There are concerns, too, that the EU has been too generous in offering to open up its market to South African exports of farm products, particularly fruit, vegetables and wine.

"There is a mixture of genuine concerns as well as wrecking tactics," warned a diplomat from an EU state fighting to get the deal through.

"This deal should be about helping South Africa to develop and not just about better business opportunities for the EU.

"The overall advantage to EU exporters is great – but still I don't believe there will be an agreement on Monday."

He added that the answer the EU gives to the provisional trade accord will affect its image in the world.

"Are we a major player on the world stage, or just playing protectionism in our back yard?

"If it is the latter, this would have dismal implications for the future."

Strong pressure will be applied to the Spanish and the other opponents to allow the deal with South Africa to go through.

However, it is possible the EU will try to re-open parts of the package – a process which South Africa already has refused to contemplate.

"There is a lot of contact behind the scenes," said the EU diplomat.

"The EU would look very foolish if this were to break down – we can't afford to walk away from this.

A German spokesman said last night his government was working through contacts with other EU governments at ministerial level "to convince all parties to drop their reserves".

He added that Germany would seek a positive agreement on Monday.

Wrecking tactics' threaten SA-EU trade deal

Pessimism over prospects for agreement by foreign ministers as port and sherry row rumbles on

(74) ARG 19/2/99

JOHN FRASER
FOREIGN SERVICE

European Union diplomats in Brussels are predicting that Europe will be unable to agree to the free trade accord with South Africa, which was negotiated last month, when the issue comes before European foreign ministers on Monday.

Although EU Commission negotiators have reached a deal with South Africa, this still requires political endorsement from both sides.

Inside the EU, France, Spain and Portugal are leading opposition to the accord.

They are unhappy with the element of the agreement that South Africa will stop using the terms "port" and "sherry" on its domestic market after 12 years, with France arguing that the accord sets an unfortunate precedent for future EU negotiations with Australia and the United States.

There is also a feeling that too long a transition period has been given to South Africa.

There are concerns, too, that the EU has been too generous in offering to open up its market to South African exports of farm products, particularly fruit, vegetables and wine.

"There is a mixture of genuine concerns as well as wrecking tactics," warned a diplomat from an EU state fighting to get the deal through.

"This deal should be about helping South Africa to develop and not just about better business opportunities for the EU.

"The overall advantage to EU exporters is great – but still I don't believe there will be an agreement on Monday."

He added that the answer the EU gives to the provisional trade accord will affect its image in the world.

"Are we a major player on the world stage, or just playing protectionism in our back yard?

"If it is the latter, this would have dismal implications for the future."

Strong pressure will be applied to the Spanish and the other opponents to allow the deal with South Africa to go through.

However, it is possible the EU will try to re-open parts of the package – a process which South Africa already has refused to contemplate.

"There is a lot of contact behind the scenes," said the EU diplomat.

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EU launches trademark bid while in talks with SA

BD 19/2/99 (74)

John Dludlu and Stephen Laufer

AT THE same time as the European Union was pushing Pretoria to phase out the use of terms "port" and "sherry" for SA's fortified wines last year, the EU was launching an international bid to obtain wider protection of these trademarks, it has emerged.

Brussels has tabled a proposal at the World Trade Organisation (WTO), the Geneva-based trade watchdog, for a multilateral system for registering "geographical indications" — that is, the use of place names to identify the origins, type and quality of a product. For example, the EU claims that "port" is the fortified wine produced in Porto, Portugal, and other such names will just confuse consumers.

According to the latest edition of Focus, the WTO's newsletter, the EU's proposal was tabled at the WTO Council for Trade-Related Intellectual Property Rights, the body that is responsible for administering the WTO's intellectual property agreement.

The EU proposal also includes spirits, with the possibility of adding other products at a later stage.

Participation will be voluntary, although all products that are registered successfully will enjoy protection in all WTO member states, says the newsletter.

Countries can block registration of a designation on the grounds that the name is so commonly used that it has become a generic term, among other reasons.

If a WTO agreement is struck on this, it will mean that rather than negotiating with each and every partner country, the EU, which claims port and sherry belong to Portugal and Spain respectively, will have a far easier task in protecting these designations.

SA, which is negotiating a trade, development and co-operation accord with the EU, has so far contested the EU's exclusive claims to the names which have been used by SA producers for more than 100 years now.

EU foreign ministers are due to decide on Monday whether or not to approve a deal reached by Trade and Industry Minister Alec Erwin and João de Deus Pinheiro, the EU commissioner for relations with Africa.

It is understood the two men have agreed that SA will phase out the names in markets outside Southern Africa in five years and can continue using them in the region for 12 years although their use will have to be reviewed within 10 years.

Meanwhile, Belgium Prime Minister Jean-Luc Dehaene said in Johannesburg last night his country would be an "active advocate for the rapid conclusion" of the SA/ EU negotiations. Dehaene said Belgium found the results of the Davos negotiations between Erwin and Pinheiro "positive, and we will act within Europe to accept a treaty based on the agreement".

Negotiators' face tough task

Export processing zones potentially divisive factor in tariff-conscious SADC

John Dludlu

A BATTLE lies ahead for Southern African Development Community negotiators over the potentially divisive issue of whether or not production from export processing zones (EPZs) should be included in the planned SADC free trade area. Several leading stakeholders in SA labour and business organisations have expressed vehement opposition to the idea of granting preferential treatment to items produced in EPZs as the SADC moves towards the creation of a free trade area.

The SADC's efforts to dismantle all tariff and nontariff barriers to intraregional trade coincide with the establishment of EPZs, selected spots in a country where a range of incentives — including duty-free importation of fabric and inputs — are given to support export-orientated production.

Apart from agreeing to common rules of origin, the scrapping of nontariff trade barriers and the institutional framework, the issue of EPZ production in a SADC free trade deal represents a potential headache for negotiators.

Fudzai Pamacheche, principal economist at the SADC secretariat in Botswana, confirmed yesterday the fate of EPZ production in the SADC free trade area had yet to be resolved.

However, it was unlikely that the EPZ problem — it has been on the agenda of the trade negotiating forum, the body of the SADC technocrats for some time — would be discussed at the next round of talks in Pretoria this month.

He said some of the SADC's 11 countries taking part in the talks wanted products manufactured within these zones to benefit from duty-free and other concessions that would come with free trade.

However, Cunningham Ngcukana, general secretary of the National Council of Trade Unions (Nactu), lashed out yesterday at the idea of including EPZ products in the mooted SADC free trade regime.

"We do not accept that goods that are produced under extreme conditions, where workers' rights are trampled upon, should be included (in the free trade arrangement)," he said.

In certain EPZs, the normal labour law dispensation, including some workers' rights, do not apply.

The Textile Federation and Clothing Federation gave a thumbs down to the suggestion of including EPZ products in the SADC free trade regime, warning it could distort production patterns in the region.

Paul Theron, executive director at Clofed, said EPZs should not be included in the list of those items traded freely within the SADC as their production was assisted by export incentives.

Brian Brink, Texfed executive director, said inclusion of EPZs in the SADC free trade arrangement would cause damage in the trading bloc. By definition, EPZ production is destined for export, and not the domestic market. If the SADC became a free trade area, the bloc would qualify as a domestic market, goes the argument against including EPZ production for preferential treatment.

Henk Campher, Nactu's representative at the National Economic, Development and Labour Council, said labour's objection to the EPZs stemmed in part from the fact that it was an outdated economic policy. Labour would like the SA negotiators to push for the inclusion of a clause guaranteeing the protection of labour rights within the SADC's trade dispensation, Campher said.

Pamacheche said the SADC was consulting widely on how products from EPZs were treated in other regional integration arrangements in the world.

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BILATERAL COUNCIL CREATED

New trade deal for SA, US

OT 19/2/99 (74)

SOUTH AFRICA and the US entered a new era of trade co-operation yesterday with a deal under which a council would be formed which will also look at solving trade disputes.

DEPUTY PRESIDENT Thabo Mbeki and his United States counterpart Al Gore announced a new trade and investment framework agreement yesterday that offers the possibility of expanded bilateral trade.

Speaking at the close of the fifth full session of the US-SA binational commission in the city, they said the agreement would create a bilateral council on trade and investment that would meet regularly.

The agreement was signed by Trade and Industry Minister Alec Erwin and his US counterpart William Daley, and comes six months after Mbeki and Gore announced the decision to begin talks towards a trade agreement at an executive session of the binational commission (BNC) held in Washington in August.

Government officials said earlier that the committee would create mechanisms to solve trade disputes, including South Africa's concerns that its steel industry was being unfairly targeted by US anti-dumping actions

Another issue would be Washington's complaint that South Africa was violating its World Trade Organisation obligations by threatening pharmaceutical patent rights

Mbeki and Gore also announced the establishment of the 8th BNC committee — the justice and anti-crime co-operation committee — co-chaired by US attorney-general Janet Reno and Safety and Security Minister Sydney Mufamadi

Other agreements at this year's session include a deal to work together to promote clean energy initiatives that will address climate change goals while promoting economic growth.

They also agreed to elevate the housing working group to full committee status in the commission.

Mbeki also said at the close of the session yesterday that South Africa and the United States should co-operate to confront the challenge of racism in both countries.

Replying to a question, Mbeki said eradicating racism was difficult and complex, and that the US and South Africa could teach each other "things about this".

"It is a big area. We need to address many things, including education, economic questions, housing and social questions and attitude of mind"

Mbeki said that in certain parts of the black population in the US, people felt they were particular victims with regard to crime prevention and combating.

"I think this is an area which we should, can, must and are working on together.

"We can teach each other important lessons and perhaps because of that, make a contribution to a problem that is worldwide. That is not receding."

Gore's response was brief. "I can't add to that," he said, to appreciative laughter from members of the US delegation accompanying him. — Sapa



LISTEN TO THIS: US Vice-President Al Gore and South African Deputy President Thabo Mbeki during a meeting of the binational commission in the city yesterday.

PICTURE: AP



SA-EU TRADE TALKS

TOO MUCH PAELLA

(74)

fm 19/2/99

European Commission officials remain hopeful the EU-SA draft deal clinched by EU Development Commissioner Joao de Deus Pinheiro and SA Trade & Industry Minister Alec Erwin in Davos last month will be approved by EU governments on February 22.

But officials admit that complaints that Pinheiro has been too generous to SA port and sherry producers, farmers and fishermen are being voiced with increasing and alarming frequency by Spain, Italy and France.

"Some parts of the draft agreement are seen as unacceptable by Spain and Italy while France appears concerned about the wider principles and concessions made by the commission," an EU diplomat said.

The focus is primarily on the port and sherry arrangements agreed by Pinheiro and Erwin. Madrid is not pleased with the 12-year transition period being given to SA to phase out use of the term "sherry" on its domestic market, fearing that SA's commitment to stop using sherry labels is not "legally watertight". Spain also wants SA to sign up for a fisheries pact allowing Spanish vessels better access to SA fishing grounds.

The issue surfaced as Spanish King Juan Carlos, Queen Sofia and a 40-strong business delegation visited SA for three days this week.

France, meanwhile, is still fretting about the wider implications of the port and sherry arrangement, fearing that the concessions made to SA wine producers could create a precedent for EU deals on wines and spirits with other countries. France, Spain and Italy have complained also about Pinheiro's promise to open up the EU market to SA tinned fruit, frozen strawberries and other farm products which they say were not in the original negotiating mandate given to the commission

Other EU countries say the commission should have secured a better deal from SA on exports of European automotive parts. They also want Pretoria to sign a separate statement on re-admitting all SA citizens found to be illegally in the EU.

Pinheiro has already told EU governments that he has "no doubt" SA will have to stop using port and sherry labels on its domestic markets in 12 years — unless there's a new worldwide interpretation of intellectual property rights and especially denominations of geographical origins in the World Trade Organisation.

SA's chief trade negotiator Bahle Sibisi has warned that the agreement with the EU is "done, concluded, finished". Any dissent within the EU must be handled by Brussels as an "internal process".

"We are negotiating with the EU as a whole rather than individual member states," he adds. **Shada Islam, Brussels**

Erwin puts his foot down on EU tinkering

ST(BT) 21/2/99

(74)

TRADE TALKS

By THABO KOBOKOANE

SA WILL resist plans to reopen negotiations on the trade deal with the European Union following this week's attempts by some EU member states to make adjustments to the deal.

Trade and Industry Minister Alec Erwin on Friday told BT SA is not prepared to reopen negotiations for the sake of a few EU states that keep reopening matters. "We have indicated — and this position has been endorsed by Cabinet — that we will not be prepared to entertain last-minute changes to the wording," says Erwin, referring to Spain's reported attempts to have talks reopened to review the provisions on fortified wines.

"It is not a question of not being prepared to reopen negotiations, but a question of being clear what it is that we will be trying to achieve.

"It is pointless to reopen the talks on the basis that some states want to raise new issues and have problems with the wording. We are also unhappy with certain wordings in the agreement.

"We would not be prepared to do that. It just prolongs the negotiations and we don't have the resources to devote to the EU."



ALEC ERWIN

The compromise trade deal between Erwin and European Union Commissioner João de Deus Pinheiro enters a crucial phase tomorrow when the EU Council of Foreign Ministers votes on it.

Some EU member states are understood to be unhappy with some aspects of the agreement reached between Erwin and Pinheiro — notably those involving port and sherry, agriculture, textiles and automotives.

Erwin said the EU's procrastination was "not a good omen" for the developing world. "If the EU can't reach an agreement on an important matter like this then it will be hard to see how it will conduct itself with the developing world.

"Here it is dealing with one country. What is going to happen when it does so with many," he said, referring to negotiations which are to start soon between the EU and African, Caribbean and Pacific countries on a new Lomé Convention.

Erwin said there has been progress in attempts to forge a free trade area in the Southern African Development Community and he expects that most of the work will be complete this year. Up to nine of the 14 SADC members have tabled their trade offers, which are expected to go ahead without the Democratic Republic of Congo and Angola owing to ongoing civil wars in those countries.

SA and Southern African Customs Union members have proposed a faster and more generous access for other SADC members. This is in line with Pretoria's stated objective to open up SA markets to its neighbours as a way of reducing the 7-to-1 trade imbalance.

Pressure mounts on EU members ahead of meeting

BD 22/2/99 (74)

John Dludlu

PRESSURE mounted at the weekend on European Union members opposed to a trade, development and co-operation deal with SA ahead of today's EU foreign ministers' meeting on the draft deal.

Glenys Kinnock, a British Labour Party member of the European Parliament, warned at the weekend that the legislature, which had taken a strongly pro-SA stance, would intervene by calling a debate on the subject if the foreign ministers rejected the deal.

Kinnock said if the deal — which will remove tariff barriers for about 95% of SA's exports to the EU — was rejected, the parliament would demand an explanation from Germany, which currently holds the EU's rotating presidency.

EU Commission director-general for development Philip Lowe has called for the deal to be approved. Lowe's political boss, João de Deus Pinheiro, the European commissioner for relations with Africa, will today ask EU foreign ministers to endorse the compromise deal he cobbled together last month with Alec Erwin, SA's trade and industry minister.

If there is a debate in the European parliament, the stalling EU states could face a barrage of criticism as European MPs have been surprisingly united in support for SA.

The EU's R900m-a-year aid package to SA owes much of its existence to the European parliament. Kinnock has called for this programme — which expires this year — to be extended, though the amount will have to be determined.

Eltie Links, SA's ambassador to the EU, said last night the latest EU foot-dragging was becoming "unbearably difficult" to defend, particularly among the critics who felt there was no political will in the EU to conclude the deal.

Links, who led SA's negotiating team, said the posturing implied — incorrectly — that SA faced an easy task in selling the agreement to domestic interest groups.

He called on EU ministers to grab the "historic opportunity" by approving the agreement.

Today's EU ministerial meeting in Luxembourg comes days after a group of EU members — including Spain, Portugal, Italy and France — made it known that they were unhappy about provisions of the Erwin-Pinheiro deal. These states, whose support is required for the deal to be approved, want the EU-SA talks reopened as they feel the current compromise is too generous to SA.

Erwin, who has secured the backing of his cabinet colleagues for the compromise with Pinheiro, has told the EU that he is not prepared to reopen the talks.

Brussels sources say the commission has spent the past week trying to address various concerns of member states after Pretoria refused to renegotiate problematic aspects of the deal.

If the deal is rejected today, it could embarrass a delegation of EU parliamentarians due to visit SA this week.

A source at the European parliament said the delegation hoped to examine jointly the agreed text of the deal with its SA counterparts.

EU officials say the deal has a 50-50 chance of being approved.

Uproar as EU rejects trade agreement with SA

BD 23/2/99 (74)

Spain and France lead delegation which feels pact is too generous, despite Blair's plea

John Dludlu

THE European Union came under a fresh volley of criticism after five members refused to endorse a draft trade, development and co-operation agreement with SA yesterday.

An EU official said efforts by the Germans, who hold the EU's rotating presidency, to get the deal approved by EU foreign ministers were scuttled by southern EU states led by Spain and France. The two, who feel the draft agreement is too generous to SA, were joined by Italy, Portugal and Greece.

EU ministers, meeting in Luxembourg, instructed João de Deus Pinheiro, the European commissioner in charge of relations with Africa, to seek a meeting with Trade and Industry Minister Alec Erwin to address the member states' complaints.

Eltie Links, SA's ambassador to the EU, said last night: "Personally, I am very disappointed. But the minister (of trade and industry, Alec Erwin) will comment later."

Erwin, who has bluntly refused to reopen the talks, is to hold a press briefing on the matter tomorrow.

Ben Jackson, director of Action for Southern Africa (Actsa), which replaced the Anti-Apartheid Movement, said this rejection was a "clear political betrayal" of the new SA. He warned that as both the EU and SA legislatures faced elections this year, there was a real danger that the whole deal could be scuppered.

Henk Campher, the labour representative at the National Economic, Development and Labour Council (Nedlac), said SA had made all the concessions it could. He saw no value in continuing to talk to the EU. "The EU should know that although they are an important trading partner, they are only one," he said.



Trade minister Alec Erwin

Campher said SA could not afford to conclude a deal for the sake of its symbolic value while jobs were being lost. Time had come to assess whether SA really needed the deal with the EU, he said, adding that he would be advising the labour movement not to agree to reopen the talks.

Michael McDonald, the head of the economics division at the Steel and Engineering Federation of SA, urged Erwin not to re-open the talks.

Glenys Kinnock, British Labour's member of the European Parliament, lashed out over what she termed "short-sighted" and "protectionist" member states. "Opening up the discussion again on a number of fronts endangers the consensus reached across South African society, including trade unions, agriculture, industry and others (on this deal)".

She reminded the "unacceptably protectionist and inexplicably short-sighted" member states that the responsibility now lay with them.

Both the EU and SA parliamentarians were anxious to "sign off" this deal, she said. Minor issues such as the use of the terms "port" and "sherry" had undermined the wider interests of SA-EU relations.

Yesterday's events, while not entirely unexpected, have cast doubts on the EU's ability to meet its self-imposed deadline of March for concluding the talks with SA.

Several deadlines, including a promise to President Nelson Mandela to conclude the talks by last December, have already been missed.

However, the European Commission, which had already endorsed the disputed Pinheiro-Erwin package, sought last night to play down the latest setback, saying all was not lost.

Pinheiro is understood to have warned the ministers yesterday that he is not hoping for a drastic improvement to the deal in his renewed contact with Erwin.

An EU official said the new Erwin-Pinheiro meeting would seek to "put the braces and belts" to the Davos package, signalling the intention not to unravel the deal. In Davos last month, the two men struck a deal which was to have been the last word on the four-year negotiations, according to which SA port and sherry producers would be allowed to use these terms for fortified wines for 12 years.

The five EU protesters feel the phrasing of the agreement is unclear and gives too much to SA. Apart from the fact that the Erwin-Pinheiro deal gives specified volumes of SA wines preferential access to the EU in exchange for an ultimate phase-out of the terms port and sherry, the EU protesters are concerned about the precedent this sets for future talks with other countries, notably the US.

Other concerns voiced yesterday relate to car parts, textiles, rules of origin and fruit juices.

An EU demand for SA to agree to a clause binding Pretoria to return any of its citizens found to be in the EU illegally was on the "second league" of concerns, said a Brussels official.

Actsa disclosed that Tony Blair, Britain's prime minister, had written to Spain, Italy and France last week, urging them to support the deal "which would help ... SA overcome the legacies of apartheid".

Pinheiro is due to report back to the ministers' council next month, days ahead of the EU leaders' summit at the end of March.

Brussels observers said the latest posturing appeared to be a southern states' ploy to wring out last-minute concessions on plans to reform the EU's farm policies, which grant southern farmers generous subsidies.

EU nations dig in heels on SA accord

CT(BR) 23/2/99

JOHN FRASER (74)

Luxembourg — South Africa is being urged to make further concessions to the European Union (EU) after five EU foreign ministers refused yesterday to sign the free trade deal negotiated last month in Davos.

South Africa had already indicated that it was prepared to sign the deal.

Elias Links, South Africa's ambassador to the EU, was disappointed that the ministers had failed to agree to the deal. He said the solution to the problem lay in the hands of the politicians.

Joyce Quinn, the British minister for Europe, expressed annoyance that the deal had been blocked. "It is a great pity," she said. "We must now do all we can to conclude this agreement."

Tony Blair, the British prime minister, had written to his EU colleagues, urging them to back the accord. "If the talks fail there will be serious political implications," he said. "The EU's relations with South Africa will be damaged and the EU will lose credibility in negotiations with other African countries on a successor to the Lomé Convention."

Spain led the attack on the agreement when it was presented to EU foreign ministers in Luxembourg by Joao de Deus Pinheiro, the Brussels commissioner.

Afterwards, the commissioner said he was seeking a meeting in South Africa with Alec Erwin, the trade and industry minister, "within the next few weeks".

Friedrich von Ploetz, Germany's junior foreign minister who chaired the debate, said afterwards that he was "optimistic" that a deal with South Africa could be concluded by the end of March. He said some progress had been made in narrowing down the outstanding issues, and warned that some EU states "would have to show more flexibility" to conclude a deal.

At the meeting, France, Portugal, Italy and Greece backed Spain's sentiments that the deal was too generous to South African agricultural exporters and would damage European farmers and food processors.

The stumbling block is the phasing out of the terms "port" and "sherry" by South African producers. A loophole in the existing accord allows the names to be used after the planned 12 year phase-out period, depending on what is agreed on the overall issue of copyright inside the World Trade Organisation.

Abel Matutes, the Spanish foreign minister, said: "We are open to extending the period to 15 or 20 years, but after that the use of these names will end."

He said Spain was worried it did not yet have the guarantees it sought for fishing rights in South African waters. — Independent Foreign Service

EU ministers refuse to sign

ARG 23/2/199 5 (74)

Luxembourg – South Africa is being urged to make further concessions to the EU after five of the union's foreign ministers yesterday refused to sign the free trade deal with SA which was negotiated last month.

The deal, which was reached at the Swiss ski report of Davos, would commit both sides to dismantling most trade barriers. Spain, France, Portugal, Italy and Greece are concerned that the deal is too generous to South Africa agricultural exporters, and will damage European farmers and food processors. However, the main stumbling block remains the use by SA producers of the terms 'port' and 'sherry'.

Spain is also seeking guarantees on fishing rights in SA waters. – Independent Foreign Service

Move by EU five on trade deal under fire

BD 24/2/99 (-74)

John Dludlu

THREE influential SA parliamentary groups fired a broadside yesterday at the latest attempt by five European Union (EU) member countries to torpedo a bilateral trade, development and co-operation deal with SA.

In a strongly worded statement, African National Congress MP Rob Davies, who chairs the legislature's trade and industry committee, yesterday questioned whether the EU was still committed to reaching an agreement that would contribute to growth and development in SA and the neighbouring region or whether Brussels was prepared to see such a deal held hostage by vested interests.

Davies' statement came a day after EU foreign ministers had asked João de Deus Pinheiro, the EU commissioner for relations with Africa, to reopen talks with SA in a bid to deal with complaints by five member states.

Attempts by Pinheiro to have the draft deal he cobbled together with Trade and Industry Minister Alec Erwin last month approved were scuttled by complaints by five EU states — Spain, France, Italy, Portugal and Greece — that the deal is too generous to SA and needs renegotiation.

Erwin, who has so far bluntly refused to re-open the talks with the EU, is to address the media this morning to make known his views of the latest developments.

One of the complaints by EU states is that SA should give a clear commitment of when it seeks to stop using the terms "port" and "sherry" which Brussels feels belong to Portugal and Spain.

In terms of the draft Erwin-Pinheiro deal, SA can still use the names for 12 years, but the circumstances must be reviewed within 10 years to take into account developments on the international trade front. The EU protesters say this phrasing is not clear enough.

It also emerged yesterday that US companies are still concerned the proposed EU-SA deal could put them at a disadvantage.

Daniel O'Flaherty, the executive director of the US-SA Business Council, said US business would be concerned if the deal gave EU firms preferential terms of tendering for SA contracts. "We want a level playing field," he said.

Monday's ministerial decision has cast doubt on the EU's ability to conclude the deal with SA by March — the latest of a number of self-imposed deadlines.

Comment: Page 15

MPs angry at tardy EU states

CT(BE)24/2/99 (=74)

LYNDA LOXTON & JOHN FRASER

Cape Town — Three parliamentary committees yesterday slammed European Union (EU) states for holding up the signing of the free trade agreement between South Africa and the EU.

The portfolio committees on trade and industry, foreign affairs, and agriculture and water affairs and forestry questioned whether the five states holding up the deal were really committed to the promotion of growth and development in South Africa and southern Africa.

"There are lots of clocks ticking on this," said Rob Davies, the chairman of the trade and industry committee.

In particular, he said, elections were looming in both the EU and South Africa and some forces in the EU appeared to want to renegotiate the hard-won agreement. Davies denied that the agreement favoured South Africa unduly and said both sides had made compromises.

Alec Erwin, the trade and industry minister, declined to comment on the hitch yesterday, but will address a media briefing on the issue in parliament today

In Brussels EU Commissioner Joao de Deus Pinheiro ,who negotiated the draft deal with Erwin, will today seek the support of his Brussels colleagues for a last-ditch effort to salvage the deal.

In spite of the political importance of the deal, and the promises that Europe has made to be generous to the new South Africa, there are strong protectionist pressures among the opponents, which are Spain, France, Italy, Portugal and Greece.

All these countries are scared that many of their inefficient farmers and food processors may face ruin as the deal comes into force and Europe drops its tariffs on farm products from South Africa.

However, the major stumbling block is a firm insistence from the Spanish and Portuguese, backed by France, on a definitive date for phasing out the use of the terms port and sherry. The provisional deal suggests this will happen after 12 years, but it does contain a loophole.

Pinheiro will seek the backing of EU colleagues for talks with Erwin. An EU official said: "The aim is to persuade the South Africans that a minor change to the text may be enough to salvage an accord which will bring benefits to both sides.

"Pinheiro has until March 22 , when EU foreign ministers meet, and then there is a summit on March 24 in Berlin.

"With the South African elections looming, the credibility of Europe will be badly dented if we cannot deliver next month."

EU head confident (74) of SA pact

Erwin sounds warning

ARG 25/2/99

Brussels – European Commission President Jacques Santer has predicted that the European Union and South Africa would finalise a long-delayed trade agreement "in the coming weeks and months".

"After four years of negotiations, we have reached the point at which I think we can finalise the overall package.

"I am sure that the council (of EU foreign ministers) intends to find a solution to the final phase of this negotiation," Mr Santer said yesterday.

Trade and Industry Minister Alec Erwin yesterday urged the EU to rethink its objections to the planned free-trade agreement, warning of "dire consequences" it it failed to do so.

Mr Erwin told a news conference in Cape Town that South Africa was prepared to seek constructive solutions, but that if EU member states pushed too hard for concessions, South Africa could do likewise and the deal would unravel.

"It is not in the best interests of the European Union, South Africa or developing countries that this agreement be allowed to collapse on what are really some fairly minor matters," he said.

EU and South African negotiators thrashed out a compromise agreement in January to liberalise 90% of their $20-billion (R120-billion) annual trade.

But EU foreign ministers on Monday failed to approve the agreement. Several member states said the EU had made too many concessions, particularly on South African farm exports. Spain, Portugal, France and Italy were among those who objected.

The ministers asked the commission, the EU's executive body, to try to resolve the problems so that the ministers could look at the proposed agreement again on March 22.

The most controversial aspect of the talks involves Spain and Portugal's claim to the exclusive use of the terms "sherry" and "port" for their famous fortified wines.

As part of the compromise, South Africa agreed to phase out use of the terms on its wines in all export markets over five to eight years.

On the South African market, there would be a 12-year transition period at the end of which any denomination used on the South African market would have to be jointly agreed between South Africa and the EU, according to their officials.

But some EU countries are worried the union does not have a cast-iron agreement that South Africa will give up use of the terms on the South African market after 12 years. – Reuters

SA hopes to resolve EU impasse

BD 25/2/99 (74)

Unhappy Erwin says government is prepared to find ways to overcome disappointing decision

Wyndham Hartley

CAPE TOWN — Trade and Industry Minister Alec Erwin yesterday slammed the Europeart Union (EU) member states that failed to endorse a trade deal with SA — but left the door slightly ajar on talks to resolve the impasse.

Erwin, unhappy with Monday's refusal by five of the 15 EU member states to accept the package negotiated at Davos last month, warned that failure to conclude the trade deal would would affect the EU's image of caring for the developing world and make negotiating a new Lomé agreement difficult.

"We are in touch with the EU to gain full clarity, and we are prepared to find ways to overcome this disappointing decision. This will have to be within the parameters of a balanced package that is final and within the objectives that SA had when entering these negotiations."

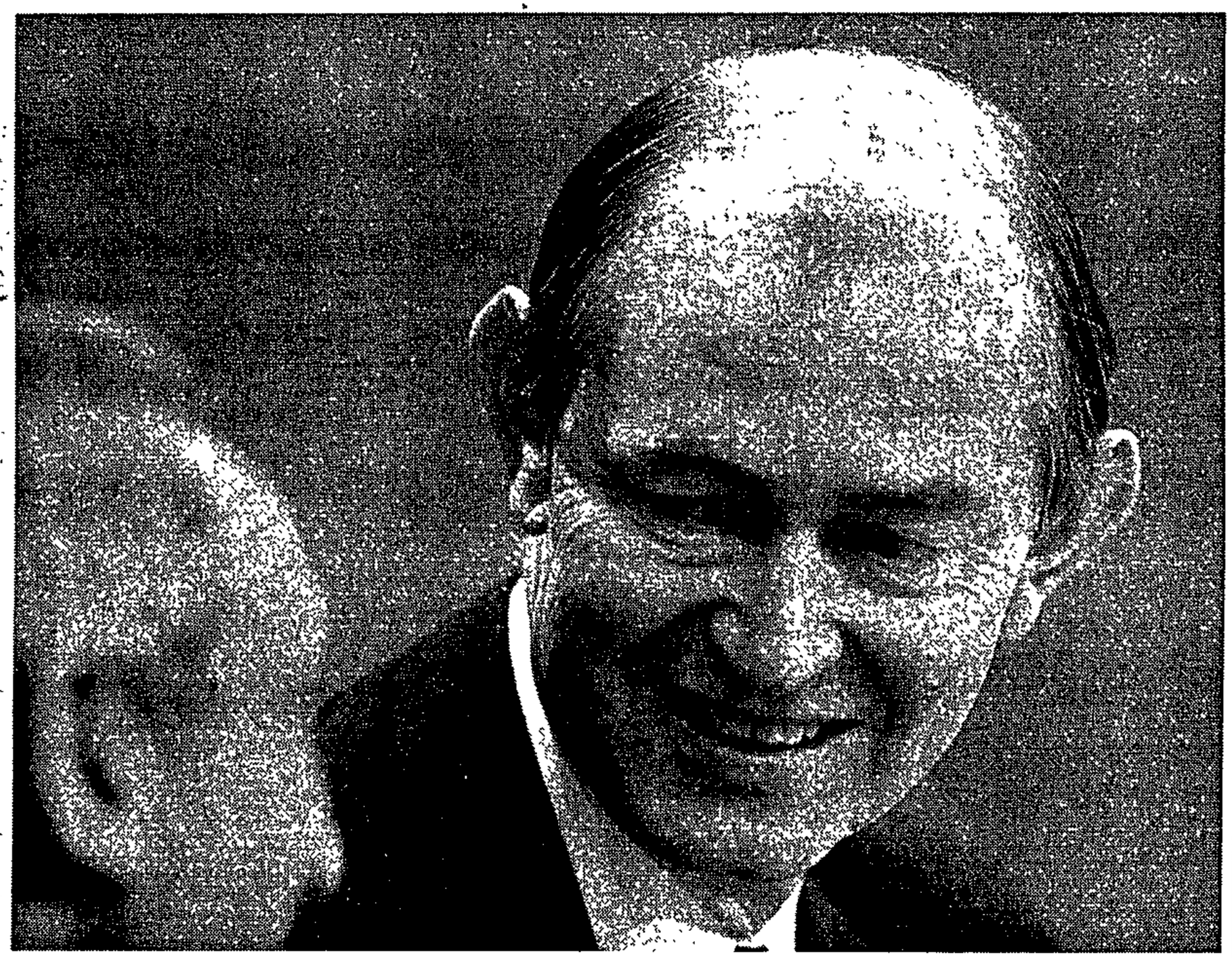
The decision by France, Portugal, Spain, Italy and Greece to reject the deal threatens to nullify four years of hard work by SA officials.

Erwin said the idea of an EU trade deal was to help SA with transition.

"Such an agreement is of considerable significance in the context of the EU's relationship with Africa and other developing countries. We would urge the member states to keep this perspective in mind and rise above the very narrow interests now raised by certain member states."

Erwin said if EU member states pushed too hard for concessions, SA could do likewise, and the deal would unravel. "It is not in the best interests of the EU, SA or developing countries that this agreement should be allowed to collapse on what are really some fairly minor matters.

"In the end, we seek a balanced compromise. If last-minute concession-seeking disturbs this balance the agreement will be jeopardised."



Trade and Industry Minister Alec Erwin addressed the media in Cape Town yesterday on the latest setbacks in the EU-SA trade negotiations.

Picture: TYRONE ARTHUR

He said SA had made constructive concessions on port and sherry in the interests of securing the larger agreement. It reserved its right to argue the case before the World Trade Organisation. SA's position was simple and firm; the deal was about trade and development, not about a wider agenda.

Democratic Party spokesman Colin Eglin said he was disgusted by the self-centred and short-sighted attitudes that scuppered the deal. Europe was going to lead the world into a new era of free trade, and then succumbed to protectionism.

TRADE TALKS *Minister says European states must bend to developing countries*

Erwin loses patience with EU

CT (BR) 25/2/99 (74)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — Alec Erwin, the trade and industry minister, warned European Union (EU) states yesterday that if they continued to pander to vested interests and failed to sign the stalled trade agreement with South Africa it would be "a political disaster for the EU".

"It will manifestly indicate they are incapable of accommodating the needs of developing countries," Erwin said.

South Africa was prepared to hold further discussions on the stalled trade agreement as long as it still resulted in a package aimed at boosting growth and development, Erwin said.

Economists, however, said South Africa should accept that trade negotiations were long and drawn-out affairs and get back to the negotiating table.

Further concessions by both sides might be needed.

Erwin said the government felt "very real disappointment" that the so-called Davos Package had been stalled because of last-minute objections from Spain, Portugal, Italy, France and Greece. "It is cause for concern that matters that have not been under discussion for months now are being raised," he said.

The negotiations had been with the EU and not individual member states. He planned to hold talks with the EU as soon as possible on the way forward.

The proposed agreement had considerable significance for the EU's future relations with developing countries under the successor to the Lomé agreement.

"If we are arguing about tiny points at the end of four years, I shudder to see what will happen to Lomé unless, of course, the EU tries to get its own way on everything."

On the battle over the use of the words "port" and "sherry", Erwin said South Africa had accepted a compromise that it should stop using them in Europe and phase them out over 12 years in southern Africa.

Portugal refused yesterday to budge in the row. Antonio Guterres, the Portuguese prime minister, delivered his ultimatum in Brussels after talks with Jacques Santer, the president of the European Commission.

Santer said he hoped a deal could be struck "in a spirit of mutual compromise".

Meanwhile, EU chief negotiator Philip Lowe is heading for South Africa to try to sort out the mess.

Henry Hopkins, the public relations manager at wine and spirits producer KWV, said the port and sherry issue was being used by certain member states to stall the main trade agreement.

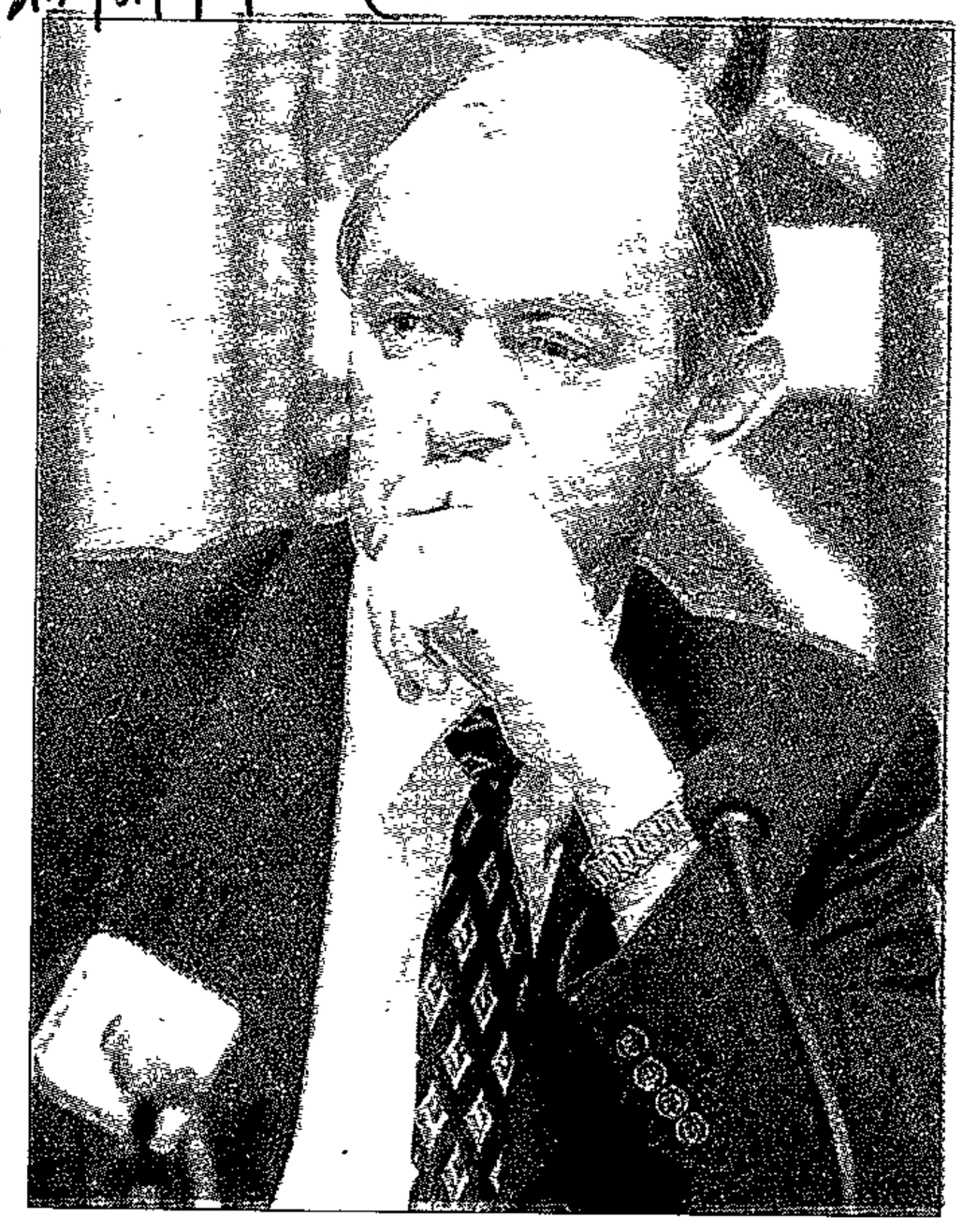
"The port and sherry issue should be treated separately. It belongs with a wine and spirits agreement, which runs parallel to the main agreement," he said.

"We would not like to see the principal agreement jeopardised by the port and sherry debacle."

Erwin still hoped the deal could be finalised in the first part of this year and implemented by early next year after practical arrangements had been put in place.

A spokesman for Sacob said it was also disappointed by the EU's stand.

She said it was in the mutual interests of both parties to wrap up the negotiations and it was hoped that the EU would not try to upset the balanced terms of the agreement.



DEEP CONCERN *Alec Erwin, the trade and industry minister, talks tough about the stalled EU trade deal* PHOTO: ANDREW BROWN

EU, SA trade pact most likely

Sowetan 26/2/99

BRUSSELS – European Commission president Jacques Santer predicted on Wednesday that the European Union and South Africa would finalise a long-delayed trade agreement "in the coming weeks and months".

"After four years of negotiations, we have reached the point at which I think we can finalise the overall package. I am sure that the council (of EU foreign ministers) intends to find a solution to the final phase of this negotiation," Santer said.

EU and South African negotiators thrashed out a compromise agreement in January to liberalise 90 percent of their R120 billion annual trade.

But EU foreign ministers on Monday failed to approve the agreement. Several member states said the EU had made too many concessions, particularly on South African farm exports. Spain, Portugal, France and Italy were among those objecting.

The ministers asked the commission, the EU's executive body, to try to resolve the problems so that the ministers could look at the proposed agreement again on March 22.

Meanwhile, in Cape Town, Trade Minister Alec Erwin on Wednesday urged the EU to rethink its objections, warning of dire consequences if it failed to do so.

Santer, speaking at a joint press conference with visiting Portuguese prime minister Antonio Guterres, was upbeat about the prospects of wrapping up the agreement.

The most controversial aspect of the talks involves Spain and Portugal's claim to the exclusive use of the terms "sherry" and "port" for their famous fortified wines.

As part of the compromise, South Africa agreed to phase out use of the terms on its wines in all export markets over five to eight years.

On the South African market, there would be a 12-year transition period at the end of which any denomination used on the South African market would have to be jointly agreed between South Africa and the EU, according to EU officials.

But some EU countries are worried that the EU does not have a cast-iron agreement that South Africa will give up use of the terms on this country's market after 12 years. – *Reuters.*

European MPs rally to defence of trade deal

SA wins support in Brussels parliament

JOHN FRASER
FOREIGN SERVICE

ARG 26/2/99

Brussels – There have been angry protests in the European Parliament in support of South Africa, with attacks on the five protectionist EU governments who are blocking a free-trade deal with Pretoria.

As Europe's chief negotiator Philip Lowe prepares to fly to SA this weekend for crisis talks with the Government to try to rescue the agreement, the EU parliament voted through a resolution yesterday which "deeply regrets the failure" of EU governments to back the deal.

It demanded that EU governments "urgently reconsider this matter at the first possible opportunity, in order to grant approval to the commission's proposals and thus fulfil the expectations of (the European) Parliament and the (EU) heads of state and government in this respect".

The EU Parliament added that the accord would give an "important stimulus to social progress, to the development of the poorest sectors of South African society and to the consolidation of South Africa's democracy".

Launching a heated debate on the issue, German junior foreign minister Lutger Volmer informed European MPs that "a number of member states" still have reservations about a key element of the deal on the phasing out of the use of the terms "port" and "sherry" on SA-produced fortified wines.

The agreement says South Africa will stop using the terms after 12 years, but it has a loophole which would allow them to be used after that time if South Africa wins its argument on this issue in the multilateral World Trade Organisation.

The worried EU governments say this loophole sets a dangerous precedent for other EU negotiations on wines, notably with the United States and with Australia.

Mr Volmer also said some EU governments wanted to relax the timetable for reducing EU tariffs on imports from South Africa of food and fruit juices.

The European parliament has no power over the negotiations on the EU-SA free trade accord, but its strong support for SA may put further pressure on the governments which are blocking the deal.

WS

European MPs put pressure on states blocking the trade agreement

SA draws support in EU saga

ET(BR) 26/2/99 (74)

JOHN FRASER

Brussels — Angry protests in support of South Africa were held in the European parliament yesterday against the five protectionist European Union (EU) governments blocking a free trade deal with Pretoria.

As Philip Lowe, Europe's chief negotiator, prepared to fly to South Africa this weekend to try to rescue the agreement, the EU parliament passed a resolution yesterday that "deeply regrets the failure" of EU governments to back the deal.

It demanded that EU governments "urgently reconsider this matter at the first possible opportunity in order to grant approval to the commission's proposals and thus fulfil the expectations of (the European) parliament and the (EU) heads of state and government in this respect".

The EU parliament said the accord would give an "important stimulus to social progress, to the development of the poorest sectors of South African society and to the consolidation of South Africa's democracy".

Launching a heated debate on the issue, Lutger Volmer, the junior German foreign minister, informed European MPs that "a number of member states" still had reservations about phasing out the use of the terms "port" and "sherry" on fortified wines produced in South Africa.

The present agreement says South Africa will stop using the terms after 12 years.

However, the pact has a loophole that will allow the terms to be used after that time if South Africa wins its argument on this issue in the multilateral World Trade Organisation.

Worried EU governments say this loophole sets a dangerous precedent for other EU negotiations on wines, notably with the US and Australia.

Volmer told the European parliament that some EU governments wanted to relax the timetable for reducing EU tariffs on imports of food and fruit juices from South Africa.

There was hope of a deal at the next EU meeting of foreign ministers on March 22, but "further negotiations would be necessary to reach agreement on the remaining points at issue", Volmer said.

A chorus of European MPs from liberal northern EU states attacked the protectionist governments of Europe. Swedish Socialist Maj Britt Theorin said she "condemns" the protectionist attitude.

Glenys Kinnock, the British labour member, said the protectionist governments had shown "short-sighted pettiness", and South Africa had already been forced to give ground.

Dutch Christian Democrat Ria Oomen-Ruijten said it was "a great pity" the deal was still being blocked by the French, Spanish, Portuguese, Greeks and Italians.

Swedish Liberal Hadar Cars attacked these governments for being "petty minded". He warned that he did not see how South Africa would agree to further concessions before the next EU meeting of foreign ministers.

But French European MP Dominique Souchet praised the EU governments that rejected the accord. Souchet said the deal should not be to the detriment of European farmers.

Spanish member Jose Domingo Posada Gonzalez said port and sherry were important to the Spanish and Portuguese. The deal was also worrying for producers of textiles and European fishermen.

The European parliament has no power over the negotiations on the EU-South Africa free trade accord.

However, its strong support for South Africa may put further pressure on the governments blocking the deal. — Independent Foreign Service

FM FOCUS

Edited by Caroline Southey

EU-SA TRADE DEAL

SOUTHERN STATES TAKE UMBRAGE

The European Union's planned free-trade agreement with SA has triggered a fierce north-south battle among the 15 EU governments.

A majority of EU countries, including Britain, the Netherlands and the Nordic states, are backing the treaty They say it will help reinforce political, economic and commercial relations between the EU and SA. Germany, current EU "president", is also anxious to get the four-year-old deal done as quickly as possible.

But, in talks in Luxembourg earlier this week, Spain, France, Italy and Greece remained fiercely opposed to the agreement. They say it will hurt southern European farmers and wine producers

Ministers from all four countries have vented their fury at European Commissioner João de Deus Pinheiro. Spanish Foreign Minister Abel Matutes has been especially "brutal", accusing the commission of failing to take account of southern Europe's farm interests "Matutes believes Pinheiro has thrashed out an unbalanced deal with SA that puts too great a burden on Spanish farmers while protecting sectors like cereals, milk and beef which are of interest to the northern European states," an EU diplomat says

Spain is particularly worried that the deal on port and sherry contains serious loopholes

SA's commitment to phase out the use of port and sherry labels on the export market over a period of five years is seen as a firm one But Spain and Portugal fear that the wording allowing SA to use both terms on the domestic SA market for 12 years, after which the denominations will be agreed jointly by the two sides, isn't legally watertight

The fear is that Pretoria could interpret the provisions to mean that the use of both port and sherry labels will continue indefinitely.

France, meanwhile, has warned that the deal could create a precedent for other nations negotiating on denominations of geographical origin and other intellectual property rights issues with Europe

Paris has never made a secret of its opposition to free-trade agreements in general, saying they run counter to EU commitments for worldwide trade liberalisation made in the World Trade Organisation

EU officials admit the SA pact has turned into an acrimonious internal EU discussion on commercial policy In an effort to persuade Ministers to look at the wider political significance of the agreement, Philip Lowe, the EU's chief negotiator, has warned that if Europeans continue to hesitate, the US will steal a march by negotiating its own "less-detailed and ambitious" trade agreement with SA

Madrid and Paris, however, appear to be in no mood to listen. Pinheiro has promised to seek new talks with SA Trade & Industry Minister Alec Erwin to secure additional "clarifications" which will then be presented to EU Foreign Ministers on March 22.



Abel Matutes . *harsh words for the European Commission*

When they met in Vienna last December, EU leaders promised President Nelson Mandela that the pact would be ready before their summit in Berlin on March 24 and 25. But experience has shown that the EU doesn't always meet its deadlines. **Shada Islam, Luxembourg**

CADIZ HOLDINGS

FILLING THE GAPS BEFORE LISTING

Soon-to-be-listed financial services group Cadiz Holdings has suffered a bit of a pre-listing setback. Three senior staff members have left.

The reason for at least one of the resignations was discontent about the way the group was being managed Head of Cadiz Stockbroking Colin McCulloch was the most recent departure. Group treasurer and director of Cadiz Merchant Bank Rean Smit quit some weeks earlier, as did Iain Catteral, who was also a senior executive of the bank.

CE Ray Cadiz says there's nothing sinister about the departures. "People just move on," he says. "We remain friends."

Will this hamper the listing planned for late March? Not according to Cadiz, who says Smit's post has been filled by Andre Greyling and Peter Fieldgate will head stockbroking in place of McCulloch.

Formerly known as RF Cadiz, the group bought District Securities Bank from Investec in May last year. Approval for the deal was given only last month.

Cadiz Merchant Bank consists of DSB's original money market operation. The group has also moved into asset management, personal financial services and corporate finance. **Heather Formby**

NOTHING TO WRITE HOME ABOUT

"There is not much happening in Zimbabwe that will interest overseas readers at the moment. To be frank, we have become a bit of a boring country, which is rather pleasant for Zimbabweans but can wreak havoc on the bank accounts of a journalist selling stories to the foreign press."

Comment on editorial pages of *The Herald*, February 19

The EU is using 'wrecking tactics' to delay a trade deal with South Africa, say Nedlac officials. **Jean le May** reports

'SA should politely tell Euros to drop dead'

ARG 27/2/99 (74)

Leading business people and labour leaders are asking whether South Africa should bother to go ahead with the stalled trade agreement with the European Union.

South Africa should tell the EU to "drop dead" if it is asked to make further concessions, said Michael McDonald, the business representative on the technical committee of the National Economic Development and Labour Council (Nedlac).

His colleague Henk Campher, who represents labour on the committee, has urged that "real research should be done right now" to find out if there are real benefits for South Africa in an EU agreement.

EU foreign ministers turned down the draft agreement, which has been four years in the making, at their meeting in Luxembourg this week. Although South Africa and the EU shook hands on the agreement in Davos, Switzerland, last month, five countries – Portugal, Spain, France, Italy and Greece – threw a spanner in the works at the last minute.

They cited "technical concerns", but a European diplomat warned of "wrecking tactics".

Mr McDonald, the head of the economics division of the Steel and Engineering Federation of South Africa (Seifsa), and Mr Campher, of Labour Research Services, told Saturday Argus the time had come to ask whether South Africa needed a trade agreement with Europe at all.

As Philip Lowe, the EU's chief negotiator, hurriedly left Brussels for South Africa with the hope of patching things up, Trade and Industry Minister Alec Erwin apparently reversed his initial angry refusal to reopen the talks. He said in Cape Town that he planned to hold talks with the EU as soon as possible.

But both Mr McDonald and Mr Campher said they had reservations about talking to the EU at all.

"Negotiations have dragged on for four years. Every time South Africa has gone back to the table after a deadlock, the EU has introduced new conditions," said Mr McDonald.

"The EU says now it is seeking 'clarification' on certain points, and as long as it's just that, then OK. But with the approach of EU elections and the uproar among European farmers, EU members get more and more critical of the draft agreement. They've kept whittling away at it and very soon there'll be very little left to whittle. Every time there is a delay, we get less and less.

'Look at the offer we've made to the EU – it's a good deal for them'

"If we don't get an agreement soon, there will be few benefits in it for us. As it is, the EU will phase down its tariffs more quickly then we shall.

"If there is going to be bickering, it may be time to tell the EU to drop dead," said Mr McDonald.

And Mr Campher said research should be carried out "right now" to establish what benefits the deal would hold for South Africa.

"The original document offered 5 000 South African products with lower tariffs for Europe. The South Africans have since made 3 000 concessions. But the scales are tipping in Europe's favour.

"At the beginning, the EU said it wanted a trade deal that would help develop the economy of the newly democratic South Africa. It was all very politically correct. That was the time when South Africa was 'flavour of the month'.

"Now we're four years down the line and the EU attitude has hardened. It seems hard for the Europeans to appreciate that we have to add value to our products.

"We can't go on relying on primary products such as metals and minerals."

The percentage of non-agricultural products on which the EU was originally supposed to drop tariffs was minimal, said Mr Campher, but now they had started to get "more demanding".

"Look at the offer we've made to the EU. It's a good deal for them," he said.

"But they're starting to quibble. A great fuss has been made about the port and sherry. Others may disagree, but I think this may be one of the 'wrecking tactics'. There is now an objection to the tariff on frozen oranges. Not orange juice – frozen oranges. It's ridiculous. I can't imagine our frozen oranges will make a huge dent in the European economy.

"They keep back-tracking – and this while they are so protective about their own agricultural products. It's quite a joke that they can talk about a trade deal when they subsidise their farmers so heavily. Only the other day they announced grants of billions to wine farmers to replace their vineyards."

Mr Campher was not sympathetic to the theory that the EU was keen to strike the deal because it would act as a model for negotiations with developing countries.

"Nobody in the South African labour movement is prepared to enter into a deal with Europe for symbolic reasons," he said.

Mr Erwin was not available to comment on whether a trade deal was needed. A spokesmen in the department said he was sticking with a statement released on Wednesday.

In it, Mr Erwin said that if the EU failed to sign the South African agreement it would indicate that it was incapable of accommodating the needs of developing countries.

However, Abdul Minty, the deputy director-general for multilateral affairs in the Department of Foreign Affairs, told Saturday Argus that "all the EU wanted clarity on was technical wording".

Another highly placed source maintained "the real problem is that the EU's common agricultural policy is under review. It wants to phase out subsidies to some of the southern countries. Their national economies benefit enormously from the subsidies.

"Tens of thousands of farmers demonstrated in Brussels recently on learning that guaranteed prices for milk, beef, and cereals would be reduced by as much as 30%. These countries are now trying to get more concessions from the EU. It is nothing at all to do with South Africa."



TRADE OFF: Trade and Industry Minister Alec Erwin plans to hold more talks with the EU

3

Bid to save trade deal with Europe

(74) ST (BT) 28/2/99

A disappointed Alec Erwin bluntly refuses to reopen negotiations but is willing to seek ways to resolve impasse, writes THABO KOBOKOANE

SA and European Union negotiators are headed back to the drawing board after four years of talks were brought to nought when the EU Council of Foreign Ministers rejected the trade deal.

Five of the 15 EU member states — France, Spain, Portugal, Italy and Greece — refused to endorse the deal brokered in Davos by Trade and Industry Minister Alec Erwin and EU Commissioner Joao de Deus Pinheiro.

The five, led by Spain, are reportedly unhappy with the terms of the compromise, saying it is too generous to SA. Spain is particularly unhappy with the the agreement on port and sherry.

Refusal to endorse the deal has been widely condemned in SA and Europe. It poses serious questions about EU commitment to help with SA development.

Philip Lowe, the European Commission's development director-general, is expected to brief foreign affairs officials on developments. Pinheiro is also expected to seek a meeting with Erwin, to address concerns of member states.

Erwin says bluntly he will not reopen negotiations, but is prepared to find ways to resolve the impasse that threatens to nullify years of negotiations. "This will have to be within the parameters of a balanced package that is final and within the objectives that SA had when entering these negotiations."

Sapa reports that on Friday Erwin railed against the EU failure to ratify the agreement, saying SA had already made significant concessions to Europe. Speaking in the Budget debate, he said in the draft agreement SA had included 120 tariff lines for trade, worth 140-million euros, to be liberalised soon after the agreement came into effect.

"We also made certain concessions in citrus products that would have benefited specifically the southern European states. In return, SA would have won EU concessions on canned fruit.

"We also reached agreement with regard to dairy product quotas where, if we had opened the matter, we would have reopened many aspects of the agricultural package."

Erwin reiterated SA's opposition to Spain's and Portugal's exclusive claims to the names port and sherry, which had still to be ironed out at the World Trade Organisation (WTO). "SA would not sign anything in the bilateral agreement that prejudices or prejudges its rights in the WTO. We are prepared to sign things that enhance our trade, development and co-operation."

Agreement will boost trade and investment

(74)

28/3/96

By Norman Chandler
Pretoria Bureau

South Africa is being urged to sign a formal agreement which would pave the way for the establishment of a South Atlantic Rim Association (SARA). This is similar to the Indian Ocean Rim organisation established two years ago.

South American countries have been

South Atlantic grouping urged

pushing for an organisation which would extend existing co-operation between the two continents to consolidate security, trade liberalisation, development, and environmental protection.

David O Broekman, a former diplomat in the Department of Foreign Affairs specialising in Latin America, says that the existing Zone of Peace and Co-Operation in the South Atlantic (ZPCSA) – of which this country is a member – would be substantially expanded by an influential bloc of nations similar to the Indian Ocean Organisation (IOR) and the Asean organisation in south-east Asia and Australasia.

Brazil, Uruguay and Argentina would represent South America.

The African states involved included South Africa, Namibia, Angola, Democratic Republic of Congo, Congo-Brazzaville, Gabon and countries in West Africa.

South Africa is a member of the IOR, which accounts for 65% of regional trade involving southern and east African countries, the Indian sub-continent, the Gulf region, and Australia.

In a paper published by Unisa's Latin-American Report, Broekman says that globalisation and regionalisation demanded that centres of economic growth and power be linked.

"The IOR is a step in this direction (but) what is missing is a link between Africa and Latin America, the latter also being an emerging economic force," he added.

Organisations such as ZPCSA, Mercosur, the Southern African Development Community (SADC), the South Atlantic Maritime Co-ordination Area (Camas) and the Atlantic South Naval Co-Operation countries (Atlasur) would be drawn in "as one does not have to start from scratch," Broekman says.

"South Africa and Brazil, for instance,

Problems in common with Brazil

share many similar developmental problems. Amongst these problems is the provision of low-income housing. This could draw the two countries together.

"Against this background, it is evident that there are great possibilities for trade and investment (and) SARA would be the logical link to achieve this," said Broekman.

Rail link will open north-south trade

FROM SAPA

Johannesburg — The incompatibility of the railway systems between southern Africa and its northerly neighbours would be solved soon through the construction of a $5 million trans-shipment facility in Tanzania, groups that are involved said yesterday.

At Kidatu the two systems run closely enough to each other to operate a cost effective and safe trans-shipment point.

The project would be financed by the South Africa Infrastructure Fund (SAIF), through Beeves Investments for Trans Africa in Tanzania. Credit Guarantee is providing investment insurance for the project, the insurer said yesterday.

Rail track widths differ between countries in the south (South Africa, Botswana, Zimbabwe and Zambia), which use with the imperial gauge, and those to the north (Tanzania, Uganda Kenya Burundi and Rwanda) with the German gauge. The incompatibility has forced trade between the two regions to follow the more costly and time-consuming coastal shipping route rather than the potentially more economic rail route.

Emiel van den Houte, the director of SAIF, says political stability in the region has created the opportunity to bridge this problem with a trans-shipment facility. The facility would cater only for container traffic.

"With the re-establishment of political and economic ties between South Africa and countries to the north, trade volumes have increased significantly between the two regions," he said. "Landlocked Southern African Development Community states, as well as countries like Uganda, are looking for cheaper, faster and safer routes into Africa and the international markets abroad. This need will drive the project."

CT(BR) 2/3/99

European parliamentarians regret 'damage done'

MEPs shamed by EU switch on trade deal

CT (BR) 2/3/99 (74)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — A group of European parliamentarians yesterday said they had been shocked and shamed by the delay over finalising the trade agreement between the European Union (EU) and South Africa.

Headed by Roberto Mezzaroma, the delegation told the national assembly's portfolio committee on trade and industry they had been dismayed over the damage the delay had done to South African-EU relations, but they hoped the agreement could be signed within the next month.

"This should not have happened," said John Corrie, one of the members of the European parliament (MEP).

They admitted it was largely Spain which had been responsible for the delay, and said they would put pressure on it to change its position.

The European parliament last week passed a resolution condemning the failure of the EU's general council to approve the agreement and called on it to do so at its next meeting on March 22.

Concessions granted to SA had been cleared with Portuguese producers

Terry Wynn, another MEP, said the concessions granted to South Africa on port and sherry had been cleared with Portuguese producers, "and I could not believe it when the government changed its mind".

The agreement has been delayed because of last-minute objections on various issues, including use of the words port and sherry, by Spain, France, Italy, Portugal and Greece.

Rob Davies, the committee chairman, said it seemed "increasingly improbable" that the current parliament would be able to ratify the agreement as the next meeting of the EU council would be held just days before parliament adjourned for elections, making full hearings unlikely.

Mezzaroma said his delegation had noted the strong feelings the delay in the agreement had aroused among South African MPs.

He requested they pass a resolution that the group could take back with it to Europe to put political pressure on dissenting states.

Trade agreement will be approved — delegates

Wyndham Hartley (74) BD 2/3/99

CAPE TOWN — A delegation from the European parliament is confident that all 15 European Union (EU) member countries will support the trade agreement with SA at the next meeting of the council on March 22.

During a meeting with the National Assembly's trade and industry committee, the delegation expressed its disgust at the five countries which failed to approve of the Davos package agreed between Trade and Industry Minister Alec Erwin and EU commissioner João de Deus Pinheiro.

It was also shown that the European parliament had taken a resolution, with an overwhelming majority, which called on the council to reconsider its decision.

Maj Britt Theorin said she was confident the agreement would be approved before both the European parliament and the SA Parliament rose at the end of March.

She said political pressure was being brought on the countries that objected to the agreement, particularly Spain.

Theorin said the failure to approve the agreement was very damaging for the EU, not only in its relationship with SA but in its relationship to the entire developing world.

SADC free trade nears hurdles

PETER FABRICIUS

Johannesburg — The negotiations for a southern African free trade area would reach a critical phase later this month when the region's trade officials began to haggle over lifting tariffs on clothing and textile products, a move which was important to several countries, an official of the department of trade and industry said this week.

Last week South African trade officials made progress in agreements to lower tariffs on chemicals, pharmaceuticals, wood and paper products.

These talks, the eighth in the protracted series of negotiations for a Southern African Development Community (SADC) free trade area, went relatively smoothly because few of the products under discussion were produced outside South Africa, said Marina Mayer, the head of the SADC section in the department of trade and industry.

Tariffs on clothing and textiles, critical to several countries, are not yet settled

But she said last week's meeting had also agreed to bring forward the crucial negotiations on how to deal with sensitive products, especially clothing and textiles.

The meeting would be held in Maputo from March 22 to 26.

The meeting would first deal with the general question of how to deal with sensitive products, Mayer said, before tackling the specifics of textiles and clothing exports.

At last week's meeting Zimbabwe and Mauritius had been asked to improve their trade offers.

Mayer said the 11 SADC countries involved in the trade talks fell into three categories.

The South African Customs Union (Sacu) countries, regarded as the most developed, were expected to lower their tariffs the most quickly.

The meeting had accepted the Sacu's offer to lower its tariffs over five years, compared with eight years for other countries, except for the most sensitive products.

The next category, developing countries, comprised Zimbabwe and Mauritius. The last category, least developed countries, included all the rest in the SADC.

The meeting had agreed that the least developed countries could "backload" their tariff reductions so that if, for example, they were expected to reduce a tariff from 25 percent to zero in eight years, they could reduce to 15 percent in the seventh year and zero in the eighth year.

Zimbabwe had offered to phase down some tariffs by year three and some in year five of the eight-year period for implementing the free trade area.

Other countries considered this excessive backloading. They asked Zimbabwe to instead consider phasing out tariffs in equal instalments over eight years and it agreed to review its offer.

Mauritius was also asked to review the high proportion of sensitive products (27 percent) in its offer. By comparison, South Africa and Zimbabwe had only classified some 11 percent of products as sensitive.

Clarifying conflicting reports, Mayer said Zimbabwe had classified its clothing and textile industries as sensitive. So had South Africa and all the other SADC countries that produced these goods, setting the stage for tough negotiations at this month's meeting.

Mayer said there had also been difficult discussions at last week's meeting about the countries that were members of both the SADC and the Common Market for Eastern and Southern Africa (Comesa).

Namibia and Swaziland, for example, had preferential access to Comesa, which reduced tariffs for some of their important exports from 60 to 2 percent or even zero.

This preferential access was extended to the two countries under a special relaxation of the Comesa Treaty, as they were unable to offer reciprocal preferential tariffs in their markets due to their membership of the Sacu.

Sacu is not a member of Comesa. It has a common external tariff.

Mayer said it was likely that these concessions from the other countries would expire in 2000, during the phasing-in period of the SADC free trade area.

Namibia and Swaziland were concerned that they might be hit with a steep increase in tariffs on their key exports to Comesa countries just as they were opening up their markets to SADC products, she said. — Independent Foreign Service

Environmental standards are a new trade barrier

BD 5/3/99

SA does not rate highly in survey of manufacturing companies in various countries, writes Grant Hatch

THE link between global competitiveness and the environment is becoming increasingly important as trade barriers are being dismantled and replaced with new and subtler barriers.

US regulators have adopted strict environmental standards to reduce the risk of competitors to US products, following the North American Free Trade Agreement.

Similarly, environment standards in the packaging and car manufacturing industries in Germany were used to exclude competitors who could not meet stringent requirements.

In the light of this, how environmentally competitive are South African companies?

According to The Global Manufacturing Futures Survey, a biennial survey of the environmental competitiveness in manufacturing companies in SA, Australia, New Zealand, Japan, the US, Mexico, China and Europe, SA companies are not environmentally competitive.

The survey, which is represented in SA by the Graduate School of Business at the University of Cape Town, was used to compare companies in terms of past and future expected returns from investment in areas such as environment-improving technology and the use of recyclable raw material.

It shows that SA companies reported the lowest return from past investment in environment-improving technology. And this investment is not enough to compete globally.

To compound the problem, recent draft legislation suggests that SA is adopting the US regulatory approach. Although there are individual examples of environmentally progressive companies such as 3M and McDonalds, US manufacturers show lower returns.

This could reflect a regulation-driven approach to the environment. In other words companies act to comply with regulations rather than to exploit cost savings and see lower direct benefits from investment.

The US was particularly weak at recycling products which is reflected in the high failure rate of recycling programmes.

The European model is incentive-driven (giving companies tax breaks for environmental investments) which elicits a greater response and higher projected returns.

According to the survey, Mexican and Japanese companies have achieved the highest returns from investment in environment-improving technology.

It would seem Japanese investment is driven by a focus on quality improvement to reduce manufacturing costs.

In Mexico, often regarded as the environmental laggard, the incremental returns from environmental investment are high.

Expected future returns were highest for Japan and Mexico with the US falling below the ranking for even SA.

□ *Hatch is a management consultant with Gemini Consulting.*

SA-EU TRADE PACT (74)

TIME TO READ THE FINE PRINT

FM 5/3/99

While SA and EU officials trudge wearily back to the bargaining chamber after the call by Spain, France and Italy for further changes in the SA-EU draft free-trade pact, it is worth taking a detailed look at the deal to determine what's at stake

As with most accords, it is difficult to identify winners and losers; trade is not a zero sum game In any case, the agreement's success would depend on what SA and EU exporters, business leaders and government officials make of it. Still, the table outlining the draft deal (see overleaf), provides insights into the complexities and facets of what has been agreed, and thus what each side stands to gain or lose.

Whatever minor technical changes may be made, the structure of the deal would essentially remain. Spain has asked European Development Commissioner João de Deus Pinheiro to seek fresh concessions for SA's exports of Mediterranean fruit and vegetables to Europe, while also demanding better access to the SA market for its industrial goods, including auto components. The focus, though, will be on Madrid's demands that SA give a firm commitment to stop domestic use of "port" and "sherry" labels for its fortified wines after 12 years

If it is ever concluded, the agreement could change the political, economic and commercial relationship between SA and the EU. Regular political contacts — including ministerial discussions and meetings between parliamentarians — will put SA's relations with the EU on a footing similar to Europe's high-level dialogue with the US, Russia and Japan. As SA seeks to become a more powerful regional player, EU political support could prove useful.

The EU, for its part, has often said it sees the SA pact as a test case for its relations with other African countries, especially after the expiry of the Lomé trade and aid convention in February next year. Signature of the accord with SA will boost Europe's standing in Africa and make other Lomé members "more receptive to the concept of free-trade arrangements," says an EU negotiator.

Also, SA would be making a firm, commitment to modernise its economy and to liberalise trade and business.

The EU is also hoping that the accord will secure its leading political, trade and investment position in SA, helping European business to maintain its current lead over both Japan and the US. The pact would provide "a real example of the EU's attempts to provide stability in emerging markets," says Philip Lowe, director-general for development at the European Commission.

Trade, the largest and most vital part of the treaty, has been subject to the fiercest and most detailed negotiation Significantly, this would be the first free-trade pact signed by Brussels that covers agriculture. The farm sector is missing from Europe's trade-liberalising agreements with the southern Mediterranean states, for example

Shada Islam, Brussels

SEE TABLE PAGE 48

P.T.O.

TRADE *Spain and 'Club Med' allies seek deal for farmers*

SA may be hostage in EU reform tussle

CT(BR)8/7/99(74)

JOHN FRASER

Brussels — European Union (EU) officials are worried that protectionist states in southern Europe may hold the trade deal with South Africa to ransom in an effort to win concessions in a major internal EU reform.

This month the 15 EU governments face twin challenges. The first is to conclude the Free Trade Area (FTA) agreement with Pretoria.

The second challenge is to reach a deal on Agenda 2000: a series of radical reforms of Europe's financing, farm and regional spending. The EU is trying to slash its $100 billion farming subsidies in half.

Last month, at a meeting of EU foreign ministers, five southern European nations blocked the FTA, arguing that it was too generous.

Spain, France, Portugal, Greece and Italy expressed concern that the provisional accord, which was agreed by negotiators from both sides at the Swiss ski resort of Davos in January, made too many concessions on agriculture.

There are fears that Spain and its "Club Med" allies will threaten to kick the crutches away from the agreement itself in a bid to win concessions over Agenda 2000.

This reform package is required to prepare the EU for the admission of Cyprus and five new members from eastern Europe in the early years of the next millennium.

One of the most difficult issues is agriculture. EU ministers are being urged to agree to big cutbacks, especially in aid for beef, dairy production and cereals.

Philip Lowe, the EU's chief negotiator, flew to Pretoria last week to meet South African trade and foreign affairs officials. He hopes to put a revised deal to a meeting of the 15 EU ambassadors next week.

The issue then goes before the 15 EU foreign ministers the following Monday, March 22.

However, it is difficult to believe that the foreign ministers will have much time to devote to South Africa, as their meeting comes just two days before the critical EU summit in Berlin, at which the Agenda 2000 package is due to be concluded.

Lowe admitted yesterday he feared that one or more EU governments may block the South African accord because of concerns about Agenda 2000. "March 22 is not the best time to be asking them to make agricultural concessions," he said.

The planned accord with South Africa will be the first between the EU and a developing nation which involves heading towards free trade in agriculture.

The FTA is due to be phased in over 12 years, with European tariffs collapsing at a faster rate than those of South Africa. — Independent Foreign Service



BEEFING ABOUT SUBSIDIES *A Spanish farmer dressed as a pilgrim blows his horn in Madrid during a 15 000-strong weekend protest against planned EU agricultural reforms* PHOTO: REUTERS

Buthelezi adds his weight to EU talks

John Dludlu (74) BD9/3/99

MANGOSUTHU Buthelezi, the leader of the Inkatha Freedom Party, has added his voice to calls for the European Union (EU) to conclude a trade, development and co-operation accord with SA.

Buthelezi used a private visit to Europe last week to push the troubled EU-SA talks along, calling on the EU to resolve the remaining problems in the long-term interests of both the African and European continents.

Buthelezi, who was hosted by the European People's Party which is represented in the European Parliament, held private talks with Jose-Maria Gil-Robles, the president of the EU legislature, and Jacques Santer, the president of the European Commission, the EU's executive.

Efforts to conclude the agreement stalled when five EU countries raised objections to the Davos package, the agreement between Trade and Industry Minister Alec Erwin and Joao de Deus Pinheiro, the European commissioner for relations with Africa.

The five EU countries objected to the provisions of the deal on SA's continued use of the names port and sherry for its fortified wines. The EU wants SA to agree to drop the names. In terms of the Davos package, SA will continue using the names for 12 years, after which the names will be jointly agreed to with the EU — a phrasing the EU's objectors find noncommital.

Kim Howells, the UK minister responsible for competition and consumer affairs within the trade and industry department, said yesterday he understood how difficult it would be for SA wine producers to give up these names. He issued a veiled attack on the EU members that were still objecting to the deal, saying: "We have a duty to ensure that well-established brands and industries are not suddenly prohibited through some semi-protectionist measure".

Buthelezi's intervention comes only days before the March 22 deadline during which Pinheiro is supposed to give a report back to EU foreign ministers. Buthelezi has stressed the benefits of closer relations between Africa and Europe.

Mandela appeals to Dutch to press EU

PHILIP BLENKINSOP

Amsterdam — During a farewell state visit to the Netherlands, President Nelson Mandela yesterday urged the Dutch to keep pressing the European Union (EU) to seal a free trade deal with South Africa.

"It is my sincere hope that the Netherlands will continue to try and mobilise support within the European Union for the conclusion now of a fair free trade agreement," Mandela told the Dutch parliament.

Mandela said stronger economic ties and increased investment were essential for democracy to survive in South Africa.

"We need those who were our allies in struggle to be our partners in giving material content to our freedom ... In the end our democracy will always be fragile and our rights lacking in content unless they bring material improvements," said Mandela.

Trade between colonial ruler has and its former colonies has surged recently. In the first nine months of last year, Dutch exports rose 32 percent to 1,12 billion guilders ($556,7 million) while imports rose 79 percent to 1,18 billion guilders.

Mandela's comments were a rare excursion into politics in a largely ceremonial trip billed as a farewell to old allies before his retirement. "There were those who were with us when everyone in the world shunned us ... That is why I decided one of the countries I should visit before I stepped down was the Netherlands," he said.

The Dutch turned out in their thousands to see Mandela lay a wreath at Amsterdam's monument to the war dead and tour the capital's canals in an open-top boat. "We love you and we hope you like us a bit," Dutch Premier Wim Kok told Mandela at a brief news conference yesterday. — Reuters

EU seeks crisis meeting with SA

CT(BR) 15/3/99 (74)

JOHN FRASER

INDEPENDENT FOREIGN SERVICE

Brussels — The EU wants a crisis meeting with Alec Erwin, South Africa's minister of trade and industry, to break the continuing deadlock in negotiations on a free trade area.

Erwin reached a provisional agreement with Joao de Deus Pinheiro, the EU commissioner, in Davos in January, but this accord was vetoed by five EU nations last month.

Foreign ministers from Spain, Portugal, Greece, Italy and France objected to several aspects of the deal, and asked European negotiators for improvements.

The biggest problem for the Europeans was that the accord gave no watertight guarantee that South Africa would outlaw the use of the terms 'port' and 'sherry' for its fortified wines.

This may happen after 12 years, but would not have to if South Africa won the right to continue the use of the terms in multilateral negotiations inside the World Trade Organisation.

Philip Lowe, the EU's chief negotiator, said last night that there was "no deal yet". He confirmed that contacts were continuing between EU and South African officials, and that progress had been made on two issues: South African agricultural exports to Europe and illegal immigration.

However, he said the conflict over port and sherry "remains the stumbling block, with strong positions on both sides". Lowe confirmed efforts to set up a meeting between Pinheiro and Erwin in Europe this week.

EU officials will also this week report back to both the European Commission and to the 15 EU ambassadors about the state of play in the negotiations. The issue will then be discussed by the 15 EU foreign ministers in Brussels next week.

If there is still no accord, the matter may have to go before the Berlin European Summit on March 24, which is to be attended by all 15 EU leaders.

However, the South African deal may then become entangled in a wider reform of EU agricultural spending and financing, and could be used as a lever by Spain and others to extract concessions from Germany and Europe's other belt-tighteners.

A growing fear in Brussels is that if the EU governments delay acceptance of a free trade area with, and keep demanding new concessions from, South Africa, the South Africans could leave the table, ending negotiations.

Boost for SA-EU trade deal

(74) BD 15/3/99

Reforms pave way for possible agreement, writes **John Dludlu**

LAST Thursday's agreement on reforms to the European Union's common agricultural policy (Cap) may improve, albeit slightly, the chances of a trade, development and co-operation deal between SA and the EU, say observers close to the process.

In essence, Thursday's "reforms", agreed to by farm ministers, will cut prices of cereals, beef and milk by as much as 20%. Together with the EU's budget financing and regional aid, the Cap reforms — by far the most important element in the package — will be discussed by EU heads of government in Berlin next week.

Glenys Kinnock, the UK Labour Party member of the European Parliament, says the reforms do not go far enough. Crucially, they do not deal with direct payments to farmers.

So Britain and Denmark will be pushing for further reforms. They hardly meet the expectations of EU's proreform governments — Britain, Denmark and Sweden. If anything, the so-called Cap reforms merely reinforce SA's concerns about the unfair dimension Cap brings to bilateral trade.

However, for now, it is a deal.

Cap funding, which has been growing annually since 1962, now accounts for half of the EU's annual 85bn euro budget. Commission officials say it is unlikely that EU leaders will want to reopen the deal: after all, it begins to arrest the rampant growth in the Cap funding.

What is the relevance to the EU talks? None, directly. But that is exactly the point, say observers familiar with the Brussels process and the EU talks. Issues that have no bearing at all to the SA-EU negotiations have been brought in on several occasions.

For the past four years, the EU talks have become victim to internal EU wrangling. Once it was immigration policies and then it was concern about setting precedents for the EU's negotiations with other blocs, particularly the US and Latin America.

Take the latest hurdle, when EU foreign ministers rejected the EU draft deal. It is hardly a coincidence that the "reformers" within the EU — the Nordic states and the UK — were the ones backing the deal The opponents of the deal with Pretoria — France, Greece, Portugal and Spain — were either beneficiaries of the EU's regional aid or had strong farm lobbies at home.

It is instructive to remember that when EU foreign ministers met last month to discuss, among other things, the "SA dossier", they did so in Luxembourg — far from protesting farmers in the streets of Brussels This demonstrated the worrying influence of EU farm lobbies.

The five EU states have been particularly vehement in their criticism of the farm concessions granted to SA, as well as SA's continued use of "port" and "sherry" labels for its fortified wines.

So, with Cap's benefits still intact, observers point out that the Mediterranean bloc's interests may have been addressed. With this in mind, the argument goes, EU objectors may be reluctant to continue holding hostage the deal with Pretoria.

Also, their concerns about the threat to EU jobs posed by the draft deal, struck by Trade and Industry Minister Alec Erwin and João de Deus Pinheiro, EU commissioner for relations with Africa, are unfounded. After all, the deal does not undermine directives given by the EU in 1996.

An EU source says the Spaniards have signalled their willingness to be accommodating. The onus is now on the negotiators putting together a new deal.

Perhaps the bulk of their work is to convince both sides that this is a deal they can live with. And technocrats will have to work out a text that assures the EU farmers anew that their greatest threat is not SA, but global competition.

SA reassured about US trade policy

Patrick Wadula (74) PD 15/2/99

WASHINGTON — SA was recently reassured it would not experience problems with the US General System of Preference (GSP) similar to the obstacles it was facing with the European Union's preferential trade agreement.

US agriculture department undersecretary August Schumacher said the US had opened its market to African produced goods through its GSP. He criticised the EU for being protectionist.

He said last year the US imported close to $900m worth of agricultural products from sub-Saharan Africa, compared with $612m worth of agricultural products in 1996. Top sub-Saharan agricultural suppliers to the US last year were SA with $108m worth of agricultural products, followed by Côte d 'Ivoire with trade worth $387m.

Schumacher said US agricultural imports from sub-Saharan Africa were led by cocoa beans, raw coffee, raw sugar, cocoa paste and butter. Others products were rubber, tobacco, spices, fresh fruits and tea.

He said there was an upward trend in US agricultural imports from sub-Saharan Africa.

Schumacher said research in biotechnology to be used for agricultural produce in Africa was essential. Biotechnology was being contested by EU environmentalists. "Without research in biotechnology we will not be able to assist African countries in their agricultural produce," he said.

He said the biotechnology research issue would be raised at the US-Africa ministerial conference to be held at the state department this week. Its theme is "partnership for 21st century".

Mass EU exodus deals blow to SA trade hopes

CLIVE SAWYER AND SAPA-DPA

The shock resignation of all 20 European Commissioners has dealt a devastating blow to South Africa's efforts to negotiate a free trade deal with the European Union and officials were today desperately trying to get clarity on the future of the talks.

The resignations came at a time when EU commission negotiators were in daily contact with their South African counterparts in what were described as "extremely delicate" talks aimed at a settlement.

And they came just ahead of a possible meeting in Brussels this week between Trade and Industry Minister Alec Erwin and the EU commissioners, at which it was hoped that the impasse blocking an agreement would be resolved.

Among the commissioners who resigned was the EU's chief negotiator, Joao de Deus Pinheiro, who was considered sympathetic to South Africa's efforts to gain free access to EU markets for Western Cape agricultural produce.

The resignation of the EU commissioners followed a report which found the commission to be riddled with fraud, nepotism and financial mismanagement.

Mr Pinheiro and Mr Erwin brokered the compromise on the port and sherry issue which cleared the way for significant progress on the proposed EU-SA trade pact.

But a deal negotiated earlier this year in Davos, Switzerland, was later opposed by five countries – France, Spain, Portugal, Greece and Italy.

The mass resignation came shortly before next Monday's Brussels meeting by European foreign ministers on the proposed EU-SA trade pact.

At a news conference before the exodus of the commissioners, EU director-general for development Philip Lowe said countries that favoured the proposed accord "will want it to be discussed again and again until there is agreement".

Spaniard tipped as new EU chief, page 6

EU officials in bid to end impasse over deal

BD 16/3/99 (74)

John Dludlu and Louise Cook

EUROPEAN Union officials are pinning their hopes on a proposed high-level meeting between SA and the EU this week to salvage the trade, development and co-operation deal.

European sources say proposals by SA to resolve the impasse, particularly over SA's continued use of words "port" and "sherry" for fortified wines, do not adequately address EU concerns.

Now, as the March 22 deadline draws closer, EU officials are seeking a meeting between Trade and Industry Minister Alec Erwin and João de Deus Pinheiro, the EU commissioner for relations with Africa, this week to discuss the problems.

Erwin said yesterday he was unaware of EU efforts to arrange a meeting.

It is understood the meeting is planned for later this week although the date and venue, probably in Europe, have yet to be agreed.

The proposed Erwin meeting is by far the strongest indication yet that discussions by officials have failed to find a solution.

An EU official said yesterday: "We need a helping hand (from Erwin). This is our last hope."

It is understood that although SA has suggested some changes to the wines bugbear, these do not address EU concerns sufficiently.

The Davos package, agreed between Pinheiro and Erwin in January, allows SA's wine producers to use the disputed terms for 12 years after which the matter will be reviewed.

EU states want SA to give a clear commitment on when it seeks to phase out the use of the labels port and sherry in its domestic markets.

Pinheiro was asked by EU foreign ministers last month to find solutions to EU members' concerns and to report back to them on March 22.

This ministerial meeting takes place two days before the EU leaders' summit in Germany. An agreement, albeit shaky, on reforms to the EU's common agricultural policy was struck by EU farm ministers last Thursday, raising hopes that EU states may be inspired to approve a deal with Pretoria.

The agreement on modest reforms to the agricultural policy agreement has to be endorsed by EU heads of government in their German summit.

One European source said yesterday the EU deal stood a better chance of being approved at next month's ministerial meeting after the endorsement of the farm reforms.

Safex enjoys busiest month in maize (74) crop dealings

ALMOST 1-million tons of maize was traded through the SA Futures Exchange (Safex) in February, the highest monthly volume since contracts in the grain were launched three years ago.

Rod Gravelot-Blondin, GM of Safex's agricultural markets division, said 9 751 contracts, each representing 100 tons of white or yellow maize, changed hands last month.

The 975 100 tons compares with 565 500 tons traded in February a year ago and constitutes about 15% of SA's official forecast for the new maize crop to be harvested in two months.

Maize dealings have surged in recent weeks as investors have hedged or speculators taken positions amid concerns that the crop has been severely damaged by a protracted heat wave and spell of dry weather throughout SA.

However, dealings in sunflower seed contracts had been sluggish since their launch on February 1 this year. Gravelot-Blondin said this was largely due to the summer crop being contracted ahead of the harvest.

SA is expected to harvest a bumper 905 000 tons of sunflower seed crop this year. — Reuter.

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FIRING LINE *A Luxembourg gathering of 18 of the 20 European Commission members who have resigned over allegations of cronyism* PHOTO: REUTERS

EU crisis threatens trade deal

CT(BR) 17/3/99 (74)

LYNDA LOXTON AND THABO LESHILO

Cape Town — The shock resignation of 20 European Union (EU) commissioners yesterday cast a pall of uncertainty over the future of the long-delayed free trade area negotiations between South Africa and the EU

Elias Links, South Africa's ambassador in Brussels, admitted the situation was "quite dicey" and there was no guarantee that Joao de Deus Pinheiro, the largely pro-South African EU commissioner for Africa and the Caribbean countries, would be reappointed.

Jacques Santer, the commission's president, said he and the other 19 commissioners would stay on in a caretaker capacity until the 15 EU governments named their successors.

Links said yesterday's drama would not necessarily directly affect the trade negotiations, as it was the EU council of ministers that had to be convinced that the trade deal should go through.

Although the commission could play a role in persuading the council to pass the deal, vested interests in some EU member states could be more powerful

This was reiterated by Rob Davies, the chairman of the portfolio committee on trade and industry, who said that although the resignations were "fairly serious", the main problem remained the EU's general council, which had blocked the signing of the trade agreement.

Alec Erwin, the trade and industry minister, leaves for Geneva today to attend a World Trade Organisation meeting He was expected to go on to Brussels to meet Pinheiro.

But Jean-Claude Boidin, the head of the unit for relations with South Africa in the European Commission's directorate-general for development, warned that time might have already run out for South Africa to get approval for the deal when the council of ministers meets on Monday. "The odds are not very good."

He said indications were that not enough time would be spent on the trade deal because of more pressing issues like radical reforms to EU financing and farm subsidies.

"The delay at the beginning is beginning to have costs. Now political decisions have to be made at an unfavourable moment," Boidin said

Marco Boni, the spokesman for the department of foreign affairs, said: "We have no reason to believe these developments will directly affect the substance of negotiations . commitments have been made by the EU and we expect those to be honoured." Negotiations were continuing among senior officials.

The resignation of the commissioners came after the release late on Monday of a report on top-level cronyism and fraud. It sent jitters through the currency markets, but had little immediate effect on the EU's day-to-day functions or plans to overhaul the EU budget. This reflects the fact that the real decision-making rests with the member states themselves, who co-ordinate policy in regular ministerial meetings.

This is particularly true in the economic and monetary domain, where the commission is confined largely to a surveillance and forecasting role. It has no direct authority over member states' budget policies or the monetary policy of the European Central Bank.

The commission, often referred to as the EU executive, is far more administrative than political in nature. It makes proposals for EU legislation, but the member states have the final say The commission also handles day-to-day operations in various EU programmes.

At a news conference yesterday, Santer sounded bitter, calling the fraud report unfair and unbalanced. He accepted there were individual cases of wrongdoing but some dated back to before 1995 when his commission took office.

Business Watch, Page 2 and Tensions worsen, Page 10

COMMENT

The report into corruption in the European Union suggests that commissioners' first allegiances these days are to themselves, their cronies, and even their dentists.

The humiliation of the commission tells us all we feared to learn about the state of "Europe" today It is corrupt. Institutionally corrupt. The faults lie not so much in the personalities involved but in the institutions themselves. They are dysfunctional.

The time has come for Europe's friends to acknowledge that radical reform to the EU's institutions is more than desirable: it is the only way in which the whole European ideal can be realised. Europe faces major challenges.

We cannot expect the euro to be strong, or for the EU to take on the US in a trade war, or to reform the common agricultural policy, or embrace countries to the east, with EU institutions that are not up to these tasks.

Europe needs a constitution badly. For a political entity comprising 350 million people, with a single currency and common foreign and defence policies, to lack viable democratically accountable structures is a dangerous flaw

What we have is a series of sometimes contradictory treaties, case law in the European Court and a corpus of decisions and conventions made by the commission and council of ministers Hardly a "citizens' Europe".

It cannot be beyond the wit of Europe to take the best of these traditions and frame a simple set of political rules to manage its affairs. If Europe fails to reform, it will not command, or deserve to command, the allegiance of its citizens. – The Independent, London ■

EU crisis casts doubt on pact

(74) BD 17/3/99

John Dludlu, David McKay and Sapa-AFP

THE crisis in the European Union (EU) sparked by the resignation of its executive reverberated in SA last night, casting serious doubts over the future of its trade and development deal with SA.

The entire European Commission resigned yesterday after a damning report accused the body of corruption and nepotism. The report implicated several commissioners, including João de Deus Pinheiro, commissioner for relations with Africa, who negotiated a draft deal with Trade and Industry Minister Alec Erwin. Pinheiro was accused of giving a relative a plush job in Brussels.

EU and SA officials sought to allay fears, saying the uncertainty over Pinheiro's future would not affect the negotiations with SA. Mary McCaughey, spokesman for the EU mission in SA, said it was business as usual for relations with SA.

It was unclear last night what would happen to commissioners fingered directly by the report. European parliament president Jose-Maria Gil-Robles said the commissioners should leave their posts immediately rather than carrying on on a caretaker basis.

McCaughey warned that the absence of Pinheiro might take the impetus away from the talks, given the good relationship between Pinheiro and Erwin.

EU officials were trying to arrange a meeting between the two men in Geneva tomorrow to resolve the impasse. The commission is expected to discuss the trade talks at the EU ambassadors' body today. Brussels officials warned that unless Erwin made a major concession to the EU tomorrow on remaining problems, particularly SA's continued use of the names port and sherry for its fortified wines, the deal was likely to slip away.

EU foreign ministers, who rejected the draft deal with SA last month, are due to discuss it again on Monday.

Rob Davies, chairman of the parliamentary trade and industry committee, said the danger was that internal EU manoeuvring, which had already delayed the deal, could affect the talks.

EU officials warned that if no deal was struck tomorrow EU leaders would not set a new deadline and the talks would slip further from a list of EU priorities.

Ben Jackson, director of Action Southern Africa — successor to the Anti-Apartheid Movement — said the crisis in the EU could see the willingness to push the EU-SA talks being blocked by lack of attention from EU leaders, who would focus on internal priorities.

Cathie Markus, Impala Platinum's legal representative, said the resignation was unlikely to affect the group's appeal to overturn a 1996 EU judgment. The EU ruled that proposals by Impala, then controlled by mining house Gencor, and Lonrho Platinum to merge were anti-competitive. The SA producer, the world's second-largest, lodged an appeal against the decision with the EU's first court of appeal. Judgment is expected on March 25.

Europe reels: Page 7

US fires broadside over SA's trade policy

BD 17/3/99

(74)

It is an overall problem of bureaucratic discretion run amok, says negotiator

Simon Barber

WASHINGTON — US Trade Representative Charlene Barshefsky has roundly criticised the SA government's procurement and licensing practices as "opaque" and potentially biased against US firms.

"We have an overall transparency problem ... an overall problem of bureaucratic discretion run amok," Barshefsky, US President Bill Clinton's chief trade negotiator, said in an interview on the eve of this week's US-Africa ministerial meetings in Washington.

SA was not reciprocating Washington's interest in negotiating a free trade agreement, or even intermediary "building blocks" like a bilateral investment treaty or agreements on intellectual property rights and electronic commerce.

No decision had been taken on whether to grant the US pharmaceutical industry's request that SA be declared a "priority foreign country" and threatened with trade penalties for undermining their patent rights, she said, but indicated that such a step was unlikely at this stage.

On the threat of more US anti-dumping suits against SA's steel makers, she commented that "it doesn't take a rocket scientist to avoid the imposition of dumping duties if a company is careful in the way it prices its products for overseas sale".

She was "disappointed" that Pretoria had been "noncommittal" on supporting negotiation this year of a World Trade Organisation (WTO) agreement on transparency in government procurement. "We hope they will rethink their position. It is very difficult for a government to argue against transparency in basic purchasing, particularly where the budget of the people is involved."

The new agreement did not impose complex obligations like the existing WTO procurement code, to which SA was not a party. "All we're talking about is basic due process" and a "baseline procedure" for soliciting tenders and making awards in an open manner, including announcement of "the final price agreed to".

Barshefsky was also "very concerned about ... potential discrimination towards Europe and away from the US, that is to say the government using procurement practices as a means of cementing relationships with particular countries". The US was "looking at WTO agreements in connection with any discrimination that may occur".

The US could not object to "empowerment" criteria in contract awards, since it had similar policies itself, so long as they were not "unduly discriminatory".

"It is in our interest to see an absolutely stable and prosperous SA ... and if that means SA must set aside certain contracts for empowerment purposes, that's completely understandable."

US companies have complained that they have been losing bids on government tenders under questionable circumstances. Examples include Lockheed and TRW, which had sought contracts to produce identity cards. The US defence industry has also been angered by not being invited to tender for SA's military modernisation programme.

Barshefsky said she understood SA's current lack of interest in a free trade agreement with the US. "Our impression is that SA has wanted to focus first and foremost on whether it could reach an agreement with Europe."

SA "made some noises about a free trade agreement (with the US) about a month ago.... The sounds have now quieted down. We take that to mean SA was interested in leveraging a deal with Europe, rather than expressing any genuine interest in a deal with us. That's fine."

However, the US would consider "unacceptable" any final deal between the SA and the EU that put up new barriers to the US or other countries.

Barshefsky hoped the drug patents row would be resolved between government and the companies involved or by the Constitutional Court. She did not have to decide whether to name SA a "priority foreign country" until the end of next month, but "at this point ... we are encouraging dialogue between the parties".

The US has withheld trade preferences granted for several SA products last year because of the patent rights dispute, but Barshefsky hinted her position might be softening. "We ... are talking to the SA government about that in relation to intellectual property right issues." These included software piracy.

SA cagey over EU resignations

SOUTH African officials yesterday played down the impact the resignation of all 20 European Union commissioners would have on the EU's negotiations for a free trade agreement with Pretoria.

"We have passed the point where the commissioners would be holding up the deal," said Mr Elias Links, South Africa's ambassador to the EU.

Speaking from Brussels, Links said that while Joao de Deus Pinheiro, the EU commissioner responsible for Africa, would still play an intermediary role in trying to tie up the deal, it was up to the EU council of ministers to ratify the agreement.

"We have already reached agreement with the European Commission. It is the content of the deal which will decide whether the EU member states will accept it."

The commissioners resigned following the publication of a damning report by a panel of five independent experts appointed by the European parliament which detailed allegations of corruption and nepotism.

Among others, the report criticises Pinheiro for giving his brother-in-law a top job in Brussels.

The EU reappointed the commissioners to act in a caretaker capacity, but their powers are still unclear.

Trade and Industry Minister Alec Erwin and Pinheiro put together a draft trade deal in Davos in January which envisioned the EU opening its markets up to 95 percent of South African imports within 10 years, and SA dropping all tariffs on 85 percent of goods from the EU within 12 years.

This was acceptable to South Africa, but was rejected by five EU states because they felt the concessions made were too generous.

Erwin referred all queries on the resignations to the Department of Foreign Affairs, whose spokesman Mr Marco Boni said while it was still too early to make a full assessment of the resignations, South Africa believed the trade negotiations would not be adversely affected.

"Our negotiations continue at senior official level – we don't believe they should be interrupted."

President Nelson Mandela said yesterday he was hopeful the resignations would not scupper the trade deal.

Mandela is currently on a week-long state visit to the Netherlands, Finland, Norway, Denmark and Sweden.

Speaking in Copenhagen, Denmark, he said he believed the European Commission was run by competent people who would settle the crisis as soon as possible.

South Africa had hoped the EU council of foreign ministers would ratify the Davos deal at a meeting next week. Links said if this was not the case, it was unlikely the accord would be dealt with at a EU heads of state meeting later this month, and that the issue would be revisited at the next council of ministers meeting in a month's time. – *Sapa.*

● **See also page 10.**

Sudden crisis in the EU

Latest developments in the European body create unexpected problems for South Africa. A **Sapa-Reuters** report puts the issues into perspective.

THE mass resignation of the European Union's 20 commissioners over allegations of corruption and cronyism yesterday, has dealt a blow to South Africa's hopes of finalising a trade deal with the 15-nation trading block ahead of its March 22 council of ministers meeting.

EU officials went to great lengths yesterday to stress that work on the trade deal would go on, but said the political impetus for finalising the accord was certain to lose some steam.

The commissioners are responsible for running the day-to-day affairs of the EU, and their resignation places the body in an institutional crisis,which is likely to result in trade negotiations with South Africa being placed on hold.

Since the commissioners' resignation is unprecedented, it is still unclear how the EU's business will be conducted at a political level.

The commissioners resigned after the publication of a damning report by a panel of five independent experts appointed by the European Parliament.

The report criticises, among others, Joao de Deus Pinheiro, the commissioner responsible for Africa, for giving his brother-in-law a top job in Brussels.

Pinhero has been a key broker in the SA-EU trade negotiations and was seeking a meeting with Trade and Industry Minister Alec Erwin to try and resolve the latest impasse.

The relationship between Pinheiro and Erwin is a good one and South Africa will not be happy to see him go.

Erwin and Pinheiro put together a draft trade deal in Davos, Switzerland, in January which was acceptable to South Africa, but rejected by five EU states on the grounds that the concessions made to this country were too generous.

EU spokeswoman Mary McCaughey said: "All it really means is we do not have commissioners in office." Other officials busy with the negotiations would carry on with their work.

Bahle Sibisi, South Africa's chief director of bilateral trade relations, was in the United States and unavailable for comment.

Meanwhile, the resignations have plunged the European Union into crisis just days ahead of a crucial summit on budget reforms.

Germany, holder of the European Union's rotating presidency, said it acknowledged the commission's decision to resign.

But the foreign ministry said the commission would stay on in a caretaker role to provide support in talks on the Agenda 2000 EU reform package, which German Chancellor Gerhard Schroeder wants to wrap up at the summit next week in Berlin.

Commission president Jacques Santer was expected to meet Schroeder in Brussels late yesterday to gauge the impact of the move on continuing Agenda 2000 reforms of EU farm and regional aid programmes.



Joao de Deus Pinheiro is one of the 20 European commissioners who resigned yesterday over allegations of corruption.

European trade commissioner Sir Leon Brittan said the resignations were a disaster.

"It is a disaster and it requires speed and ruthless determination to deal with," Brittan said. He accepted there had been a loss of control. "The important thing is how to handle it."

The unprecedented step follows the launch of the euro single currency and shortly before EU leaders meet in Berlin next week to overhaul the bloc's R558 billion annual budget ahead of an ambitious expansion into east Europe.

Dutch foreign minister Jozias van Aartsen said EU member states must act quickly to make the new appointments.

"The commission's resignation has created a dramatic situation. There are many important things on the agenda," Van Aartsen said.

Deputies from the 626-seat European Parliament, who earlier called on the commission to resign or face being sacked, welcomed the resignations and called for an urgent EU summit to appoint a new team.

"This is an opportunity for a new beginning and a new culture of political responsibilities and democratic accountability in the commission," Wilfried Martens, leader of the assembly's Christian Democrats said.

The hard-hitting 144-page report, which prompted the resignations, accused the executive commission of losing control of the sprawling Brussels bureaucracy that proposes and implements EU legislation.

It accused commissioners of irregularities in managing humanitarian aid, tourism, vocational training and other programmes.

"In the light of the ... report, the members of the commission have decided unanimously to resign collectively," Santer told a packed news conference after a crisis meeting of the EU's executive.

In a stinging criticism of the commission as a whole, the report said: "It is becoming difficult to find anyone who has even the slightest sense of responsibility."

It also charged research commissioner and former French prime minister Edith Cresson of favouritism in bringing her hometown dentist on to the commission payroll as a scientific adviser.

Cresson commented later: "The commission did very good things, very positive things during its four years.

"Unfortunately a certain amount of dysfunction appeared, as in every administration and the collective conclusion of this committee of experts was such that the commission decided to submit its resignation unanimously," she said.

The report said that commissioners, who earn over R1,25 million a year including expenses, were not personally involved in fraud and did not gain financially from it.

European competition commissioner Karel van Miert slammed the report as unfair.

"They act as if everything here went wrong ... the departments that worked well have not been discussed or commissioners contacted so it is unfair to pretend that everything here just derailed, that is wrong," Van Miert said.

Diplomats said the outgoing commission would operate with its current powers of proposing legislation until the 15 EU member states appoint a new team.

Britain was quick to say it would seek the reappointment of its two commissioners, Sir Leon and Neil Kinnock, neither of whom were implicated in the fraud report.

TRADE TALKS *Minister calls for all-party support of SA's leadership role*

Erwin urges a statesmanlike view on stalled EU negotiations

CT(DR) 18/3/99 (74)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — Alec Erwin, the trade and industry minister, yesterday urged all of South Africa's political parties to stand together over the stalled trade negotiations with the European Union (EU) to show leadership on trade and development issues for the developing world.

"Trade agreements must be equitable, and this is the point that we are pushing," he told the national council of provinces (NCOP) during the debate on his budget vote.

"We obviously want this agreement. It is a good agreement as it helps agriculture and ... industry, but we cannot afford to pay any price for it. We do have a leadership role."

He thanked the NCOP for its support. "We may need it even more over the next few days because I must say that there is no guarantee that on March 22, the ministers will say yes to the proposal."

Erwin said that South Africa's position on the phasing out of the names port and sherry "remains firm".

"We do not believe that this is a concession required of us. It is asking too much ... to consolidate an agreement that is not part of a multinational agreement, as part of this agreement," he said.

He was referring to the fact that Portugal and Spain wanted their exclusive right to the geographical appellations of port and sherry to be included in the free trade agreement with South Africa, even though this was something that still had to be settled though the World Trade Organisation.

"We have already made a considerable concession by agreeing that we will not sell port and sherry to third markets after five years," Erwin said.

The South African industry was "quite capable" of matching the Spanish and Portuguese industries in terms of quality, quantity and price.

He also hit out at the "concerted and dishonest" attempt by some environmental groups to prevent the development of the Coega port industrial complex in the Eastern Cape on spurious environmental grounds.

Erwin said that in today's world, no government could afford to ignore environmental issues when it tried to develop its economy.



STANDING FIRM *Alec Erwin, the trade and industry minister, asked political parties to show leadership on trade and development issues for the developing world*

Hopes of deal rise as Erwin set for summit

ARG 18/3/99 (74)

EU crisis 'not affecting SA dossier'

JOHN FRASER
FOREIGN SERVICE

Brussels – Hopes rose last night that the lame-duck EU Commission in Brussels may be poised to conclude a deal on a Free Trade Area (FTA) with South Africa.

This followed the announcement that EU Commissioner Joao de Deus Pinheiro was preparing to fly to Geneva today for a crucial Summit with SA Trade and Industry Minister Alec Erwin.

The EU was thrown into constitutional chaos on Monday night when the full team of 20 Brussels Commissioners tendered their collective resignation. The move stemmed from a damaging report which accused them of failing to tackle in-house fraud and corruption.

This left South African officials worried that the Commission – with whom trade negotiations have been conducted, and with whom a provisional agreement was reached in January – would be unable to deliver on a deal.

However, the Commission made it clear yesterday that while it will not be coming up with any major new initiatives, it will continue to work on the SA dossier.

"Professor Pinheiro is meeting Mr Erwin ahead of Monday's crucial meeting of EU Foreign Ministers," an EU spokesman said last night.

"The crisis in the Commission is not affecting our efforts to resolve the SA dossier."

The main sticking point in the negotiations remains an EU demand that South Africa must phase out the use of the terms 'port' and 'sherry' after 12 years.

Professor Pinheiro expressed the "sincere hope" that EU governments would approve the deal on Monday.

Antidumping body set to expand as cases rise

(74)

John Dludlu

SA's antidumping body is set to undergo a face lift to cope with the continuing rise in cases, but government has shied away from making radical reforms to its institutions.

Among the key proposals government is considering is to expand the size of the membership of the board on tariffs and trade by establishing a trade remedies committee within the board, the state agency responsible for implementing SA's antidumping laws.

However, Leora Blumberg, the deputy chairman of the board who was hired to recommend reforms to antidumping laws, said it was felt no new institutions would be set up thanks to research showing that this step would be "inefficient for or unaffordable" for SA. Several years ago, a study by the National Economic Forum, the predecessor to the National Economic, Development and Labour Council, suggested that a completely new institution — an antidumping authority — be set up and that the tariff and antidumping functions be separated.

The expansion of the board's membership, a presidential decision, could also be achieved by including officials from the neighbouring countries of the Southern African Customs Union.

Until now, though, attempts to get them on board have failed, as some feel the board is an SA institution.

At present, the board, through units, performs both the tariff-setting functions and the antidumping one.

At the end of last month, there were 22 continuing board investigations, with seven additional ones at an advanced stage.

SA-AFRICA TRADE (74)

DRAMATIC SLOWDOWN

Mainly due to Zim import fall

fm 19/3/99

SA's double-digit annual trade growth with the African continent last year suddenly ground to a halt. Export sales to Africa slumped to a mere 3% increase — compared with 13% growth the year before — while imports contracted by 15%

The major reason for this, says Johannesburg-based trade consultant Liz Whitehouse, was the 14% contraction in SA export sales to Zimbabwe in 1998

In 1997, SA export sales to Zimbabwe were about R5,7bn while, at R7bn, total bilateral trade with Zimbabwe was SA's single biggest African trade market

The fall in export sales to Zimbabwe probably reflects the combined effect of that country's internal political and economic problems, combined with the less than optimum political, diplomatic, trade and economic relations between the two southern African neighbours

But, warns Sigay Moodliar, director of Trade Relations with Africa & the Middle East at the Department of Trade & Industry, while SA's 1998 exports to Africa (R20,1bn) and its imports (R3,6bn) confirm the contraction, "this could also be ascribed to the fact that Customs & Excise is trying to reflect SA's trade statistics with Africa divorced from its other SA Customs Union (SACU) partners".

Trade statistics for previous years included those for SA's customs union partners Botswana, Lesotho, Namibia and Swaziland Nevertheless, at R16,4bn, SA's 1998 favourable trade surplus with the rest of Africa still shows the powerful impact its African trade has on SA's trade surplus

Adding further value to its African trade, is the fact that "almost 83% of SA's export basket (to the continent) consisted of manufactured products, followed by agricultural products with a 14% share and mining products with 3%," says Industrial Development Corp manager of economic research, George Maia And 48% of the export basket consisted of intermediate goods, followed by capital goods (26%) and consumer goods at almost 25%.

"Exports from SACU to the remainder of Africa increased at an average rate of 25,7% per annum during the period 1988 to 1998, or from R2,4bn at the start of the period to R22,8bn by 1998 A faster rate of growth of 26,3% was recorded in the post-election period," says Maia. **Arnold van Huyssteen**

SA-EU TRADE TREATY

(74) fm 19/3/99

EURO-TURMOIL MAY THRUST SA DEAL BACK TO THE DARK AGES

Key trade negotiator rapped for employing his brother-in-law

The European Commission's surprise en masse resignation early on Tuesday, following a damning report on fraud and nepotism in the agency, could strike a fatal blow to the four-year-old drive to conclude a trade pact with SA.

The deal was in trouble anyway Despite days of intensive internal debate, commission negotiators were finding it increasingly difficult to secure approval of the draft treaty from governments in Spain, France, Italy, Portugal and Greece, who oppose many key aspects of the pact's farm chapter, including the compromise on port and sherry.

The commission's decision to step down makes it even less likely that the accord will pass muster at a meeting of EU foreign ministers on March 22. Meanwhile, EU leaders who are scheduled to meet in Berlin for a summit on March 24-25 are expected to be too busy tackling the bloc's unexpected institutional woes to have time to discuss the SA treaty.

"The capacity of the commission to convince EU governments that the agreement is a good one is now reduced," an EU official said. Even if the present commission team is asked to stay on as caretakers, the chances that European Development Commissioner Joao de Deus Pinheiro can convince EU hardliners to change their minds about the free trade pact are remote.

"What the commission could not do last month — namely get ministerial endorsement of the agreement with SA — now becomes even less likely," the EU official admitted, adding that following the damage done to its clout and credibility, the commission will have to adopt a "lower profile" in the coming weeks.

A caretaker commission is expected to deal with routine questions required to ensure the smooth running of the agency. But, it is unlikely to launch new initiatives or push for approval of existing controversial questions — like the pact with SA — for fear of further angering EU governments.

In addition, Pinheiro's personal reputation has been damaged by the EU fraud-busters' report. While there is no indication that Pinheiro benefited personally or directly from fraudulent actions, the commissioner has been rapped on the knuckles for employing his brother-in-law as a member of his personal office.

In future, the report warned: "Commissioners should abstain from appointing spouses, close family relations or friends, even those with appropriate qualifications, to positions for which an open competition/tender procedure has not been held."

The entire commission was found guilty of a "serious failure" to keep track of the activities of its various departments. The executive team, the report said, was responsible for a "loss of control" over the commission administration. It added: "It is becoming increasingly difficult to find anyone who has even the slightest sense of responsibility."

Details of the procedure to be followed for .replacing the current commission remain mired in confusion. The German government, currently in charge of the EU "presidency", has hinted that it would like the present team to stay on until June, when new elections will be held for the European parliament. EU governments will, therefore, have to take a decision on a new 20-member EU executive that could take over in Brussels before the summer.

EU officials admit that the commission move has plunged the bloc into uncharted waters.

But many suggest the crisis will be good for the future of Europe, allowing the EU executive to undergo much-needed structural reform, leading to a more efficient and well-oiled machine, capable of improving the EU's global clout and standing. "It's similar to the reorganisation which is being done by European businesses across the continent," one EU diplomat commented. "Companies come out of the reform looking more streamlined and efficient. It should be the same for the EU executive."

But, others have voiced fears that the crisis comes at the worst possible moment for an EU that is in the process of complicated financial and budgetary renegotiation ahead of its projected enlargement to include up to 12 new members in the early years of the new millennium.

As the EU's executive arm, the commission plays a key role in running the day-to-day affairs of the bloc and launching policy and trade initiatives which then have to be approved by EU governments.

Analysts fear that if the damage done to the commission's credibility is not controlled quickly, the fragile balance of power in the bloc could tilt irreversibly in favour of national governments. In turn, this could hurt the unity and integration of the bloc.

SA's experience with the EU is that ultimate power in the union lies with EU governments. For all their efforts, Pinheiro and his team of able negotiators have been unable to defuse fierce opposition to the farm component of the free trade package hammered out with SA Trade & Industry Minister Alec Erwin in Davos in January.

Five countries remain adamant that the deal must be modified substantially so that SA stops using port and sherry labels on domestic sales of its fortified wines after a 12-year transition. Their position is unlikely to change on March 22. And there does not appear to be much that Pinheiro — even if he is reappointed as a caretaker — can do about that. **Shada Islam, Brussels**

A TALE OF GLOOM

Why swift resolution of the SA-EU trade accord seems doomed

The commission's decision to step down makes it unlikely that EU Foreign Ministers can be persuaded to approve the trade pact when they meet on March 22

EU leaders, scheduled to meet in Berlin for a summit on March 24-25 are likely to be "too busy" with institutional woes to discuss the SA treaty

The EU's key negotiator with SA, Commissioner Joao de Deus Pinheiro, has been publicly censured for employing his brother-in-law, thus harming his prospects for reappointment

The deal was already in trouble because Spain, France, Italy, Portugal and Greece opposed key aspects of the pact's farm chapter, including a compromise on SA's port and sherry labelling

"Ministerial endorsement of the agreement with SA is now even less likely"

EU official

Last-ditch effort on trade deal

(74)

JOHN FRASER

Brussels — EU and South African negotiators will continue a new round of crisis talks today in a last-ditch effort to break the continuing deadlock over setting up a Free Trade Area.

This follows the refusal by South Africa and Spain to approve new changes to the trade agreement, proposed by Joao de Deus Pinheiro, the EU Commissioner.

Pinheiro is trying to find a formula to resolve the main outstanding issue over the naming of port and sherry.

This issue has prevented the EU from signing the provisional agreement reached in the Swiss ski resort of Davos in January.

Pinheiro told a meeting of EU foreign ministers yesterday that South Africa was still unhappy with his suggested changes to the proposal, and it soon became clear that the Spanish were isolated among EU nations in also resisting the compromise.

The EU wanted South Africa to phase out the names "port" and "sherry" within 12 years, but South Africa did not want to concede on this issue, as it would set a dangerous precedent for future trade negotiations.

The 15 EU foreign ministers were presented with full details of the latest European Commission compromise, the focus of inconclusive discussions last week in Zurich between Pinheiro and Alec Erwin.

This said that the names port and sherry would no longer be used for South Africa's exports to the EU, and would be phased out within five years on export markets, except those of the non-South African Customs Union, Southern African Development Community states.

For these countries there would be an eight-year phase-out period.

The proposal also said that, for 12 years, South Africa may continue to use the terms port and sherry "on the South African domestic market", defined as including Botswana, Lesotho, Namibia and Swaziland.

"Beyond then, the new denominations of these products on the South African domestic market would have to be agreed between South Africa and the EU," the provisional accord said.

In return for this concession, the EU would offer South Africa "a duty-free quota for wines covering the current level of trade of 32 million litres ... allowing for future growth of this quota".

There would also be EU aid of about R100 million for restructuring South Africa's wines and spirits sector, and marketing and distribution of its wines and spirits.

— Independent Foreign Service

CT(BR) 23/3/99

CAPE ARGUS, **TUESDAY**, MARCH 23, 1999

Last-ditch bid today to break deadlock on EU trade deal

Spain stands firm on 'sherry'

JOHN FRASER
FOREIGN SERVICE

Brussels – European Union and South African negotiators will today make a last-ditch effort to break the deadlock over setting up a free-trade area.

This follows the refusal by South Africa and Spain to approve changes to the trade agreement, proposed by EU Commissioner Joao de Deus Pinheiro.

Professor Pinheiro is trying to find a formula to resolve the main outstanding issue – over use of the words "port" and "sherry".

This issue has prevented the EU from signing the provisional agreement that was reached in the Swiss ski resort of Davos last January.

Professor Pinheiro told a meeting of EU foreign ministers yesterday that South Africa was still unhappy with his proposed changes to the agreement, and it soon became clear the Spanish were isolated among EU nations in also resisting the compromise.

"It was fourteen to one," said a German spokesman. "The real problem is Spain, with its concerns over sherry."

The EU wants South Africa to phase out use of the names "port" and "sherry" within 12 years, but South Africa does not want to give in on this issue on the grounds it would set a dangerous precedent for future trade negotiations.

The 15 EU foreign ministers were yesterday given full details of the disputed compromise, the focus of inconclusive discussions last week in Zurich between Professor Pinheiro and South African Trade and Industry Minister Alec Erwin.

An EU spokesman said a deal now was essential, before the South African elections delayed it further.

No trade agreement yet from EU foreign ministers

BD 23/3/99 (74)

Sibonelo Radebe

EUROPEAN Union (EU) foreign ministers again failed to reach agreement over the SA-EU trade deal in a meeting held in Brussels yesterday, but sources said an agreement could be reached within the next two days.

Maria Van Dunem, spokesman for João de Deus Pinheiro, the European commissioner for relations with Africa, said yesterday there was a general willingness among member countries to conclude a trade deal with SA.

The EU will continue to work on the deal and will keep in contact with SA officials in the next two days, before the heads of state meeting in Brussels where progress made on the EU-SA trade talks will be reviewed.

The prime factor delaying the agreement has been the use of the brand names port and sherry by SA wine producers.

Some European countries insistence that SA commit itself to ending the use of these names featured once more during yesterday's meeting, further delaying an agreement.

The talks reached an impasse when the European Union did not accept the Davos package, a set of compromises on the wines and spirits sector reached by Trade and Industry Minister Alec Erwin and Pinheiro.

The Davos package allowed SA to continue using the labels port and sherry for the next five years in markets outside SA and for the next eight years in southern Africa.

However, it was agreed that SA could continue using the labels in the local market for the next 12 years, during which the two parties would negotiate an agreement.

Five countries, France, Spain, Portugal, Greece and Italy, objected on the basis that the phrasing of the agreement was unclear and gave too much to SA. They demanded an unambiguous commitment by SA to end the use of the labels port and sherry after the period of grace.

The European ministers' failure to reach an agreement yesterday could lead to a serious crisis for the trade talks as SA was approaching its elections. This could defer the agreement until the third quarter of the year.

Sources raised concerns that more delays would see the EU trade deal being relegated further down in the list of EU priorities.

EU leaders approve trade deal with SA

Farewell gift to Mandela paves way for multi-billion-rand annual exports bonanza

(74)
ART 25/3/199

CLIVE SAWYER AND PETER FABRICIUS
POLITICAL STAFF

European Union leaders meeting in Berlin have sent President Mandela a choice farewell gift by approving the EU free-trade accord with South Africa.

The South African Government rejoiced today at the eventual conclusion of the free trade area agreement with Europe which they believe meets most of South Africa's basic requirements.

President Mandela received a letter from the European Union leaders late last night confirming the deal.

Today, he issued a statement welcoming the agreement as of "strategic significance" and said it would bring about certainty in South Africa's trade relations with Europe. It would be particularly helpful to the country's industrial and agricultural sectors.



Nelson Mandela: choice farewell gift



Joao de Deus Pinheiro: outgoing EU chief



Alec Erwin: negotiating partner

"This is an important victory for South Africa and I would say for all developing countries," said Bahle Sibisi, one of South Africa's chief negotiators with Europe and a senior official in the Department of Trade and Industry. It was a great relief after four years of tough negotiations. It was also clearly an important victory for the departing president as the EU leaders made clear that they had concluded the deal urgently for the sake of Mr Mandela, who bows out from politics after the June 2 elections.

EU leaders endorsed the $20-billion (about R124-billion) a year free-trade agreement with South Africa, German Foreign Minister Joschka Fischer announced late last night at the EU summit in Berlin.

Mr Fischer said details of the EU endorsement would be included in a letter to President Mandela.

He said EU leaders had wanted to conclude the pact before President Mandela, who has long campaigned for better trade terms from Europe, left office later this year.

There was also urgency because the South African Government goes into recess this week to prepare for elections.

This will leave Pretoria unable to resume talks before September.

"This is being done so that the wish of President Mandela is being fulfilled just before the end of his term," said the German minister.

Mr Sibisi said that although details were not yet available, he understood the deal agreed to by the EU leaders followed closely on the draft proposal put together in Davos recently.

This meant that the Spanish, Portuguese and other southern European agricultural producers had essentially backed down from their objections to the Davos deal which allowed South Africa to continue selling fortified wines under the "port" and "sherry" labels for 12 years.

However, there was the possibility of continuing to do so after that if the World Trade Organisation made a general ruling against treating these as copyright terms.

Trade figures paint rosy rates picture

BD 25/2/99 (74)

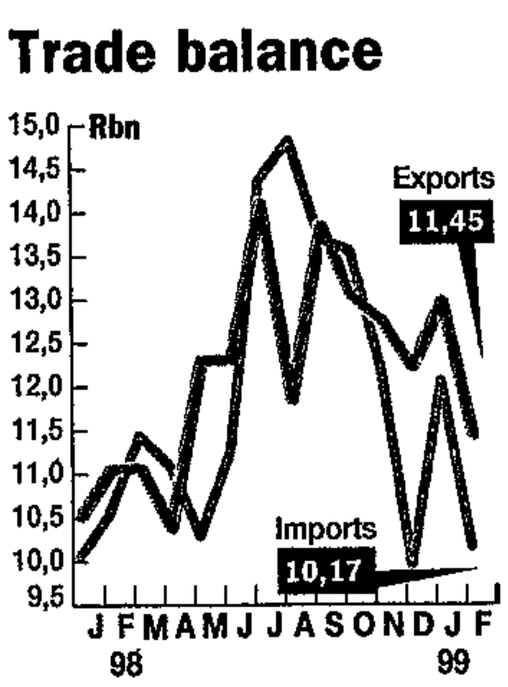
Rand cheered by surplus while bonds remain indifferent

Samantha Enslin

A DECLINE in imports helped SA record a R1,28bn trade surplus in February, which economists said supported rising hope for further interest rate cuts.

The previous month produced a surplus of R919m, while exports exceeded imports by R599m in February last year.

Customs & excise figures released yesterday showed a 15,7% decline in imports to R10,17bn last month compared with January, and an 11,8% drop in exports to R11,45bn. Compared with February a year ago, imports were 3,5% lower and exports rose 2,7%.



KAREN MOOLMAN Source CUSTOMS & EXCISE

Rand Merchant Bank economist Ettienne le Roux said last month's surplus could be attributed largely to a decline in imports, which reflected weak domestic demand and the price effects of the rand's depreciation.

"The slowdown in exports is not a big surprise, given weak world growth and low commodity prices," he said.

FBC Fidelity Bank economist Mike Schussler said the decline in imports underlined the effect of high interest rates, which spiked to 25,5% in August last year. This was particularly evident in the sharp downturn in consumer imports, a trend which was expected to persist. Schussler said reports from harbours around SA showed volumes had declined between 15% and 20%.

The February trade surplus was in line with Reuters' consensus forecast of R1,1bn, yet the bond market, which dealers said had been expecting a far greater improvement on the previous month's surplus, weakened on the news. The rand, however, held onto firmer ground.

The government's R150 bond lost eight basis points to a 14,56% yield but remained well off its weakest intraday level of 14,72% to close at 14,53%, five basis points softer. The rand ended the day 2,6c firmer against the dollar at R6,2025 after touching an intraday best level of R6,1775.

ABN Amro economist Colen Garrow said the February surplus painted a far more stable picture for the rand and supported a continued decline in interest rates. Foreign investors were looking for a stable rand and the surplus might entice them back to SA markets.

A trade surplus is positive for interest rates as it means less foreign capital is needed to finance SA's current account deficit. When foreign capital is scarce, rates have to be high to attract sufficient inflow to cover the current account deficit.

The current account is the trade balance less net payments for invisibles such as interest, dividends and insurance.

Fitting EU trade farewell for Mandela

M+G 26/3-1/4/99 (74)

Donna Block

The breakthrough that led to the long-awaited trade agreement between the European Union and South Africa is being attributed to a final determination by European negotiators to give President Nelson Mandela a farewell present before he steps down.

"We tried to do the right thing. We wanted to see this concluded. We wanted to make sure it was done before Mandela left office," said one EU official, speaking on condition of anonymity.

The determination stems from a promise made almost five years ago by the leaders of the EU to a newly inaugurated Mandela of generous economic assistance in the form of a landmark bilateral trade agreement.

That is what European leaders are now claiming to have done. However, the final details of the agreement won't be released until Friday.

On Thursday both South African and European negotiators were very tight-lipped about how the stumbling blocks, such as Spain's objections to South Africa's use of the names "sherry" and "port" for fortified wines, were overcome.

According to Michael Laidler, head of delegation to the European Commission in South Africa, there was a "hectic atmosphere" surrounding the final talks, as negotiators haggled over "minor adjustments" to a draft agreement reached by European development commissioner João de Deus Pinheiro and South African Minister of Trade and Industry Alec Erwin in January. By yesterday morning, Laidler said everyone was "very excited about the deal"

German Chancellor Gerhard Schroeder and European Commission President Jacques Santer sent news of the agreement to Mandela in a letter.

The leaders of Europe's two most powerful economies called the deal a "historic agreement", marking the first time the EU and a developing country have concluded such a broad sweeping trade pact, covering all sectors of the economy including agriculture.

The letter said: "The EU regards this agreement as a further step towards consolidating the strong partnership between the EU and South Africa in the political, economic and commercial fields."

The agreement, which took four years to negotiate, would ease the bloc's talks on future trade and aid relations with the African, Caribbean and Pacific group of countries of which South Africa is a member, said Phillip Lowe, the EU's chief negotiator.

EU officials said European and South African negotiators pulled out all the stops this week in order to meet the March 25 deadline set by the EU last December.

Spain, one of the staunchest opponents of the draft accord, softened its stance and retracted its threat to block the deal over the degree of access it accords to a range of South African agricultural products

They had expressed concern about exactly how much access the draft deal would give to South African agricultural products since they claim that Spanish producers would carry too much of the burden of concessions made by the EU

But EU negotiators have said Spain was very willing to compromise, emphasising that the approach of the Spanish in the last few days of talks has been "very constructive".

Some sources have attributed the talks' progress to a commitment by South Africa to phase out the use of the terms "port" and "sherry", which Spain and Portugal have insisted should be reserved exclusively for wines produced in Oporto, Portugal and Jerez, Spain. But what exactly this commitment entails was unclear at the time of going to press

Some sources say the conditions remain the same as under the Davos agreement, which specified that South Africa had to phase out the words "port" and "sherry" for exports to most parts of the world within five years and within eight years for exports to neighbouring countries, such as Mozambique and Angola



Alec Erwin: Everyone is 'very excited' by the deal

For the domestic market, the deal calls for both sides to agree acceptable terms within 12 years. After that, any denomination used by the South African producers has to be agreed by the EU.

However, according to one EU representative who wished to remain anonymous, "member states are happy with the agreement for now, but when the 12 years are up they will seriously take up any reappraisals with the World Trade Organisation".

In addition, under this accord, EU markets will be opened to about 95% of South African exports over a 10-year period. South Africa is to remove barriers to 86% of EU exports over 12 years.

However, liberalisation is considerably less in the agricultural sector

Only 63% of South Africa's farm products will have unrestricted access to EU markets with a further 12%, including table wine, allowed to come in duty free under special quotas.

Despite the problems, Lowe said EU governments had finally realised that "while the deal was good for South Africa, it also offers major potential for EU exports".

Lowe said "This is one of the toughest negotiations ever seen".

The deal is expected to boost Europe's annual $19-billion trade with South Africa and reinforce political relations

Until the EU summit, Spain, Portugal, France, Italy and Greece balked at granting concessions on some sensitive farm products to South Africa, fearing this could hurt their own agriculture interests.

But, Lowe said, all five nations had made compromises in the last stages of the discussions

Now the aim is, as Mandela once said, "to put ink in their pens" and their pens to paper before Madiba retires

LOMÉ CONVENTION

(74) fm 26/3/99

PLAN TO PLUG THE FUNDING GAP

The old pact achieved little; the new effort turns to business

African governments are planning to use the European Union's Lomé trade and aid convention to give a much-needed boost to Africa's reputation as an investment location.

The 25-year Lomé pact, which links the EU to 71 African, Caribbean and Pacific (ACP) states, including SA, has long being driven by government interests in both regions. But Africans are now adamant that the new convention being negotiated must put business at the heart of the EU-ACP relationship.

"The new agreement should focus on the private sector," says ACP secretary-general Peter Magande. "We have to get economic actors on both sides to talk to each other, to network and exchange information."

EU officials agree. The European Commission has suggested that promoting the role of African business and encouraging European investments in the region must be a priority in the new convention.

But that's easier said than done, say others. Persuading European business leaders to take a closer look at investment and trade opportunities in Africa will be tough, cautions Henri Malosse, head of the French chamber of commerce in Brussels and chairman of the EU-ACP committee of Ecosoc, the EU body which brings together labour and business groups.

"The Lomé Convention has to gain the confidence of private business," Malosse insists. A business-friendly agreement, he says, must encourage "direct co-operation" between both sides' economic operators. Second, there must be help from the convention to create national chambers of commerce to help governments in introducing and maintaining good pro-investment rules and regulations.

But, he says: "In the end, investments depend on the conditions prevailing in each country."

Those conditions are not universally good. Sixteen African countries are engaged in military conflict. Though structural adjustment programmes imposed by the International Monetary Fund are working in some places, reports of widespread corruption continue to deter many potential investors. Also, African consumer markets — with exceptions, including the Southern African Development Community (SADC) countries — are viewed as small and unattractive.

"We have to face facts· one day of war can destroy years of development," an ACP diplomat stresses. "Foreign investors will come to Africa only when the conditions are right for them."

So far the continent's record in attracting foreign business has been dismal Recent data released by the UN Conference on Trade & Development (Unctad) show that African nations continue to trail behind other developing countries, both in crisis-hit Asia and in Latin America In 1997, Africans managed to bag investments worth a mere US$4,7bn, compared to the $56bn that flowed into Latin America and the Caribbean and $87bn invested in Asia and the Pacific.

In addition to war and conflict, business leaders say that high utility costs in many countries act as a deterrent. African countries have to create "a better environment for investments", says Malosse, adding that regional groups like the SADC are more likely to attract investors than small, individual nations.

Last month EU and ACP negotiators met in Dakar, Senegal to map out a new business strategy. It includes EU efforts to help African governments undertake legal, administrative and regulatory reforms Consideration is being given to drawing up new good-business rules to attract increased foreign investments

Philip Lowe, director-general for development at the European Commission, says the EU will also help African governments wanting to draw up dispute settlement rules, reform their judicial systems, introduce antitrust regulations and sign investment protection treaties

The focus on business is no surprise. Declining foreign aid budgets worldwide have made governments turn to investors to fill the funding gap.

The urge to try a new track also stems from disappointment at the convention's performance in promoting ACP development. EU aid under Lomé — estimated at about $16bn over five years — has been crucial for many ACP economies.

But ACP officials say they are disappointed with other aspects of the treaty, including the trade chapter.

In principle, the preferential trade arrangements provide for duty-free access to European markets for ACP goods But ACP trade experts say their exports often have to face insurmountable nontariff barriers, including high health, sanitary and environmental standards.

"These measures end up penalising us," one official insists.

And despite tariff elimination, ACP exports are subject to high excise taxes

The official adds that "responsibility for the ACP group's poor trade performance has to be shared by our governments and the EU".

EU officials agree that the convention's achievements are modest They are hoping that the conclusion of free trade zones with ACP states will help spur economic liberalisation and competition in the region But ACP officials say the free trade route is full of obstacles illustrated by the difficulties in concluding such a pact with SA.

Shada Islam, Brussels

BEST PERFORMERS

Africa: Recent FDI frontrunners by selected indicators, 1987-1991 and 1992-1996 ($m and %)

	Average FDI inflows per year		FDI inflows per $1 000 GDP		FDI inflows per capita	
	87-91 ($m)	92-96	87-91 ($m)	92-96	87-91 ($m)	92-96
Botswana	56,7	137,9	18,6	33,1	46	95
Equatorial Guinea	11,1	109,7	82,9	689,8	32	282
Ghana	11,9	121,4	2,1	20,5	1	7
Mozambique	9,2	33,3	6,8	23,5	1	2
Namibia	29,6	108,4	14,3	37,5	23	72
Tunisia	86,4	387,3	7,8	23,3	11	44
Uganda[a]	-1,4	77,6	-1,0	15,9	0	4
Average for Africa[b]	60,1	96,1	6,7	10,4	5	7
Average for all developing countries[b]	212,1	613,0	8,2	17,3	8	20

a: In the years 1989 and 1990, Uganda experienced negative FDI inflows of $1,8m and $5,9m, more than offsetting the positive inflows of the other years in the period 1987-1991 and resulting in a negative sum for the FDI inflows of that period as a whole

b: Including South Africa

SOURCE: UNCTAD FDI/TNC DATABASE

FREE TRADE AGREEMENT *It appears no major changes were made to the Davos deal*

EU deal could boost GDP by 1%

CT(MR) 26/3/99 (74)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town The free trade agreement with the European Union (EU) could add about 1 percent to South Africa's gross domestic product (GDP) growth over the next four to five years

Mike Schussler, an economist at FBC Fidelity, told Reuters it could add about R12 billion in new trade — about R7 billion in favour of South Africa and R5 billion to the EU.

"There will be some immediate benefits in terms of people making investment decisions having more certainty. This has to be good for future foreign direct investment flows," he said

While the South African government yesterday celebrated the final approval of the free trade agreement, it set its sights on further battles with the EU's protectionist agricultural policies

It appeared that no major changes had been made to the agreement negotiated between Alec Erwin, the trade minister, and senior EU officials at the recent Davos summit. It seems the approval of the deal was a last-minute effort to pay tribute to President Nelson Mandela before he stepped down ahead of the coming elections.

Michael Laidler, the EU ambassador to South Africa, said he believed there had been no major changes to the Davos agreement, but admitted that the last-minute negotiations had taken place at "such a stratospheric level" between ministers and officials that he could not guarantee that

He said that the agreement had been a very conscious attempt to mend bridges between the EU and South Africa, especially on the eve of Mandela's farewell to parliament today.

Rob Davies, the chairman of the national assembly's trade and industry portfolio committee, said the agreement would offer both opportunities and challenges to South Africa, with the main benefits coming from the duty-free access to the EU market for a range of South African manufactured products

On the agricultural side, however, there were still many impediments to free trade because of the Common Agricultural Policy, which would have negative implications for the renegotiation of the Lomé agreement between developing counties and the EU.

"There is still a very uneven playing field," Davies said

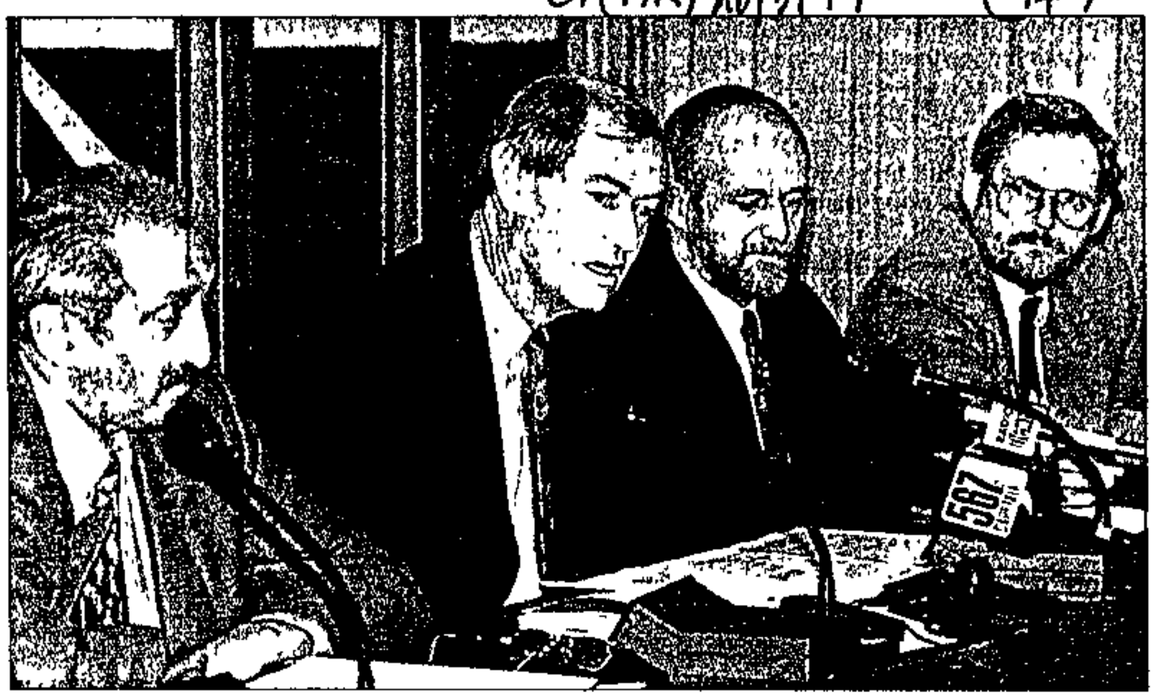
The South African Chamber of Business and the ministers indicated that the agricultural policy remained a major stumbling block in relations between the EU and developing countries Land affairs minister Derek Hanekom and Erwin said this would have to be taken further in the next round of World Trade Organisation negotiations

Erwin dismissed reports from Berlin that the delay in finalising the deal had been due more to disputes about South African exports of frozen strawberries and fishing rights than the use of the names port and sherry for fortified wines

KWV, one of South Africa's largest wine exporters, said it would not oppose implementation of the agreement The company still had to examine the text of the final compromise to see how it would be effected

Spain and Portugal objected to an earlier draft of an accord, insisting that South Africa commit itself to the phasing out of the use of the names port and sherry in local markets Precise details of the deal were not immediately available.

Laidler said the agreement provided for 95 percent of South African trade to the EU to enter the community duty free, and the remaining 5 percent to have an average 1,5 percent duty



AT LAST *Announcing the deal on Wednesday night: (from left) Aziz Pahad, deputy minister of foreign affairs, Alec Erwin, trade and industry minister; Derek Hanekom, agricultural and land affairs, and Rob Davies, chairman of the portfolio committee on trade and industry* PHOTO: ANDREW BROWN

Sherry on the out as Pretoria negotiators back off

JONATHAN BRAUDE

Berlin — South Africa's sherry producing days are numbered after European Union (EU) officials squeezed a last-minute concession out of Pretoria, EU governments believe

A historic EU-South Africa free-trade agreement was clinched after Spain and Italy told EU leaders and foreign ministers in Berlin they could accept the latest South African position

In a letter to President Nelson Mandela from Gerhard Schroder, the German chancellor, and Jaques Santer, the European Commission president, the EU called the deal a "further consolidation and strengthening of the partnership" and a symbol of the powerful ties and solidarity with South Africa

But the devil in the details did not emerge until yesterday, when Philip Lowe, the EU's chief trade negotiator, revealed the final wording of the agreement, accepted by Alec Erwin, the trade and industry minister, on Tuesday.

It said South Africa and the EU would negotiate new names for its sherry and port on its domestic market after 12 years

Yesterday a Spanish spokesman said: "We are happy with this conclusion It means South Africa has accepted the 12 years. It is the end of the name sherry in South Africa "

But although the EU saw the wording as clear, Lowe said it was deliberately ambiguous and allowed South Africa a different interpretation

"Both sides know we have different views," Lowe said

"This is not about a commercial advantage but about different doctrines on trade," he said, explaining the transitional period allowed the two sides time to sort out their different positions through multilateral talks in the World Trade Organisation - Independent Foreign Service

European trade deal is good news for consumers

Compromise on port and sherry gives fillip to farmers – but cheaper imports may threaten local businesses

(74) ARG 26/3/99

TYRONE SEALE
SPECIAL WRITER

South Africa's freshly clinched free-trade accord with the European Union promises lucrative opportunities for Western Cape exporters and consumers.

But an equally-ready import flood could wreck local businesses.

Trade and business leaders in the province hail the agreement as a spur for development while more cautious trade unionists argue that the downside of cheaper imports should not be underestimated.

The EU has agreed to a deal that will liberalise 90% of the R124-billion two-way trade between this country and some of Europe's biggest economies.

Four years of negotiations have brought major gains for South African agricultural producers. Three-quarters of their exports to Europe will now receive preferential treatment.

Tariffs that used to complicate and frustrate South African access to Europe's markets are being phased out in return for similar treatment of European exports to this country.

Peter Pullen, chief executive officer of the investment and trade promotion agency, Wesgro, said the new agreement would enhance trade with Europe and boost business opportunities at home.

Reduced tariffs on exports to Europe would attract a greater number of Western Cape exporters who would jostle more aggressively among themselves to secure new business abroad.

Similarly, reduced tariffs for European exporters meant the Western Cape might be targeted with imports that would put pressure on local producers or retailers to become more competitive.

"For example, there are European companies coming to the Western Cape saying they'd like to export apples to us, particularly when we're out of season. This will have to be closely watched, but it also means that, at a retail level, we could end up with certain fresh produce available 12 months a year," said Mr Pullen.

Colin McCarthy, head of the economics department at the University of Stellenbosch, was "extremely positive" about the agreement. He said it meant that for some time European exporters would make greater, tariff-based sacrifices than their South African counterparts.

Willie Thomas, who heads the Food and Allied Workers Union in the province, was concerned that the new agreement could be abused by European producers who wanted to "dump" substantially subsidised goods in South Africa, driving producers here out of business.

He pointed to the fact that certain brands of European canned tomatoes were cheaper than the South African equivalents and that imports like these had contributed to the closure of canning company Langeberg's major plant.

Mr Thomas said his union and others in the Congress of South African Trade Union would meet in the next two weeks to discuss possible ramifications.

Albert Schuitmaker, senior deputy director of the Cape Chamber of Commerce, said the Western Cape's well-developed infrastructure and high levels of skills and education placed the province in a good position to compete with Europe.

"It is also good news for consumers, because greater competition will benefit us not only in terms of price, but in quality and overall value for money. The challenge is now thrown out to business to improve whatever they're doing in order to grab this new opportunity."

Hennie Bester, provincial minister for business promotion and tourism, said he was "clearly delighted" with a deal that was particularly significant for agricultura producers in the Western Cap whose economic regeneration had t be driven by exports.

■ Our parliamentary bureau reports that political parties in Par liament toasted the free-trade dea struck with the European Union which was held back by disagree ment on port and sherry.

South Africa reached a compro mise on "port" and "sherry" and wil phase them out in export market within five years, to be replaced b "tawny" for sherry and "ruby" fo port. Locally, the use of port an sherry will continue for 12 years when terms come up for negotiation

Port makers may take EU deal to WTO

(3 JUNE) (182) BD 26/3/99 (74)

New world wine producers to meet in Montevideo

John Dludlu, Wyndham Hartley, Stephen Laufer and Reuter, Sapa-AFP

AS GENERAL euphoria greeted the SA-European Union deal yesterday, local port producers signalled their intent to put the brakes on with an approach to the World Trade Organisation (WTO).

Karel Nel, chairman of the SA Port Producers' Association, said his organisation would team up with fellow non-European port producers to challenge the EU's restrictive naming practices in the wine and spirits sector. New world wine producers are to meet in Montevideo, Uruguay. Sources believe a joint approach to the WTO on the issue of port and sherry denominations could be on the agenda.

SA's government and the EU welcomed the deal.

While Nel said he understood government's rationale in accepting the deal, some of his members were unhappy with it. Last week Nel, who said the association's 27 members represented 90% of SA's port producers, wrote to Trade and Industry Minister Alec Erwin, praising his hardline stance in talks with the EU.

Responding to the possibility that the port industry could lose this label after the 12-year transition period, Nel said the international challenge would seek to ensure that all foreign wine producers were treated alike: that none was forced to abondon its trade marks.

A spokesman for KWV welcomed the prospect preferential access to the EU.

Erwin, President Nelson Mandela and opposition parties have welcomed the conclusion of the negotiations. However, Erwin conceded in Parliament yesterday that the new wording on port and sherry, a compromise on the Davos package, could see use of the terms lost in the domestic market in 12 years. The Davos package allowed SA to use the names for 12 years, when names would be jointly agreed between SA and the EU. The new deal is that after 12 years "new denominations that shall be used in SA will be jointly agreed". This has been interpreted as conferring a veto right to the EU on names after the transitional period.

Erwin and Land and Agriculture Minister Derek Hanekom insisted, however, that the door on the wine labels was still "ajar". Erwin said the EU had intended to slam the door on port and sherry and that SA's concession kept hopes alive that the use of port and sherry in the domestic market might still be preserved.

Hanekom stressed that the port and sherry market for SA producers was largely domestic, with R100m of an R800m market going in exports.

EU ambassador to SA Michael Laidler said the EU leaders' unanimous endorsement of the agreement was an "irrevocable commitment" to the deal. He defended the changes, saying they were in the spirit of the Davos package. The deal, expected to come into force next year, would reinforce the EU's dominant position as a direct investment and trading partner with SA.

Erwin said the main beneficiary of the deal was agriculture, but SA's industrialists would also benefit substantially from duty-free access to European markets within three years.

When the agreement comes into force there will be duty-free access to EU markets for 32-million litres of SA's wines and allowance for duty-free quotas of agricultural products to grow 3% a year.

A Spanish diplomatic source said King Juan Carlos's state visit to SA in February had "helped establish a more sympathetic climate" towards the EU agreement.

The deal will remove tariff barriers on 90% of trade between the two in 12 years.

Rob Davies, chairman of parliament's trade and industry committee, said SA should not be over-euphoric as the tearing down of trade barriers would also pose challenges to business.

Real power is economic

Sowetan 26/3/99

EU free trade deal delights Mandela

(74)

Sowetan Business Staff and Sapa

THE announcement that European Union leaders have decided to endorse a landmark, free trade agreement with South Africa was widely welcomed by President Nelson Mandela and local business analysts yesterday.

Mandela, according to his spokesman Parks Mankahlana, saw the approval of the long-stalled free trade pact as a parting gift, just months before he steps down.

But Mankahlana said the deal would probably only be ratified in the second half of the year because the South African Parliament goes into recess tomorrow ahead of two months of election campaigning.

Parliament will only reconvene fully in August.

South African officials were unsure yesterday whether the deal would have to be vetted by the parliaments of all 15 EU member states or whether the EU parliament itself was competent to deal with the agreement.

Trade Minister Alec Erwin was expected to provide clarity on the final compromise when he addressed Parliament yesterday afternoon.

The Davos deal envisions the EU opening its markets to 95 percent of South African imports within 10 years and South Africa dropping all tariffs on 85 percent of goods from the EU within 12 years.



Nelson Mandela has welcomed the free trade agreement with European countries.

The accord, designed to liberalise 90 percent of the R120 billion annual trade volume between the EU and South Africa, has been under negotiation for four years. Just two days ago it looked all but dead.

Other EU producers, particularly Spain and Portugal, have resisted opening the EU's markets to South African port and sherry wines and other agricultural products.

Port is traditionally a Portuguese product and sherry is named after the Spanish town of Jerez.

South Africa agreed to phase out the terms "port" and "sherry" on exports over five to eight years.

Economists reckon the deal could add a percentage point to the country's fragile rate of growth over the next five years.

Econometrix economist Dr Azar Jammine said the agreement was good news for South Africa in the long term but was unlikely to impact on economic growth in the short term because it would be phased in gradually.

"It should boost the general level of fixed investment in South Africa," he said.

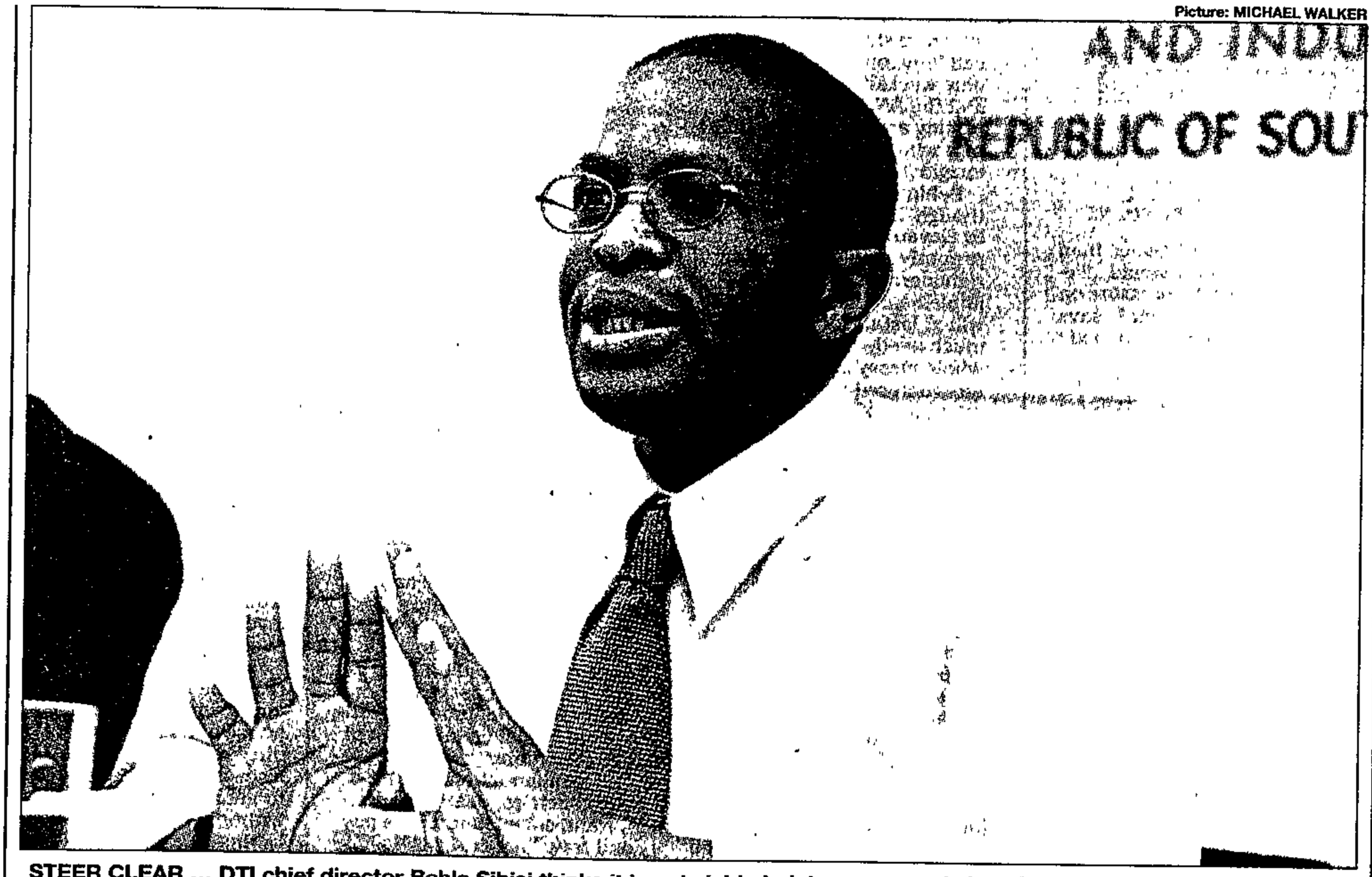
FBC Fidelity economist Mike Schussler said full implementation of the deal was still about a year off, adding that the economy could even benefit before then.

"As the deal is asymmetrical our goods will have access to Europe quicker and that should help our trade deficit and help reduce interest rates," he said.

Schussler estimated that South Africa's trade deficit with the EU was currently around R10 billion and said the agreement could add about R12 billion in new trade over the next five years – about R7 billion in favour of South Africa and R5 billion to the EU.

The pact could also add about one percent to gross domestic product growth over the next four to five years, he said.

Picture: MICHAEL WALKER



STEER CLEAR ... DTI chief director Bahle Sibisi thinks it is not viable to let more vessels into SA's fully utilised fishing waters

Fish row looms between EU and SA

ST(BT)28/3/99 (74) 3 FISHING

WATERS ACCESS

By THABO KOBOKOANE

ANOTHER row could be on the cards next year when the European Union and SA start talks on a fisheries pact after this week's historic decision by EU leaders to endorse the SA trade deal.

Both sides pledged in the agreement to make their "best endeavours" to negotiate a fisheries accord by the end of next year. Spain, one of the five EU states that initially vetoed the trade agreement, is likely to play rough, and demand access to SA fishing waters. That is not likely to find favour with SA.

Bahle Sibisi, the Department of Trade and Industry (DTI) chief director who has played a key role for four years in the trade talks, says SA is not opposed to a fisheries agreement that emphasises co-operation on broad issues.

But, he says, "our view is that opening access into our waters is not viable and attainable, and not in line with current restructuring in the industry".

SA contends that its waters are fully utilised, and there is no room for outside interests.

Still, the EU, acting at Spain's request, is expected to insist on a fisheries accord that includes access to SA waters for its fishing vessels. Spain contended until last July that a trade agreement should be linked to one on fisheries, wines and spirits.

The view in Brussels now is that there can be no fisheries agreement without access to SA waters. For this reason, the EU is likely to link an SA request for better market access for its fisheries to compel SA to open its resources to Spanish vessels.

SA's fishing industry has indicated its willingness to forego such a request for better access as the benefits of the status quo outweigh those of better market access. Only 1.3% of SA exports overall are based on fishing.

The agreement endorsed this week by EU leaders, which is set to come into force from next year, ends four years of protracted negotiations, which on several occasions came to the brink of collapse.

Widely welcomed by everyone, from President Nelson Mandela down, the agreement will see about 90% of trade liberalised on both sides. SA will liberalise its markets to 81% of EU agricultural products and 86% of its industrial sector, and the EU will do so for 99% and 61% of SA industrial and agricultural products respectively.

The deal was finally wrapped up after agreement on new wording on the controversial issues of port and sherry.

SA to sell EU deal to neighbouring partners

Support of Southern African Customs Union is needed to enter into bilateral treaty

BD 29/3/99

John Dludlu

SA OFFICIALS, fresh from the successful conclusion of the protracted talks with the European Union (EU), will begin to sell the country's trade, development and co-operation accord to its neighbouring partners in the region today.

Bahle Sibisi, the chief director for foreign trade relations at the SA trade and industry department, confirmed yesterday that Pretoria would seek the formal backing of its partners in the Southern African Customs Union for the deal with Brussels.

The five-nation customs union — consisting of SA, Botswana, Lesotho, Namibia and Swaziland — meets in Pretoria today to renegotiate this trading arrangement.

Despite the fact that it is a dominant partner, SA requires the support of its partners in the union to enter into a bilateral treaty with a third party.

SA is also expected to brief its other partners at the meeting of the Lomé Convention this week. The convention links the EU to its former African, Caribbean and Pacific colonies. SA has joined as a qualified member.

Sibisi, who led the trade side of the talks, said that there was an agreement between the EU and SA that measures were needed to address the adjustment costs that would be faced by the region — particularly by the customs union — as a result of the free trade deal.

The customs union countries, which rely on their income from the tariff revenue, stand to lose this income source as the EU-SA deal will see tariff levels in the union falling.

This, in turn, will cream off the revenue for SA's neighbours from the customs union income pool.

The agreement, unanimously endorsed by EU leaders at their summit in Berlin last Wednesday, says "special attention will be given to providing support to the adjustment efforts occasioned in the region" — especially in the customs union — by the establishment of the deal.

This a clear indication that support will be given to SA's neighbours.

Additionally, SA has won the right to use safeguard measures to protect its neighbours' industries that will come under pressure during the implementation of the deal.

The deal will also foster regional integration by allowing SA exports with inputs from the region to benefit from preferential treatment in the EU.

The text of the accord, which will free up to 90% of all trade, also contains a commitment by the EU to push among the Lomé members measures that will allow African exports with SA inputs to be given tariff concessions.

Under the terms of SA's accession to the convention, this provision is available on an "ad hoc" basis, a factor that creates uncertainty for investors.

Sibisi said it would "be odd" for the ad hoc cumulation clause to be maintained.

Regional cumulation is an effective tool in encouraging production co-operation by firms.

Sibisi said on Friday that the deal would inject pressure on domestic industries to become competitive. This, in turn, would bolster growth.

Michael Laidler, the EU ambassador to SA, has said that the deal's conclusion will serve as a stimulus to the post-Lomé talks and that it is an attempt to provide stability to an emerging market.

Ben Jackson, the director of Action Southern Africa, which replaced the Anti-Apartheid Movement, has celebrated the end of talks, saying that sustained bargaining by Pretoria has won SA significant access to the EU's markets.

"However, European protectionism has ensured that the agreement falls well short of the 'free trade' deal promised by Europe," he said.

Under the terms of the deal, SA has offered to remove barriers to 86% of EU imports in 12 years, while the EU will do the same on 95% of SA's exports.

Auditor-general puts squeeze on trade and industry department

CT(BR) 30/3/99 (74)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — Continued problems with the administration of export incentive schemes and unauthorised expenditure on a small-business promotion conference dominated the auditor-general's report on the trade and industry department, released yesterday.

The report said "unsatisfactory aspects" still persisted in the general export incentive scheme (Geis) and "little reliance can be placed on the documentation, and the regularity of claims cannot be determined".

In the year to March 31 1998, R632,9 million was spent on Geis payments, less than the R1 billion to R2 billion spent in previous years. This reduction was in line with the gradual phasing out of the scheme.

But the report said there were still "material deficiencies" in the supporting documentation and it was not possible to verify that the funds had been properly used.

It had also not been possible to verify that the R102,6 million spent on regional industrial development programmes had been valid and correct.

The report identified R3,4 million in unauthorised expenditure, R2,3 million of which arose from various amounts spent over several years without proper authorisation, but without any loss to the state.

But the report said the department had spent more than R1 million on a small-business conference without proper treasury approval. It had opened an account with a private bank for the conference to accept registration fees and no accounting records or financial statements for the account had been compiled.

The report said the department had delayed for more than six months when asked to clarify its accounting practices. It had still not replied by the time the report was finished.

In another report released yesterday, the auditor-general said the public works department had been experiencing problems with training, policies and procedures, especially at its regional offices.

These problems had resulted in unauthorised expenditure of R10,9 million.

The auditor-general's office also said its budget for 1999-2000 would be more than R309 million. Most of the money would be recovered from government departments, which have to pay for their audits.

Total income for the period was budgeted at R321,3 million.

The office would spend R6,5 million on new equipment and R60 000 on new vehicles in the period.

That would leave a surplus of R5,8 million, part of which would be used to repay an interest-free loan granted to it by the state expenditure department in 1993.

FEDUSA CONFERENCE

Erwin defends state's plan to reduce tariffs

CT (BDR) 30/3/99 (74)

BONTLE HEADBUSH

Johannesburg — Alec Erwin, the trade and industry minister, reaffirmed the government's commitment to tariff reduction at a Federation of Unions of South Africa (Fedusa) conference yesterday.

He said the reduction of tariffs would make the South African economy more competitive globally. "If South Africa doesn't get into the global economic system, it will be marginalised," he said.

"So, in order to avoid this, we have decided to reduce tariffs as we have done over the past five years as part of our strategy to make it more competitive globally."

Chez Milarni, the general secretary of Fedusa, said tariff reduction presented a problem for labour because it inevitably resulted in job losses.

"The first thing that companies will cut in order to lower prices will be wages, and they will do this through the reduction of jobs."

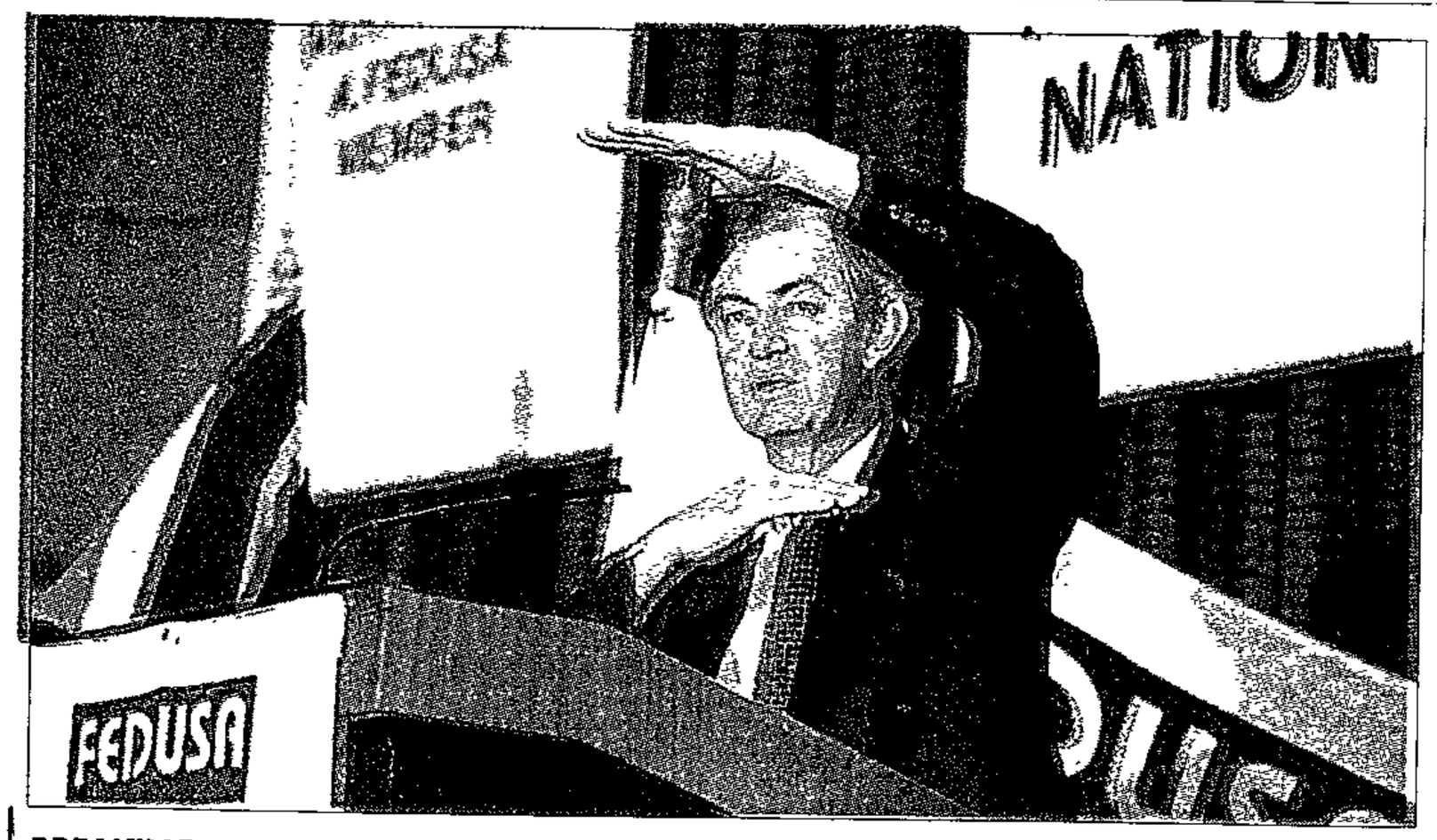
He said Fedusa would monitor the tariff reductions because of the implications for workers.

Erwin said South Africa's ratified trade agreement with the European Union (EU) would allow South African exports to benefit from preferential treatment in the EU.

He said the deal, whose terms included the removal of barriers by South Africa to 86 percent of EU imports over 12 years, and the removal of barriers by the EU to 95 percent of South Africa's exports, would make local industries more competitive.

Milarni, however, said the agreement might be harmful for local businesses if it was accompanied by severe tariff reductions. He said an element of protection for companies affected might be necessary.

He said further consultation with the government was necessary, and suggested that the National Economic Development and Labour Council be used as the forum for this.



BREAKING BARRIERS *Alec Erwin, the trade and industry minister, at the Fedusa conference yesterday. South Africa's recently ratified trade agreement removes most trade barriers to EU imports* PHOTO: SELV[illegible]

Never before have so many trade barriers been broken

The agreement between the European Union and SA can only be good for both parties, despite some of the difficulties in its making, writes **Michael Laidler**

(74)

OVER recent months, I have watched with great interest the media coverage of the negotiations towards a bilateral agreement between SA and the European Union.

Much of the time my sympathy has been with SA, as it seemed, once more, to be held at arm's length by a Europe more intent on protecting its own interests and addressing national concerns than promoting the development and growth of one of the most important emerging nations in today's world.

But there have also been times when I feel the perspective on the European Union has been unclear The reasons for the seemingly interminable process have not been adequately addressed and the basis for these negotiations has often been overlooked.

Now that the EU's heads of state and government have finally agreed on the package negotiated by the European Commission, it is time to look back on the road we have travelled and assess the agreement as it stands.

First, let us be clear about one thing. This is a good agreement — an agreement which benefits both SA and the EU and forges a unique relationship between the two sides which will last well into the future.

For the EU, the pact secures its predominant political, trade and investment position in SA. Politically, it provides a working example of the EU's efforts to provide stability in emerging markets and is also expected to provide a positive stimulus to the post-2000 negotiation process between the EU and the African, Caribbean and Pacific (ACP) nations.

On the trade and investment front, the agreement is expected to provide the necessary push for the completion of a Southern African Development Community free trade pact which will benefit EU operators while contributing to the southern African integration process at the same time.

EU exporters also expect to benefit from substantial SA tariff reductions as both the volume of EU exports subject to duties and the average duty paid, will drop considerably on the strength of this accord.

In the same way, the benefits of the pact for SA are many. Its links with its most important trading partner will be reinforced and it will gain a long-term advantage, particularly for industrial products, which form the basis of the country's future growth.

Economic and technological ties between the two sides will be strengthened and by implication the agreement will serve to promote economic growth and political stability.

Moreover, the agreement provides for continuing co-operation between the two sides, maintaining substantial levels of EU funding to SA on an open-ended basis.

For the EU, this agreement is unique. Never before has it broken down so many barriers to trade with a third country. Nowhere else in the world does it have a development programme of this size. No other country outside Europe has such a privileged relationship with the world's largest trading bloc.

These points are important when we look at the agreement as a whole. The EU negotiated this agreement with SA as an equal partner on the international stage. The EU promises full liberalisation of 95% of imports from SA at the end of 10 years. SA will have full liberalisation of 86% of imports from the EU at the end of 12 years. Overall about 90% of trade between the parties will be covered in the free trade area.



Local exporters stand to gain much from the agreement with the European Union

BD 1/4/99

These are not insignificant statistics. They represent a vital, energetic, trade agreement between two active trading partners. There is no room for ambiguity. On the trade front, SA is able to stand its ground internationally and is a dynamic force in the growth of the region as a whole. It is on this basis that the EU negotiated the free trade aspect of this pact.

Nevertheless, the unique aspect of SA's post-apartheid status has always been at the forefront of the EU's relationship with it.

A complementary approach which sees trade and aid walk hand in hand in our relationship has been crucial to this partnership. This is why SA was granted qualified access to the Lomé convention last year, entitling local companies to tender for projects in all ACP countries under the European Development Fund and enabling it to participate fully in the Lomé institutions.

Instead, the European programme for reconstruction and development in SA channels about R900m a year into the country and the free trade arrangements give it privileged access to EU markets on an open-ended basis.

Criticism over the length of time of the negotiations perhaps failed to take into account the unique aspect of this agreement as outlined above, and most importantly, failed to note that serious negotiations on the free trade area began only early last year, when both sides had finally tabled their offers.

Within a year, these talks were wrapped up and there remained only the few items of controversy which served to delay the conclusion for some months thereafter In reality, the process of negotiation was rapid and this is down to the flexible and open attitude of the two negotiating teams.

Over this time, we forged a special bond. We shall surely build on these relationships, both personal and professional to ensure the rapid and full implementation of this historic agreement. As the EU, we are proud of this agreement and what it means for Europe and SA. As partners on the world stage we look to a joint future which is good for SA, good for the region, good indeed, for Africa as a whole and certainly good for Europe

☐ *Laidler is head of delegation of the European Commission in SA.*

(74) FM 2/4/99

SA-EU TRADE PACT

HOW A THREE-LETTER WORD HELPED CLINCH A TRADE DEAL

But the port and sherry issue has been shelved, not resolved

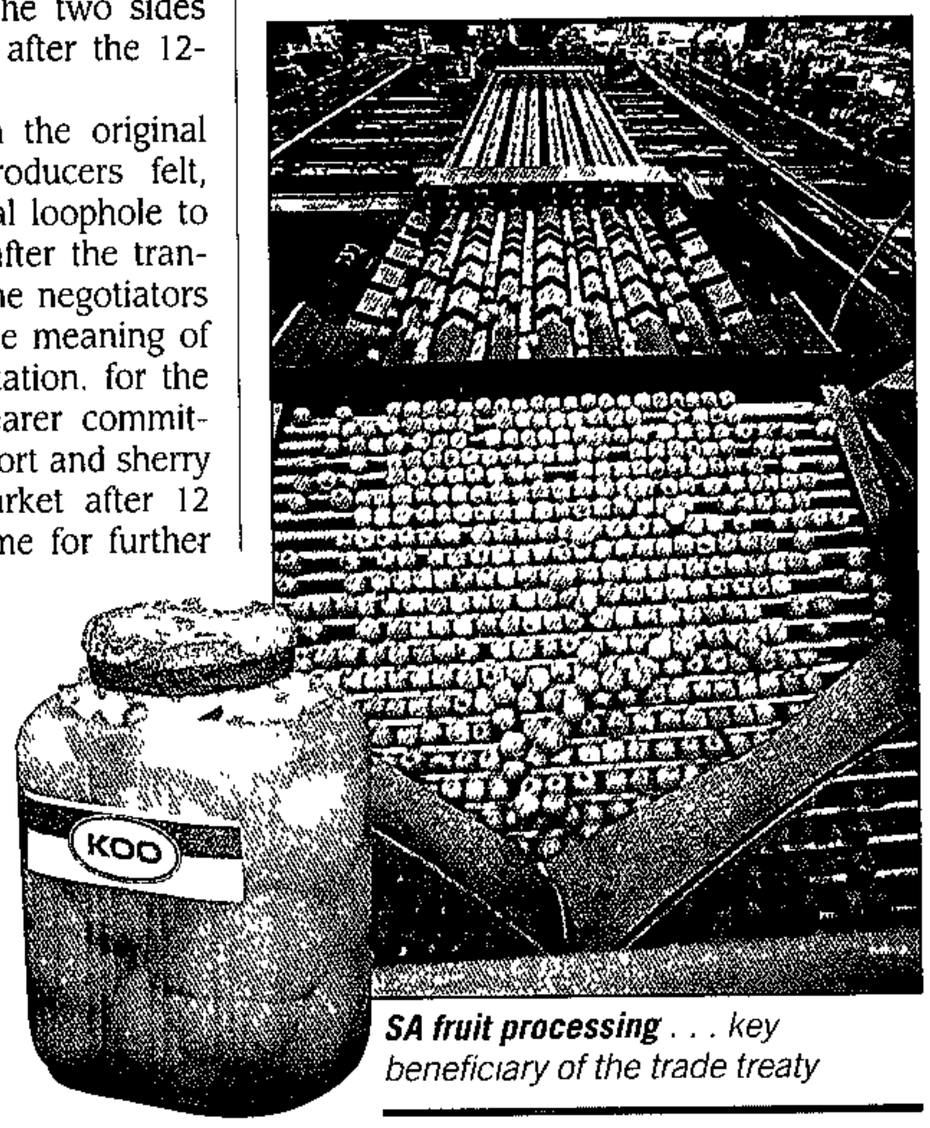
The controversy over port and sherry labelling of SA fortified wines has not been resolved — merely shelved — by the free trade treaty reached by SA and European negotiators in Berlin on March 24

The device that broke the logjam was the insertion of one word — "new" — in the clause about the wines. It now says that "new" names for SA port and sherry must be jointly agreed by the two sides when they revisit the issue after the 12-year transition period.

The absence of "new" in the original phrase, European wine producers felt, would have given SA a legal loophole to continue using the names after the transition By inserting "new", the negotiators from both sides have left the meaning of the clause open to interpretation. for the EU, "new" represents a clearer commitment by SA to discontinue port and sherry labels on the domestic market after 12 years; for SA it provides time for further negotiations to hammer out a more advantageous compromise — and possibly to form negotiating alliances with other new world wine producers against the EU hegemony.

The last could be much more than wishful thinking by SA For the final clause of the SA-EU treaty makes clear that the entire issue of protecting intellectual property rights, including geographical denominations, will be part of the new global trade round, expected to be launched by the World Trade Organisation later this year Discussions will move from the bilateral SA-EU level to a multilateral dialogue between old world (mostly European) and new world. Here SA could find allies in the form of the US, Australia, New Zealand and Chile, who also produce wines and products such as cheeses that are marketed under putative old-world labels

The four-year-long SA-EU trade negotiations were the toughest yet for the 15-nation bloc, say European Commission negotiators What made them especially difficult — particularly towards the end, they say, was the negotiators' constant focus on complex, technical detail. Just as well, because in the end it was the attention to minutiae that allowed the remaining parts of the puzzle to fall into place last week at the EU summit. True, compelling political imperatives, including the retirement of Nelson Mandela, the upcoming SA elections and the surprise collective resignation of the European Commission, helped to create a sense of urgency, forcing France, Spain and Portugal to accept last minute concessions.



***SA fruit processing** . . . key beneficiary of the trade treaty*

But it was only because SA and EU negotiators made a long list of "minor adjustments and clarifications" in their earlier offers that the deal was finally accepted by EU leaders, says Philip Lowe, the EU's chief negotiator.

Eleventh-hour negotiating on the port and sherry issue, which almost scuppered the discussions earlier this year, was especially important. From the start of the negotiations, Spain, Portugal and France voiced their determination to secure an agreement to stop SA producers of fortified wines from using port and sherry labels on both the domestic and export markets SA long resisted the demands, refusing to surrender 300 years of a proud wine-making tradition. But after both sides realised that the port and sherry issue could jeopardise years of hard work on other key trade, aid and political aspects of the agreement, EU and SA negotiators began to make subtle concessions.

In Davos in January, European Development Commissioner Joao de Deus Pinheiro and SA Trade & Industry Minister Alec Erwin agreed to phase out the terms on export markets over five years, and 12 years on the domestic market and in the SA Customs Union. Both sides would agree jointly on how to proceed.

For Spain, France and Portugal, however, this was not enough All three complained that the wording of the port and sherry clause was too vague and would allow SA producers to keep using the terms after 12 years Spain and France in particular were adamant that SA had to give a firmer commitment to forego using the labels, thereby avoiding any confusion with the well-known Spanish and Portuguese products Then last week came the final compromise, with EU and SA negotiators adding "new" to the wine clause

The final negotiations also focused on other "difficult" farm products, including canned fruit and juices and frozen strawberries EU officials say that in all these areas, SA was given specific but large zero-tariff quotas, ensuring its access to EU markets would not be subject to customs duties provided they kept within specific quotas Pretoria also agreed to apply the trade concessions with discretion so as, for instance, not to use up an entire quota on one EU market or for one product.

Hard work remains, both sides still need to negotiate a wider agreement on wines and spirits and a fisheries accord EU officials stress that any tariff concessions to SA's fishery exports will be implemented only once the fisheries deal is negotiated, possibly this year, and SA allows EU fishing vessels into its rich fishing grounds.

The SA-EU treaty will be studied carefully by other nations seeking to reinforce their trade relations with Europe. In coming months, the EU must negotiate similar trade pacts with the Mercosur countries of central America, Mexico and several middle-income African countries that are members of the Lomé trade and aid convention.

Shada Islam, Berlin

EU accord will give SA firms competitive edge

ST(BT)44199

(74)

TRADE DEAL

By MARCIA KLEIN

BASED on current trade statistics, SA stands to make an estimated net gain of R2.7-billion over the 10-year implementation period of the EU/SA free trade agreement but, more importantly, concessions in the agreement will give SA companies a clear competitive edge in exporting to Europe.

While the reduction in duties leads to significant savings, increased exports could lead to billions of rands in hard currency earnings. These will be ploughed back into local industry and lead to some much-needed job creation in labour intensive industries.

In terms of the agreement, most trade between SA and the EU will be liberalised — or freed of customs duties — over time, and the EU has agreed to liberalise about 61% of agricultural imports from SA. Other features include a duty-free tariff quota for 32-million litres of wine.

The Department of Agriculture has produced an informative document on the trade pact, which says the most obvious effect on the agricultural sector will be savings on customs duties paid on exports to the EU. These exclude exporters of products like beef, mutton, maize and sugar, and fresh fruits, canned fruits and vegetables.

Analysis by the department shows that in the short term, the dairy industry will benefit most, saving about R200-million in customs revenue because of the duty-free quota for cheeses.

This will, however, be offset to some extent by substantial investments to comply with EU sanitary requirements. The wine and spirits industry will save R150-million and the fresh fruit and canned fruit industry R100-million.

The tobacco and cut flower industry will also benefit.

In the longer term (after 10 years), the fresh fruit industry will benefit the most, saving R1-billion in customs revenue. The dairy industry will save R700-million and wines and spirits R500-million. The agriculture department says the canned fruit, tobacco, wine and spirits, and cut flower industries also stand to benefit in time.

The R2.7-billion net gain reflects a comparison of the customs tariffs saved on agricultural products relative to customs duties forfeited in concessions granted to the EU.

Comment on the deal has been varied. One of the more optimistic comments is that of FBC Fidelity economist Mike Schussler, who says the deal could add new trade worth about R12-billion, R7-million of which will be in favour of SA.

But most companies, particularly those in agricultural products, are treading softly. Many say while they welcome the fact that the deal is finally concluded, they will not comment on its implications until they have more clarity and a definitive list of products.

Sources say the deal is welcome because the SA agricultural industry is one of the most unprotected in the world and struggles to stay competitive, particularly when general export incentives are taken away. The exclusive nature of the deal will give many exporting companies a competitive edge.

Capespan corporate affairs manager Fred Meintjies says Capespan is delighted that there is finally a conclusion. He says there are some products which are excluded, "and it will take some time to clarify exactly where the advantages will lie". He adds that the industry is not getting any other benefits in terms of export incentives.

"The deal should lead to more money to invest in the local industry," he says, adding that it would not necessarily lead to immediate increased exports.

"I would be surprised if much more fruit than is already exported will go to the EU, and the international fruit market is highly competitive."

Capespan, a major player in SA fruit, hopes to move 90-million cartons of fruit from SA this year. Meintjies says the export market "makes the biggest difference to incomes on the farms".

Rough industry estimates are that about 30% of the apple crop is exported, as well as over 80% of table grapes, 75% of pears and an even higher percentage of plums.

Del Monte chairman and chief operating officer Vivian Imerman says the deal will be significant for SA.

SA Wine and Spirits Exporters' Association CEO Kim Green says it is difficult at this stage to say what the deal means as a wines and spirits agreement between the EU and SA still has to be finalised.

In terms of the deal, SA can continue using the names port and sherry locally during a 12-year transition period, after which these terms will be reviewed.

Apart from the duty-free quota of 32-million litres of wine, the EU will also pump about R100-million into restructuring the SA wine and spirits sector and helping the marketing and distribution of SA wines and spirits.

The department points out that when negotiations started, the EU intended excluding almost 50% of SA agricultural exports to the EU, including fresh fruit, canned fruit and fruit juices.

An industry source points out that credit should be given to SA negotiators for bringing this percentage right down. The agreement is expected to be implemented by no later than January 1.

● See Newsmaker, page 8

Government wants WTO input

CT(BR) 6/4/99 (74)

ROY COKAYNE

Pretoria — The government was seeking the opinions of South Africans on the scope, content and process of the forthcoming multilateral round of negotiations under the World Trade Organisation (WTO), due to begin towards the end of the year.

"The government believes that broad-based consultations with the provinces, the social partners (organised labour and business) and the public at large are essential for South Africa to identify (the) negotiating positions, objectives, policy options and trade interests which should be pursued at these negotiations," said a notice in the Government Gazette last week.

It said South Africa would benefit from predictable and clear international trading rules, which would serve to promote a stable environment for trade and investment and provide greater consumer choice and value.

The government wants opinions on the WTO process, which involves issue identification, development of proposals and conclusion of recommendations; trade in goods, which includes market access issues; agriculture, existing WTO agreements; trade in services; intellectual property and information technology, including e-commerce; investment and competition policy; and trade's social dimensions.

The notice said public interest in trade negotiations had grown in recent years, as had a desire to see that the social dimensions were taken into account.

It said that, as South Africa prepared to identify its objectives and priorities for the negotiations, the government was seeking views on ways to "reflect the interests and values of South Africans in the areas of protection of the environment, promotion of and respect for basic workers' rights, human rights and other social concerns.

"The South African government is also interested in finding ways to advance participation in the global economy by least developed countries and smaller countries, particularly those vulnerable to marginalisation.

"This could include special or specific measures or steps to facilitate implementation of existing or future commitments in connection with WTO agreements."

Interested parties must submit their views by May 31.

Erwin waves WTO stick at US again (74)

BD 8/4/99

Patrick Wadula

THE Ministry of Trade and Industry is again considering challenging the US's decision in the countervailing action against SA's stainless steel through the World Trade Organisation (WTO).

Without warning, the US commerce department changed its reasons last month for imposing countervailing duties on SA's Columbus Stainless Steel after Trade and Industry Minister Alec Erwin threatened to challenge its original grounds through the WTO.

Erwin said yesterday that government was still studying the legal basis of the US commerce department's determination.

The commerce department issued a "final determination" that tax allowances granted to Columbus in 1992 were a countervailable "export subsidy", that is, a subsidy to promote exports that gave Columbus an unfair advantage over US producers.

"Government is also taking a longer term perspective and will utilise the Bi-national Commission, WTO and United Nations agency Unctad as forums to try to ensure that the rules of the game are less prejudicial to and more equitable for developing countries," Erwin said

He also said government took particular note that of 10 programmes investigated, eight were not found to be countervailable.

"This bears testimony to government's concern that these sophisticated trade remedies are being used against competitive exports from developing countries like SA."

The failure by the US government to find countervailable subsidies cost government and the steel industry enormous time and resources, Erwin said.

Government was also concerned that the US found certain aspects of its export programme legislation, as well as Industrial Development Corporation subsidiary Impofin's guarantee for foreign financing of Columbus Stainless Steel, to be countervailable.

Erwin said there was also concern about the legal basis of the US commerce department's decision regarding the Impofin guarantee, notwithstanding that the programme was not specific to Columbus or the steel industry.

"The government remains convinced that its programme, including Section 37E (of government's export programme legislation) and the Impofin provision of the guarantee, are WTO compatible," Erwin said.

Sacrifices in trade deal were worth it

The agreement with the EU provides a good reference point for future co-operation between north and south, writes associate editor **John Dludlu**

(74) BD 12/4/99

WHEN President Nelson Mandela received a letter from German Chancellor Gerhard Schröder and European commission president Jacques Santer on March 24 informing him that they had "unanimously" agreed to approve a deal with Pretoria, Mandela could have been forgiven for thinking the letter was an early April Fool's Day joke.

Experience has shown that unanimity is something of a miracle in the European Union (EU), especially when it comes to trade with third parties. And Mandela had been promised a generous deal several times before, only to be disappointed. By the following morning, even some SA ministers were still disbelieving.

Within the Brussels system, there were still some sceptics: after all, these talks had been on the verge of a breakthrough many times before

However, the solution was in the politicians' hands. When EU foreign ministers could not agree on March 22, they deferred the decision to later in the week at an EU summit meeting. Facing the flexible stance of Trade and Industry Minister Alec Erwin, who agreed to a compromise on the touchy issue of the wine labels, EU leaders had no option but to meet the end-March deadline for the conclusion of the talks.

Now that the agreement has been concluded, it is time to assess its benefits. If you take it purely at face value — the statements by politicians, analysts and the negotiators themselves — the deal comes out tops: it is mutually beneficial, they say

A perhaps more complex picture emerges when measuring the EU-SA trade, development and co-operation deal against the initial objectives set out by both sides at the start of the talks.

Broadly, there was agreement that the deal had to underpin democracy; that it had to help SA 's economy integrate globally; that it had to be asymmetrical both in timing (that is, the EU should open its markets faster than SA) and in content (that the EU's product coverage should be wider than SA's); that it had to shore up southern African regional economic development; and that it had to be compatible with World Trade Organisation (WTO) rules.

The draft agreement will free 90% of all trade exchanges between the two sides in 12 years: SA will remove tariffs on 86% of EU imports in 12 years, while the EU will eliminate tariffs on 95% of SA's exports in a 10-year transition. This achieves the objective of asymmetry.

That no entire sector is excluded from the agreement and that its scope of coverage is 90% substantially improves its chances of WTO approval. In fact, WTO provisions on free trade areas, which say these arrangements have to cover "substantially all trade", will be tested for the first time by this deal.

When the talks started, the EU set out to exclude 45% of SA's agricultural exports because these were deemed too sensitive Now, the infamous list of exclusions is called a reserve one.

Technocrats have also found an innovative way of dealing with this problem: rather than exclude them, specified volumes of some of these items will enter the EU at low or no duty Among others, SA's canned fruit producers, wine makers and exporters of fruit juices will benefit under this quota arrangement

The agreement will be reviewed within five years of its implementation If either party is ready to accelerate its liberalisation timetable, it can do so.

The agreement also includes a clause enabling SA to widen access for the EU's farm exports However, this will depend on Brussels's willingness to scrap its subsidies to farm exporters.

The agreement includes a provision for a dispute settlement mechanism between the two parties within the co-operation council, the body that will oversee implementation It also provides for co-operation in competition policy and antidumping issues. For example, it says the parties must consider "constructive remedies" before starting "definitive antidumping and countervailing" action against SA

Perhaps if the agreement had been reached a year ago, the numerous cases against SA exporters would have been resolved without punitive and costly actions.

The availability of dispute resolution mechanisms should translate into certainty for investors. Michael Laidler, EU ambassador to SA, says the deal attempts to provide stability for an emerging market.

The EU's position as SA's biggest foreign direct investor is likely to be consolidated. The agreement, which has been watched closely by foreign diplomats resident here, is likely to make other trading partners, notably the US, envious.

Bahle Sibisi, chief director for foreign trade relations, says the deal will contribute to growth and that the winds of tariff reduction will push SA industry to become more competitive.

SA negotiators have also won the right to protect the industries of the country's neighbours in the Southern African Customs Union. If the free trade area with the EU harms any industry or product from Botswana, Lesotho, Namibia or Swaziland, SA may invoke safeguard measures, such as reintroduction of customs duties. Pretoria also has the right to protect its infant industries that come under pressure from EU imports during the 12-year transition period.

Sibisi also says there is an agreement with the EU that "special" measures are needed to address the adjustment costs for SA's customs union partners. These measures have not been spelled out, leaving the door open for the customs union to pursue its demand for the EU to compensate it for the loss of revenue from tariff reduction.

The agreement will also enable SA to co-operate with its neighbours in production processes. Under the cumulation procedure, SA items with inputs from the neighbouring states will receive preferential treatment in the EU. This clause should help deepen regional integration.

Laidler says the EU-SA agreement will put pressure on the Southern African Development Community (SADC) to conclude its free trade protocol talks. The EU envisages a free trade deal with the SADC in the next century, so the sooner the SADC finalises some kind of deal, the better.

For the labour movement, the trade deal marks the first unequivocal victory that Pretoria's negotiators have won binding the EU and SA to guarantee labour rights.

These include a ban on slavery, a ban on discrimination and child labour, and guarantees of workers' rights to collective bargaining and unionisation.

Laidler says the deal secures aid relations with SA. In the agreement, SA says it expects that the present scale of EU funding will "at least" be maintained beyond this year.

Much has been written about the SA compromise on port and sherry, because SA producers will not be able to use these terms after the 12-year transition.

However, the EU will give them 15-million euros to market alternative brand names. Port and sherry are already being sold in Europe under different names.

While this is the most publicised concession, it is by no means the only one.

Despite the sacrifices, however, the overall package was well worth it.

It would have been almost criminal for government to sacrifice the entire deal over the port and sherry issue.

The agreement provides a useful reference point — though not a template — for future co-operation between the north and south in general, and between the EU and its developing country partners in particular.



The EU-SA agreement will free 90% of all trade exchanges between the two sides in 12 years

Deal will force SA to cut local tariffs

SADC fears EU dumping after free trade pact

(74)

(~~FT(BR)~~) CT(BR) 16/4/99

MICHAEL WANG

Gaborone – The free trade pact between South Africa and the European Union (EU) would make the efforts of the Southern African Development Community (SADC) to liberalise trade in the region much harder, the SADC said yesterday.

Kaire Mbuende, the SADC's executive secretary, said EU exports of grain, dairy and livestock threatened to wipe out vast chunks of the region's agriculture sector, which employs 70 percent of the region's workers but produces only 12 percent of its output of $176 billion.

Last month's trade pact will phase out tariffs and duties on more than 90 percent of goods and services between South Africa and the EU, worth $19 billion.

"The dumping of cheap beef and dairy products ... is our fear," said Mbuende. "There is greater capacity in Europe ... to produce, and we cannot compete."

The trade accord is supposed to engage only South Africa and the EU but, said Mbuende, "each truck (from South Africa) can't be checked, (so) you are definitely going to have a wider circulation of duty-free European products (in the region)".

But Mbuende said the pact would give some benefits, specifically in speeding up trade reforms.

By lowering its duties on EU goods and services, South Africa is obliged to offer identical preferences to the other 13 member states of SADC because of the most favoured nation clause in the SADC's charter.

"South Africa can't have higher tariffs with SADC member states than with the EU," said Mbuende.

By compelling Pretoria to slash duties and tariffs on SADC goods, the organisation will achieve a significant breakthrough in a trade protocol among member states, which observers see as vital to promoting the SADC as a credible trading bloc.

The SADC has been trying to reach agreement on the protocol since 1996. Eleven nations have signed it, but only five have ratified it. South Africa, by far the economic powerhouse of the group, wants to clarify some issues such as tariff levels before asking parliament for ratification.

The SADC has set a deadline of July 1 to achieve ratification of two-thirds of the member states, or another three signatures, before the protocol comes into force.

Observers say that is unrealistic, but Mbuende disagrees. "The delay really is more based on the fear of the unknown as opposed to actual differences. There is a realisation, as much as there could be wavering, that none of our economies can be integrated into the world economy on its own and survive."

Intra-SADC trade in 1996 was $8,76 billion, one-fifth of member countries' trade. – Dow Jones

EU trade deal 'good news' for SA electronics

(KBF) (BR) CT 16/4/99

(74)

RENÉE BONORCHIS

Johannesburg –The European Union (EU) Trade Agreement would have a positive impact on the South African consumer electronics market owing to the 12-year process of phasing out import duties and tariffs, the local Consumer Electronics Association (CEA) said yesterday.

Alan Coward, the CEA chairman, said the agreement would affect 95 percent of imported goods and 85 percent of exported goods.

"The prices of brown goods, such as televisions and stereos, and white goods, being the likes of kitchen appliances, will drop, boosting demand locally and growing the size of the entire market," Coward said.

He expected the prices of consumer products to decrease by up to 15 percent in dollar terms, with savings passed on to consumers. The local manufacturing industry, however, would have to gear up to compete globally.

Coward said there were opportunities for local producers and exporters since the European market would drop duties and tariffs only within three years. He said this should also boost foreign investment in South Africa since international companies could set up operations here without the associated export costs.

Of course, the grey market importers and exporters would also benefit from the dropping of duties and tariffs. "Our customs authorities will need some support," Coward said.

"We still have illegal importing of grey products into South Africa, and there is work to be done here."

US will not oppose EU, SA trade deal — official

(74) BD 19/4/99

John Dludlu and Patrick Wadula

THE recent free trade deal between SA and the European Union (EU) is further rationale for the US Congress to grant President Bill Clinton power to negotiate trade accords with other countries, said a senior US government official.

Stuart Eizenstat, the US Undersecretary of State for economic, business and agricultural affairs, said at the weekend that Washington would not oppose the EU-SA trade, development and co-operation accord if it complied with all the provisions laid down by the World Trade Organisation (WTO).

The WTO requires that free trade deals cover "substantially all trade between contracting partners" and that they not exclude any sector.

Eizenstat said Alec Erwin, SA's trade and industry minister, had assured him that the deal was broad-based.

Though the US still had to study the terms of the treaty, it seemed to be designed to encourage the competitiveness of the SA economy.

However, Eizenstat said the deal was another reason why US lawmakers had to give Clinton "fast-track" authority, which would allow the US president to negotiate trade deals.

Previously US government officials have expressed concern over the EU-SA deal, saying it will prejudice their terms of trade with SA.

The EU-SA free trade deal, which will liberalise 90% of all trade, is expected to come into force in January.

Eizenstat said the US government wanted the option of negotiating free-trade agreements with other countries, including African nations.

He said his biggest concern was that SA had not been able to achieve growth levels that would reduce the country's unemployment levels. The next pressing challenge for SA's policymakers was to carry out structural reforms that would take the country to the next stage of economic development.

Reforms needed included the opening up of the economy, privatisation and the integration of SA's economy with the rest of the region.

Eizenstat, who praised SA's authorities for the strides they had made since the 1994 elections, said that apart from attracting foreign capital, privatisation tended to boost treasuries with more funds for social projects. "It also reduces the opportunity for opaque behaviour (by authorities)", he said.

SA, US pave way for trade

SOUTH Africa and the United States yesterday announced a new trade and investment framework agreement and also launched a law enforcement committee aimed at combating crime.

Speaking at the close of the fifth session of the US-SA binational commission in Cape Town, US Vice President Al Gore said he and Deputy President Thabo Mbeki were confident that the new agreement would speed up the expansion of two-way trade and investment.

A bilateral council on trade and investment would meet regularly.

Government officials said earlier that the committee would create a mechanism to solve trade disputes, including South Africa's concerns that its steel industry was being unfairly targeted by US anti-dumping actions.

Deputy Foreign Affairs Minister Aziz Pahad said both sides had "held very good discussions on the question" which also affected the rest of the region.

Another dispute would be Washington's complaint that South Africa was violating its World Trade Organisation obligations by threatening pharmaceutical patent rights.

Spinoffs

While White House officials have indicated that the agreement could eventually lead to a Free Trade Agreement, SA government officials were more cautious and said the process was still in its early days.

One of the spinoffs of the new justice and anti-crime cooperation committee is a massive boost for the office of National Director of Public Prosecutions Bulelani Ngcuka.

The special units set up by Ngcuka to investigate and prosecute hijacking cases in Gauteng, violence in KwaZulu-Natal and organised crime and gang-related activity in the Western Cape, will be among the beneficiaries of US training, expertise and resources.

US attorney-general Janet Reno, who jointly chairs the committee with Safety and Security Minister Sydney Mufamadi, also agreed to Ngcuka's request that she seconds a specialist prosecutor and investigator in the tracing and forfeiture of assets. Justice Ministry spokesman Paul Setsetse said.

This should be viewed in the context of new organised crime legislation, allowing the state to confiscate criminals' assets, he said.

Six to 10 South Africans would be sent to the US where they would receive training from organised crime investigators and prosecutors. – *Sapa.*

Crushing hangover saps confidence in magic potion

There may be arguments for restraints on free trade but the referee is driven by economics, not morality, writes **Joe Rogaly**

(74)

BD 20/4/99

FREE trade is the elixir of capital life. It is a heady brew, the intoxicant of turn-of-the-millennium global business. It lifts the spirit of profitability, puts a song in the balance sheet.

Nothing more beneficial to economic growth has been invented.

Now that we have chanted our hosannas to the prevailing orthodoxy of free-market liberalism we may perhaps be permitted a question. If the potion distilled by the World Trade Organisation (WTO) is so wonderful, why this crushing hangover?

It does seem unreasonable. Half a century ago the average government slapped an average duty of 40% on imports. The equivalent figure today is 4%. This is the result of decades of painstaking negotiations, first under the general agreement on tariffs and trade and since as a part of the Uruguay round of talks that set up the WTO in 1993.

During that time, the output of wealth has increased at an astonishing rate. Granted, most people are still poor. Against that, mankind as a whole has never been richer. The value of world trade was less than $100m in the 1950s; today the number is a string of zeros, a fistful of trillions.

In the US in the 1960s those of us who habitually contemplated the export and balance of payments statistics were regarded as idiosyncratic. Protectionism is still a powerful force, not least in Congress. The high priests of liberalism, though, are on the alert, ready to deploy the classic argument in favour of open borders.

Boiled down, it amounts to an irrefutable demonstration that everyone benefits in the long run. The question is, how long? It is a constant debate, muddied by the present slowdown in exports.

Given a head start in the Thatcher-Reagan years, the global industries that stand behind the world's superpower have begun to deploy their strength. Huge sums are spent on lobbyists whose brief is to influence regulatory authorities.

Here we have the first clue in our search for reasons for disenchantment with untrammelled free trade. America's powerful exporting companies, whose aim is universal domination, have become vigorous plaintiffs for access for their goods.

Aggrieved at the favourable treatment given by the European Union to West Indian bananas, Big Fruit urged the US to impose sanctions. Outraged at the refusal of the EU to permit importation of hormone-fattened cattle produce, Big Biochemicals persuaded Washington to threaten further disruption.

You will be relieved to hear that we are not about to rehearse the rights and wrongs of these complicated disputes. Our central point is clear. We Europeans are ambivalent about our cousin. We need US military support, as shown in the Nato bombardment of Serbia. Many of our industries depend on American consumers. At the same time, some of us fear US business superiority.

That is why the traditional case for protectionism is being heard. Weak competitors fear the effect of imports on employment, profitability, earnings. Politicians murmur about deepening inequality, social instability. Such not wholly irrational anxieties are not confined to Europeans; just the other day the US House of Representatives voted to limit imports of steel.

So far the argument is familiar. However, latent anti-Americanism and lack of business confidence do not account for the whole of the reaction against free trade. There are new fears. Unregulated growth can damage the environment. International companies can seek markets with minimal standards of regulation. Big Science is deeply mistrusted.

These are, roughly speaking, moral or ethical considerations. Sometimes they seem esoteric. That is beside the point. They are impervious to the mathematical rationalisations of economists. Serious free traders regard all extra-economic objections to the conduct of business as protectionism in disguise, a set of excuses for avoiding genuine competition.

They may be right. The question, though, is who decides? It is supposed to be the WTO, one of the prime purposes of which is to settle disputes. Its driving force is liberal economics, not fashionable morality.

of the Financial Times

It may make room for environmental policies, but on, say, genetically enhanced foods, it could hardly base its decisions on unsubstantiated suspicion.

That is the job of nationally elected governments. They are there to respond to the public mood, either by educating their voters or, more commonly, by succumbing to the popular will. This sounds democratic, but in matters of trade it does not work.

We can see why. The WTO is there to prevent capricious restraint of trade; it rests above individual governments. Countries sign on voluntarily, although with one arm twisted behind their backs.

Once in, they have agreed to license out their former control over what may be sold within their borders. Members of the EU and similar regional blocs are likewise hog-tied.

The WTO is about to appoint a new head. The frontrunners are a former prime minister of New Zealand and the deputy prime minister of Thailand. Whoever gets the job will have to manage 134 member governments — and an uneasy public opinion.

NEWS

WORLD ECONOMY *Lack of change 'will lead to global stagnation'*

Erwin challenges First World

CT(BR)20/4/99 (74)

ROY COKAYNE

Pretoria – Lack of change in developed countries was one of the fundamental imbalances in the world economy, Alec Erwin, the minister of trade and industry, said at a science and technology policy lunch club function at the CSIR yesterday.

Change in developed economies would have to be discussed in the next round of World Trade Organisation talks.

"As much as developing economies will have to transform, so must developed economies. If we don't succeed in this, the world economy will stagnate," he said.

Erwin said the developed economies were characterised by heavy protection for agriculture and "grandfather industries" such as steel and other resource-based industries.

Erwin said he was pleased with the recent trade deal struck between the European Union and South Africa because it stabilised the trade relationship between South Africa and its main trading partners.

He said the agreement had given South Africa some exciting preferential access for manufactured products and some "useful breakthroughs in agriculture".

Erwin said the task of the trade and industry department was to bring about major structural changes in the South African economy, but it was too early to say whether the country had made that structural change, although "the signs are positive".

He stressed the department was preoccupied more with the supply-side processes of production and less with trying to change the economy through direct intervention via subsidies.

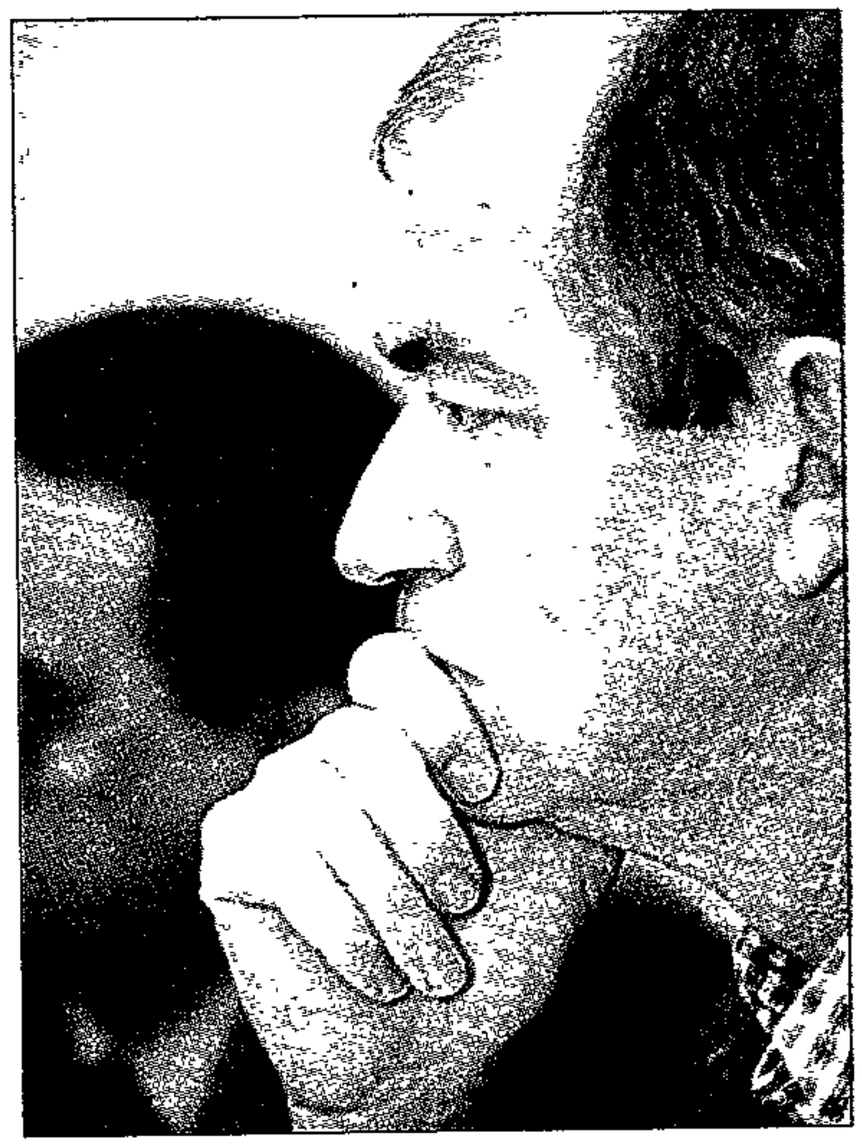
"The ability to respond to changing circumstances must be the defining feature of a modern economy," he said.

Erwin said the the state played a facilitating and leadership role in the production process. It was starting to put in place those factors, institutions and trends that underpinned the production process and allowed it to be adaptable and competitive.

He said there was much more emphasis on macroeconomic management of the economy than a wide range of fiscally driven incentives.

These were designed to support manufacturing development and small and medium-sized programmes. The department was working on areas of industrial development zones located near the transport system so that enterprises could be competitive in world export markets, he said.

Erwin said the key for any economy was to absorb and generate technology and to diffuse it as widely as possible into any production enterprise.



TOUGH TALK *Alec Erwin ponders the First World's 'grandfather' industries* PHOTO JOHN WOODROOF

EU deal may cost SA's neighbours billions

BD 22/4/99 (74)

Louise Cook and John Dludlu

PRETORIA — The newly concluded free trade deal between SA and the European Union (EU) may cost Pretoria's Southern African Customs Union partners as much as R3,5bn in revenue losses a year, says an article in the April 23 Financial Mail.

Answering questions at a function called to celebrate the conclusion of the trade, development and co-operation deal, Trade and Industry Minister Alec Erwin said the two partners would share the burden.

The article is based on a yet-to-be-published impact study carried out by the consultants White House & Associates for the SA Foundation.

The piece says SA's customs union partners — Botswana, Lesotho, Namibia and Swaziland — could suffer revenue declines of between R1,9bn and R3,5bn a year when import tariffs on EU goods are removed thanks to the free trade deal. Of all the work that has been published on the revenue impact of the deal, the R3,5bn is by far the highest estimate.

Erwin conceded that the customs union countries faced potential revenue losses, but did not give out the exact amount. He said SA and the EU would share the costs.

"It is a complex and fairly contentious issue. We will have to talk about it," he said.

SA's neighbours are so reliant on the income from the common customs revenue pool that some receive as much as 50% of their central government revenue from this source.

The draft EU-SA agreement says "special attention will be given to providing support for the adjustment effort occasioned" by the deal in southern Africa, especially in the customs union. SA and the EU have yet to spell out how they intend to handle this. Both sides have been cautious not to talk about fiscal transfers.

Erwin praised the EU for its commitment to SA by forging the "fundamental link" between the two regions. He said negotiations had been difficult, but they gave SA negotiators an opportunity to learn a "tremendous" amount about intricate international trade issues and the SA trade environment.

Referring to the impact of the deal on Southern African Development Community countries, Erwin, backed by German ambassador Harald Ganns, allayed fears of diminished trade to those countries due to the trade deal between SA and the EU.

Erwin said: "Careful examination showed that the agreement will also be good for the region. There could be a degree of trade displacement, but this will be dealt with through ... protection clauses to prevent any damage."

Erwin says vital to implement SA-EU deal in 2000

(74)
CT(BR)22/4/99

ROY COKAYNE

Pretoria – The trade, development and co-operation agreement concluded between South Africa and the European Union (EU) would be good for the southern African region and benefit all countries in the Southern African Development Community (SADC), said Alec Erwin, the trade and industry minister, yesterday.

Erwin said it was imperative that the South African-EU agreement be implemented in 2000.

"A lot of detailed technical work still has to be completed between now and its implementation." He said it was difficult to comment on the likelihood of the September 1999 deadline for the wine and spirits agreement being met to ensure that the entry into force of this agreement would take place before or in January 2000.

The wines and spirits agreement forms part of a compromise package and is not conditionally linked to the main agreement.

The compromise package, among other things, reconfirmed that South Africa would not use the names "port" and "sherry" for its exports to the EU and phase out the use of these names for exports to all export markets within five years. The exception was non Southern African Customs Union SADC countries, where an eight-year phase-out period applied.

Derek Hanekom, the agriculture minister, said the big challenge now was to make the agreement work. "It creates opportunity. But commitment and hard work will be needed to realise the full potential in the agreement."

Erwin said the negotiations built up capacity in all ministries and would enable South Africa to negotiate other complex agreements, including SADC agreements. The negotiations also brought the departments of agriculture, foreign affairs and trade and industry closer together, along with many private sector experts.

"One day we will thank the EU for the capacity it built in South Africa to understand the complexities of our own trading environment and the international trading environment," he said.

On behalf of the EU countries, Harald Ganns, the German ambassador, said the agreement might not be perfect or ideal, but it was a good agreement. There was a close relationship between SADC countries and the EU, and the agreement would benefit the whole region.

Bid to solve vexed trade barrier issue

Michael Hartnack

HARARE — A three-memberdelegation from SA's clothing, textile and leatherware industry has arrived in Harare for further talks on the vexed issue of trade barriers under the SA-Zimbabwe "most favoured nation" bilateral pact and the Southern African Development Community (SADC) trade protocol.

"We are hoping the delegation will go back to SA and make a positive recommendation to Trade and Industry Minister Alec Erwin," said Eddie Cross, chairman of the industries' committee of the Confederation of Zimbabwean Industries.

Both Zimbabwe and SA recognise their clothing, textile and leatherware industries as "sensitive areas" which may need special exemptions under the SADC protocol. Zimbabwe has never been satisfied with tariff and quota levels granted under the 1964 bilateral protocol which lapsed, effectively, in 1992 causing the loss of more than 20 000 jobs here.

Former confederation leaders Jonee Blanchfield and Simba Makoni have warned of a "trade war" over the three-to-one trade imbalance in favour of SA.

Economist John Robertson said yesterday that SA unions had overreacted to the threat from Zimbabwe which had never occupied more than 2% of the SA market. "Every time we devalue a bit more, and the exchange rate moves in our favour, they build up a claim that we are dumping, that we are making goods and selling them below production costs. It might be below SA production costs but now ours," said Robertson.

However, Jabu Ngcobo, general secretary of the SA Clothing and Textile Workers' Union, reportedly told the state-run Herald newspaper: "We oppose the free trade proposal Zimbabwe is suggesting." He said it would "worsen the problem of illegal imports which are wiping out jobs here", estimating that R1bn in clothing and textiles was smuggled into SA each year.

SA/EU TRADE DEAL

THE WEDDING'S OVER. NOW IT'S TRADE FOR BETTER, FOR WORSE

Competition clause will stack odds against SA companies

FM 23/4/99

Now that the dust has settled on the tortuous process of striking a deal between SA and the EU on a free-trade pact, it's time to calculate the gains and losses for this country and the region.

Trade experts point out that pinning down a final deal proved difficult— it took more than four years — because there was so much at stake for both sides. The EU is SA's largest trading partner; in 1997, it accounted for 35% of total trade with the Southern African Customs Union (Sacu), which SA dominates. In addition, the EU allowed the inclusion of agriculture, the first time it had done so in a bilateral free-trade agreement (FTA).

Judging from the squeals of pain from southern European farmers and the extent of lobbying by Pretoria in the final months of negotiations, most people could have been led to believe the impact of the FTA would be immediate and dramatic.

Not so. At least not in the short term, since close to 60% of SA's exports (agricultural and non-agricultural) to the EU were already entering the EU substantially duty free. However, the longer-term impact is bound to be profound, particularly on the region And the effects will be both negative and positive.

So argues the business lobby group, the SA Foundation, in the first comprehensive study on the potential effect of the FTA on SA and its southern African trading partners. The foundation's report is based on research by White House and Associates, a consulting group specialising in trade.

"It would be imprudent to expect too much from the new FTA," the foundation says. "The initial impact is likely to be limited, as significant sections of trade between the two parties are already substantially duty free." But over time, the FTA could turn out to be a "positive sum game", because local exporters "will have greater access to the European market, producers and consumers will pay less for imported capital and consumer goods and the SA economy generally will become more competitive".

The foundation argues that since 97% of SA's non-agricultural exports will enter the EU duty free within three years, the impact on the manufacturing sector will be positive, since better access will lead to higher exports to the EU But local manufacturers are unlikely to benefit from cheaper imports since most manufacturing inputs bought in the EU, such as machinery, mechanical appliances and electrical equipment and chemicals, are substantially duty free.

The report points out that, under commitments to the World Trade Organisation — the internationally-agreed regime for trade liberalisation — SA's import duties on machinery and mechanical equipment have been reduced from between 5% and 8% in 1994 to 1% and 4% in 1999. Duties on chemicals have come down to between 1% and zero. But, says the report, some consumer products will enter SA more cheaply, including cosmetics, soaps, and a range of "white goods" such as fridges, microwaves and TV sets. "The liberalisation of duties should make these goods markedly cheaper for SA consumers," it says Though it "remains to be seen whether these will be passed on to the consumer".

But the price of cheaper goods for consumers, if it happens, could be job losses in white goods assembly plants

"SA, like many developing countries, structured its tariff regime to encourage import substitution in the form of value-added processes such as local assembly. One consequence of the tariff liberalisation could thus be an increase in the importation of already-assembled goods."

The foundation identifies other potential losers, such as farmers, since under the deal SA will have to provide duty-free access to 95% of its agricultural imports from the EU over a 10-year period, while roughly 25% of SA's agricultural production will not benefit from the accord at all.

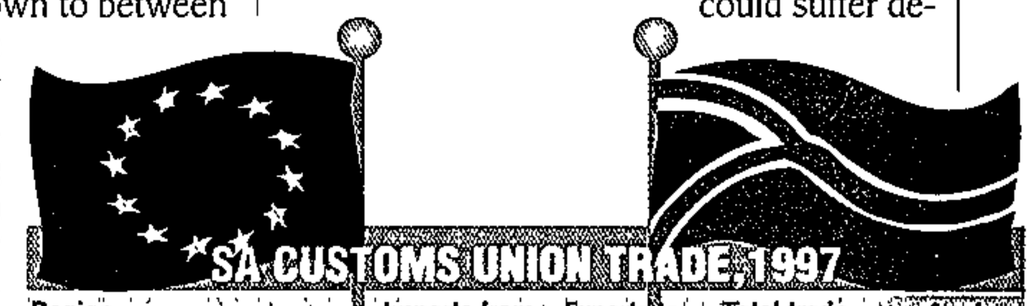
The report points out that 53% of SA's total exports of vegetable products are sold in the EU Import duties on SA's agricultural goods remain a "major barrier" while the subsidies to EU farmers under the Common Agricultural Policy (CAP), which amounted to US$40bn last year, "continue to make it difficult for SA products to compete in the European market"

The FTA is likely to hurt local manufacturers of processed fruits and vegetables, as the deal provides duty-free access for EU producers into the SA market The foundation also warns that the odds are stacked against SA companies in a clause on competition, which seeks to ensure that dominant market positions are avoided or dismantled "A closer look at this provision would indicate that it could be a little one-sided," it says, pointing out that SA companies could not apply the clause in "any meaningful way" while the EU could use it to "effectively muscle into local markets" But those most likely to be hurt by the new trade regime are SA's partners in Sacu — Botswana, Namibia, Lesotho and Swaziland

Estimates suggest that the four countries could suffer declines in revenue of up to 15% — R1,9bn to R3,5bn a year — as a result of lower duties on EU goods, as well as the fact that EU goods will enjoy an ever greater share of the SACU import market, thereby reducing the levels of import duty gained on non-EU goods

The foundation says fears among members of the Southern African Development Community that SADC imports to SA will suffer as the EU takes advantage of preferential terms denied to SADC members are well-founded. It urges SA and southern African countries not to ignore or resist the changes, but to "embrace" them. It says companies should utilise the opportunities offered by the deal.

Caroline Southey



SA CUSTOMS UNION TRADE 1997

Region	Imports from Rm	Exports to Rm	Total trade Rm	% of total trade
European Union	54 649,1	41 102,4	95 751,5	35
Asia	40 859,01	28 215,25	69 074,3	25
Nafta	18 130,2	9 073,7	27 203,9	10
SADC	2 775,2	15 885,7	18 660,9	7
Other Europe	3 367,6	4 181,2	7 548,8	3
Other Africa	2 086,3	4 403,6	6 489,9	2
Mercosur (incl Chile)	3 035,9	2 270,5	5 306,4	2
Oceania	3 536,97	1 855,89	5 392,9	2
Other	1 467,7	*36 826,0	38 293,7	14
SA TRADE TOTAL	129 907,9	143 814,3	273 722,2	

*R34bn in unallocated category

SOURCE SA FOUNDATION

R2,4bn surplus three times expected figure

Trade data a three-fold surprise

(74)

ART 24/4/99

LUKANYO MNYANDA
ECONOMICS EDITOR

Johannesburg – South Africa's trade data lived up to its reputation for unpredictability when the Revenue Services released figures showing a R2,4 billion positive balance in March yesterday, almost three times higher than market expectations and nearly double February's R1,3 billion surplus.

The figures were welcomed in the financial markets, though profit-taking continued to dog sentiment, with interest in resource stocks helping the all share index to a 42-point gain to 6782.

In other good news, the finance ministry capped off a bullish week for South Africa with a successful launch of a 7-year, R3-billion eurobond issue, which was sold out in minutes.

It said the proceeds from the issue would be used for general government funding and alleviate pressure on the local bond market.

The Resources index picked up 112 points, or 2,73 percent, to 4212, while financial stocks continued to struggle and lost 59 points to 9345.

Industrial stocks also failed to excite, and that index ended slightly weaker at 7309. The response from the currency and gilts markets was lacklustre, with the rand ending at R6,0845, compared with Thursday's R6,0975. The R150 long bond was initially boosted by the trade data, but came back on profit-taking and ended the day 4 basis-points weaker at a 14,20 percent yield, having gone as low as 14,15 percent.

Economists were pleasantly surprised with March's trade surplus, which reflected a strong recovery in export growth on the back of recovering commodity prices and demand from East Asian economies, boosting South Africa's exports by 27,1 percent month-on month.

But the figures continued to baffle: imports rose more than 19 percent month-on-month, with machinery accounting for the bulk, in contrast to the slump in consumer demand and economic activity. This figure served to emphasise the difficulty of analysing or predicting local trade data with any measure of confidence, economists said.

BoE Securities said rising oil prices and an expected economic recovery, which should see imports pick up in the second half, should limit the currency's upward potential, and it should end the year at R6,50 to the dollar.

Noelani King, economist at SG Frankel Pollak, said exports should continue to outperform imports on the back of firming commodity prices and slack local demand, and South Africa's current account deficit should be significantly reduced at below R10 billion this year, compared with last year's R13,5 billion. The cumulative surplus for the quarter now stands at R4,6 billion, compared with just R1,6 billion last year.

R2,4bn surplus three times expected figure

Trade data a three-fold surprise

Star 24/4/99 (74)

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Quebec in bid to boost trade with SA

(74)

BD 26/4/99

Minister says bilateral trade should be boosted through enhanced tourism ventures and trade missions

Nicola Jenvey

DURBAN — More than 40% of the bilateral trade between SA and Canada is conducted with the province of Quebec and this could be increased significantly over the next few years, Quebec's deputy minister for trade, Harold Mailhot, said last week.

Mailhot was visiting KwaZulu-Natal as part of a week-long trade mission to SA aimed at identifying potential joint venture partners for Quebec-based manufacturing companies.

Thirteen of the 15 companies on the mission were visiting the country for the first time.

He said Quebec's engineering group SNC Lavalin had the strongest presence in SA. The group's work over the past five years includes the Alusaf aluminium smelter in Richards Bay, feasibility studies for the La Mercy international airport in Durban and the proposed dry dock expansion in Richards Bay.

Quebec, which is 25% larger than SA and is home to 7,2-million people, contributes 30% of Canada's gross domestic product.

Mailhot said that exports accounted for about half of the province's R850bn gross domestic product, with the US its largest market at 83%.

Mailhot said SA's economic potential was not well known to Canadian businessmen and that it had to be extensively marketed through trade missions and joint ventures.

While Canadians had political and social knowledge of this country, they did not realise the potential SA offered as a gateway into southern Africa.

Similarly, Canada offered local exporters a strong gateway into the US.

He said bilateral trade should be promoted through enhanced tourism ventures and two-way trade missions.

The government of Quebec would bring two missions to SA this year, introducing between 30 and 35 new companies to the local market. This would be a follow-up on the success of a similar mission undertaken last year.

"Quebec has targeted SA for its economic potential and plans to become increasingly active in this market.

"However, trade must be bilateral and the province welcomes moves from SA chambers of commerce and businessmen to investigate potential trading opportunities in Canada," Mailhot said.

Capespan gains EU fruit niche

(74) (2) FRUIT CT(BR) 29/4/99

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town – South Africa's presence in the European fruit market received a boost when the European Commission yesterday gave the green light for the acquisition of a 50 percent shareholding in Capespan International by Fyffes, the Irish fruit trader.

The commission said the link-up between the two companies did not raise a competition threat within the European Union (EU).

Their combined share of the EU market for fresh fruit would be less than 5 percent and they faced strong competition from rivals such as US groups Dole and Del Monte, the commission said.

Capespan International is a subsidiary of South Africa's Capespan Group, which will retain a 50 percent stake. The Capespan Group and Dublin based Fyffes will have a 10 percent stake in each other.

The link-up between the two companies, first announced late last year, follows the EU's approval last month of a free trade deal with South Africa. This deal is expected to come into effect by the end of the year. It is expected to boost South African exports to Europe even though a range of fresh and processed fruit products are not covered by it.

Fred Meintjies, the Capespan spokesman, yesterday welcomed the decision as an important step forward in trade relations between the EU and South Africa.

Capespan Group is controlled on an equal basis by Outspan and Unifruco fruit producers through their interests in Unifruco Limited and Outspan International.

The group plans to use assets of over R400 million for the international marketing of nearly 100 million cartons of fresh fruit, wine and juice a year. It is one of the largest fruit marketing companies in the world. Its expected turnover for 1999 is R4,5 billion.

Capespan Group provides an improved year-round service in the provision of deciduous, citrus and sub-tropical fruit. This is expected to result in significant cost savings and increase the competitive advantage of South African fruit export industries.

Capespan has a supply base of about 4 000 deciduous, citrus and sub-tropical growers who are expected to pack nearly 50 million cartons of deciduous fruit, 40 million cartons of citrus and 5 million cartons of sub-tropical fruit and vegetables in 1999.

Wine exports were expected to total 10 million litres.

Government has until January 1 to comply with copyright laws or face investigations that may lead to penalties

US threatens trade sanctions against SA

CT(BDA)3/5/99 (74)

RICH MKHONDO

Washington, DC – The US had given South Africa until the end of the year to fully comply with international trade laws regarding copyrights and international property rights or face investigations that might lead to the imposition of trade sanctions, sources said yesterday.

In retaining South Africa on a "watch list" of countries that may violate US trade interests because of Health Minister Nkosazana Zuma's proposed law on drugs, Charlene Barshefsky, the US trade representative, said the two countries had been holding discussions about their disagreements and would review Pretoria's progress towards addressing Washington's concerns in September 1999.

South Africa was on a watch list last year.

Barshefsky said: "We call on the government of South Africa to bring its intellectual property rights regime into full compliance with the Trade Related Aspects of Intellectual Property Rights Agreement (Trips) before the January 1 2000 deadline, ensure that all government offices use only legitimate software, and clarify that the powers granted in the Medicines Act are consistent with its international obligations and will not be used to weaken or abrogate pharmaceutical patent protection.

"South Africa's Medicines Act appears to grant the health minister ill-defined authority to issue compulsory licences, authorise parallel imports and potentially otherwise abrogate patent rights. Implementation of the law has been suspended pending the resolution of a constitutional challenge in the South African courts."

Zuma said the act was necessary to redress historical inequities in the distribution of resources within the constraints of a limited budget.

Investigations showed that South Africa was among the top five countries in drug pricing and people were paying too much for medicine.

Zuma said her department would not source its entire essential drugs list internationally but would use parallel importing to make locally expensive drugs readily available.

Barshefsky said the US was concerned about end-user piracy of business software, continuing retail piracy, growing trademark counterfeiting and problems in obtaining administrative protection for pharmaceuticals.

"Undisclosed test data is also not adequately protected under South African law," she said. "During the past year, South African representatives have led a faction of nations in the World Health Organisation in calling for a reduction in the level of protection provided for pharmaceuticals in Trips.

"Copyright piracy and trademark counterfeiting is widespread."

Being placed on a watch list means the US suspects that South Africa may in future seriously violate intellectual property rights unless the government agrees to amend the Medicines Control Act.

If South Africa does not comply with Washington's trade interests, Barshefsky could upgrade the country to Priority Watch List status, then Priority Foreign Country followed by filing a complaint about Pretoria's trade practices and laws with the World Trade Organisation. If everything else fails, the US could impose trade sanctions. – Independent Foreign Service

I won't violate deals – Zuma

ARG 4/5/99

But US is keeping a watchful eye over medicine imports

(74) (~~83~~)

DI CAELERS
HEALTH WRITER

Health Minister Nkosazana Zuma, under fire over the United States' decision to keep South Africa on its "watch list" of countries that may violate trade interests, has emphasised she has no intention of violating any international agreements.

At issue is Clause15(c) of the Medicines and Related Substances Act, passed in 1997 but not yet promulgated and now being challenged in the High Court.

It would permit the parallel importation of drugs, allowing Dr Zuma to authorise the importation of some branded products sourced overseas, without authorisation from the South African patent or trademark holder.

Last Friday, the US trade department issued its annual "Special Section 301 listings" which identifies countries it says deny adequate and effective protection of intellectual property rights.

South Africa was put on the list last year after the act was passed. A number of substantial trade sanctions against South Africa followed the listing, according to a letter from the Pharmaceutical Manufacturers' Association of South Africa.



No climbdown: Zuma

This year, the US trade department has increased the pressure on South Africa by imposing an "out of cycle" review, which effectively means further action will be considered in six months rather than after the usual year.

Alan Holmer, president of the Pharmaceutical Research and Manufacturers' Association of America, is quoted in US press reports as saying South Africa "fully deserves to be designated because it has ... weakened the terms of intellectual property protection for pharmaceuticals".

Mr Holmer said South Africa's intellectual property regime was deficient in many respects. "It allows for the parallel importation of pharmaceuticals – that is, for third parties to import drugs that are still under patent in South Africa. And it allows the Government to require a company to license its patented products to others in violation of the country's international commitments," he is quoted as saying.

In the past few weeks, US Vice-President Al Gore has come in for a tongue-lashing from US consumer activists, who support South Africa's bid for cheaper drugs. They have accused him of "bullying" South Africa on the issue.

Yesterday, Dr Zuma's spokesman, Khangelani Hlongwane, said the department would not back down on Clause 15(c), which was there to ensure South Africans had access to reasonably priced medicine.

"We have expressed ourselves adequately on the matter to our counterparts in the US. Our stance is clear.

"We have no intention of violating any international agreements. The point is that the price of medicine is presently unaffordable for the Government," he said.

The New National Party said the implications of the medicine legislation was potentially crippling for South Africa.

"The sanctions that result from this legislation create a severe setback not only for health, but also for the country's economy," said New NP health spokesman Kobus Gous.

TRADE *SA gazettes preliminary duties to ward off dumping*

Duties imposed on cable from India

ROY COKAYNE

Pretoria – Preliminary anti-dumping duties of between 27 and 65 percent had been imposed on paper-insulated, lead-covered, medium-voltage cable manufactured in India and exported to South Africa, Bill Sharp, a divisional commercial director of Aberdare Power Cables, said yesterday.

"Most of the imported cable is sold to municipalities on annual contracts at a fixed price.

"The implication is that this cable could now be more expensive and would ultimately impact on rate payers, who are already under pressure," Sharp said.

The imposition of the preliminary anti-dumping duties was confirmed by notices published in the Government Gazette.

Their imposition follows a petition submitted by Aberdare to the Board on Tariffs and Trade (BTT) last August alleging that cable from India was being dumped on the Southern African Customs Union (Sacu) market and harming or threatening to harm industry in the customs union.

A further petition by Aberdare alleged the export of the cable from India was being subsidised by the Indian government and was causing harm, or the threat of harm, to industries in Sacu countries.

A further petition alleged the exports were subsidised by the Indian government

This was based on an exemption from taxation on the export profits of the two companies, Universal Cables and Cable Corporation of India.

These petitions were supported by African Cables, a Reunert subsidiary and the only other domestic manufacturer of the cable.

Sharp said a 27 percent preliminary anti-dumping duty was imposed on Cable Corporation of India, a 27,5 percent duty on Universal Cables and a 65 percent duty on any Indian company exporting paper-insulated, lead-covered, medium-voltage cable to South Africa.

He said this was to prevent a front company in India being set up and exporting the cable to South Africa.

Sharp said a 26-week period was allowed for the two Indian companies to appeal against the imposition of the duties and for Aberdare to appeal against the level of the duties imposed.

The companies were taking a large portion of the local market and depressing local prices

He said the duties would thereafter be imposed for a three- or five-year period, depending on the decision of the BTT.

Sharp said further anti-dumping petitions had been lodged against Germany, Korea, Bahrain and India.

Aberdare had submitted the petitions because dumping was illegal and these Indian cable companies were taking a large portion of the local market and depressing local prices and "we'd have to have started laying off people".

He said the local market for this cable was worth about R620 million annually, which if it was all manufactured locally would require two factories employing about 2 500 people each.

He emphasised that the petitions submitted to the BTT were about the dumping of this cable on the local market, supporting local jobs and local industry, and not about protecting an inefficient industry.

Sharp said the cable consisted of conductors made from either copper or aluminium, the prices of which were set internationally on the London Metal Exchange. This meant the price would be similar no matter where it was manufactured.

Sharp said another implication of the imposition of the preliminary duties was that these suppliers could renege on their contracts, which could delay the completion of contracts.

(189) (74)

Trade board investigates dumping of cables in SA

CT(BR) 4/5/99 (74)

ROY COKAYNE

Pretoria – The Board of Tariffs and Trade has launched an investigation into the alleged dumping of overhead aluminium stranded wire or cables with steel core originating in or imported from Bahrain, India and France.

It has also initiated an investigation into the alleged subsidisation by the Indian government of the same product, which is used for the overhead transmission of electricity.

Notices of both investigations were published in the Government Gazette on Friday. The investigations, to determine dumping margins and injury, would cover the period between January 1 1997 and December 31 1998.

The notices said the board had received a petition claiming that the alleged dumping and subsidisation could cause material injury to the Southern African Customs Union (Sacu) market and industry for the product.

Both investigations followed petitions lodged by Malesela Technologies of Vereeniging, one of three domestic producers of the product in Sacu. The others are Aberdare Cables and Hulett-Hydro Extrusions.

The importers of the alleged dumped or subsidised products are Transdeco of Braamfontein; ABB Powertech of Benmore; Cegelec of Bramley; Frog Electrical Contractors of South Hills; and Nampower of Namibia.

Malesela Technologies alleged that tenders for the supply of cables for large electricity transmission projects in southern Africa were awarded in favour of allegedly subsidised products.

It said these included, for instance, the Nampower project and parts of the Mozal project, and depressed domestic prices in the Aries-Kokerboom and the Koeberg-Aurora projects.

Malesela Technologies alleged that the awards in respect of two tenders – the Swaziland and the KwaZuluNatal legs of the Mozal projects – were pending.

The foreign manufacturers or exporters had made bids for these tenders based on alleged subsidised or dumped prices.

FREE TRADE

Unequal partners bemoan regional yoke

CT (BR) 4/5/99

(74) (2791)

LYNDA LOXTON

Slowly but surely, southern Africa is treading the difficult path of co-ordinating trade and investment policies to strengthen neighbouring economies and add muscle to the region's ability to negotiate on the world economic stage.

All this comes through in the latest edition of the Trade and Industry Monitor, published by the Trade and Industrial Policy Secretariat and the Development Policy Research Unit (DPRU).

Paul Kalenga, a DPRU researcher, said although there was a general desire in the Southern African Development Community (SADC) to establish a free trade agreement, there were also many concerns about how this could affect individual member states.

There was a strong fear among its neighbours that South Africa would dominate the region because of its industrial sophistication.

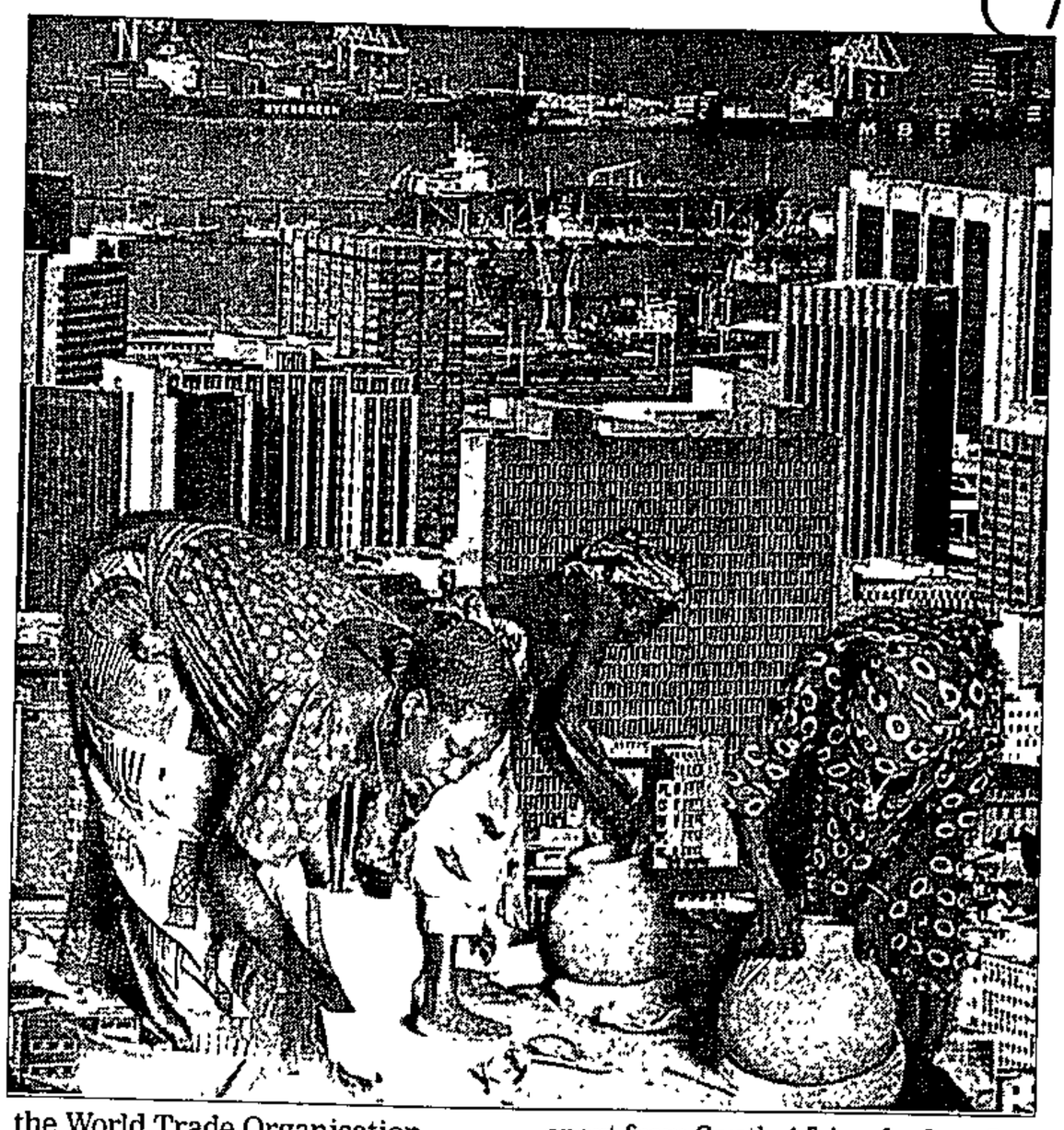
South African firms, in turn, feared the influx of cheap imports from lower-wage countries in the region.

"Fears and concerns about integrating extremely unequal partners are genuine," Kalenga said. "In practice, there are likely to be both costs and benefits for individual SADC economies."

The problem was the lack of hard data to quantify those costs and benefits. This was something the DPRU planned to examine, he said.

But why the move to regional economic and trade arrangements? Kalenga said it was estimated that about 60 percent of world trade now took place in regional trading blocs.

It was widely believed this trend could lead in the long run to global free trade, a cherished ambition of the World Trade Organisation.



Intraregional trade and investment was considered important to the development of the SADC. A complicating factor, however, was the existence of overlapping trade agreements among member states.

The countries closest to South Africa belonged to the South African Customs Union (Sacu), which had a common external tariff.

But, with the exception of Botswana and South Africa, all other Sacu members also belonged to the Common Market for Eastern and Southern Africa (Comesa), which had embarked on a tariff reduction schedule with the aim of establishing a free trade area by 2000.

In addition, all Sacu countries, apart from South Africa, had preferential access for some of their products into the European Union under the Lomé Convention. There were also bilateral preferential trade arrangements between SADC members and between Comesa and SADC members.

Kalenga said an SADC free trade area would not be without its problems. The most crucial issue would be rules of origin, to prevent importers from taking advantage of lower external tariffs in another member country.

"Already there have been complaints by South African industries of illegal imports in Sacu, arising from South Africa's bilateral preferential agreements with individual SADC members such as Malawi," he said.

On a broader front, Amanda Driver, another DPRU researcher, said the evolution of development corridors in the region started in 1980 when transport and communication were identified as a priority for regional co-operation, mainly with the view to reducing dependence on South Africa.

Since 1994, however, the focus had shifted towards development corridors aimed at promoting economic development in often marginalised areas. The primary examples of these so far were the Maputo, Beira and Walvis Bay corridors, but many others were planned.

This new focus required an interdepartmental approach "so that the question of the economic benefit of an investment in infrastructure is not addressed after the fact but is part of the conceptualisation of the infrastructure project from the start", Driver said.

Because of the cash limitations of the public sector, increasing emphasis was placed on public-private sector partnerships. The private sector could play an active role in financing, managing and maintaining large infrastructure projects that would previously have been undertaken by the state. Such involvement usually implied higher user fees such as tolls, but at least ensured that the facilities existed.

The Witbank-Maputo toll road also embodied co-operation between the governments of two countries, reinforcing the whole concept of regional co-operation.

Much more research has to be done to flesh out the whole issue of regional integration. But after many years of theoretical conjecture and talk, at least a start has been made.

US wary of trade agreement

BD 5/5/99 (74)

Simon Barber

WASHINGTON — A free trade agreement between SA and the European Union (EU) could result in a "significant loss in markets" for US companies, an assessment by the US embassy in Pretoria shows.

The analysis, distributed by the commerce department as a bulletin to US business, concluded that as a result of scheduled tariff cuts on European goods, 75% of US exports to SA might become less competitive.

The authors emphasised that the calculations were tentative, because full details of agreement were not yet available.

"However ... we can roughly calculate that 25% of US exports to SA may lose more than two percentage points in competitiveness. Another 48% of US exports will lose more than one percentage point compared with the EU. In the highly competitive world of global trade and with the fierce competition between the US and EU, this could result in a significant loss in markets."

Likely to be hit hardest were chemicals, the second-largest US export to SA, accounting for 13% of the total. By 2004 tariff cuts would give EU products in this sector a 2,3% edge over US rivals, with most of the advantage coming in the first year of the agreement.

The edge would be all the more significant because "the US and EU appear to be competing in the same markets with potentially similar products.... The loss could be substantial."

The EU would also enjoy a 2,4% advantage in base metals, representing 3% of US export to SA. The US could also expect to see SA diverting its imports of iron and steel goods from the US to Europe.

US trade representative Charlene Barshefsky said her office would be watching closely to see whether the agreement "created" rather than "diverted" trade. It would be especially concerned if it raised new barriers to goods from third countries.

It is not clear what alternatives the US has other than seeking to negotiate its own free trade agreement with SA. Barshefsky said the US was interested in doing that, but there appeared to be little enthusiasm on the SA side.

Emily Solomon, director of the US-SA Business Council, said a far bigger worry for US firms was that government would favour European firms as "strategic partners" and for big procurement contracts.

The prospect that US exports may suffer as a result of the agreement could increase calls for SA to be dropped as a beneficiary of the African Growth and Opportunity Act now marking time on Capitol Hill.

WTO leadership squabble imperils plans for trade talks

Many Asian and other developing countries feel marginalised in the organisation

(74)
BD 6/15/99

BRUSSELS — The leadership crisis at the World Trade Organisation (WTO) is imperilling the agency's credibility and could strike a fatal blow to the planned launch of a new round of talks on global trade liberalisation, trade experts and analysts said yesterday.

The 134-member WTO has now suspended efforts to find a new director-general for the organisation after fruitless but angry debate between the backers of the two rivals vying for the job in a session lasting till late on Tuesday.

Supporters of New Zealand's former premier Mike Moore said they would try to find a consensus on their candidate, but Thailand's former deputy prime minister Supachai Panitchpakdi remained adamant that he was still in the race.

The acrimonious battle, lasting almost a year, has cast a shadow over an organisation which has long prided itself on its ability to work through consensus and intergovernmental co-operation.

The fear is that the feud, viewed by many as a quarrel between a newly-confident Asia, which backs Supachai, and the US which has been pushing for Moore to get the job, could cause long-term damage to the WTO.

Members of the Association of Southeast Asian Nations (Asean) which are in favour of Supachai have warned that they intend to stand by their choice.

"Any attempt to impose a decision on the WTO membership could divide us and as a consequence gravely impair not only preparations for a WTO ministerial meeting in Seattle in November, but the entire organisation itself," Asean countries said in a statement.

The concern is that the leadership vacuum could prevent the WTO from acting as world trade watchdog. Among its tasks is to settle disputes — up to 165 were handled last year — and to act to stop countries from erecting new tariff and non-tariff barriers.

Also at stake is the launch of the new trade round in Seattle where the European Union (EU) and the US want to discuss a range of thorny issues like labour standards, environmental policy and actions to stop anti-competitive commercial behaviour.

Trade officials say that already meetings called to start preparing for Seattle have had to be cancelled because of the focus on the leadership quarrel.

In future, Asian diplomats say, America's efforts to sink Supachai's candidacy could make many Asian governments even more reluctant to consider issues like labour and the environment within the WTO.

Others say that by failing to back Supachai, the US has missed out on an important opportunity to highlight the WTO's excellent global credentials

"Many Asian and other developing countries feel marginalised at the WTO," said one Asean official. "This was also an occasion for the US to show confidence in Asia."

Criticism is also levelled at the EU for failing to back one candidate. While many in the 15-nation bloc favoured Supachai, France, Germany and Sweden were firmly in the Moore camp.

With tempers and ill-feeling running so high in Geneva, insiders admit that getting consensus on either of the existing candidates could prove very difficult.

The sensible approach would be to reject both Supachai and Moore and turn to a third person, argues David Woods, editor of World Trade Agenda in Geneva.

"There should be a new process and a new candidate who can bring WTO countries together," insists Woods.

However, that process will take time — and a willingness to compromise which WTO members have certainly not shown in recent days and weeks.

"Given the current mood, getting everyone to agree on the appointment of a third person will also prove very difficult," an Asian diplomat commented. — Sapa-DPA.

Trade department sums up its work

(94)

Erwin says a good foundation has been laid for development but major reforms are still necessary

BD 10/6/99

Patrick Wadula

THE department of trade and industry is proud of some of its achievements over the past five years. But Trade and Industry Minister Alec Erwin says that less has been achieved than he would have liked.

The department has sought ways to develop and promote the small, medium and micro-enterprise sector, encourage SA exports, strengthen inward investment and protect consumers' rights.

At a gala dinner last week to highlight the department's achievements and the road ahead, Erwin and Deputy Trade and Industry Minister Phumzile Mlambo-Ngcuka said they would have liked to have done more. However, they had laid a foundation on which SA's trade and industry could develop and be globally competitive.

"The main thrust has been to put in place institutional support and incentives that will encourage the promotion of trade and boost the economy," Erwin said

A variety of laws, including the Company Act and Insolvency Act, had to be reviewed if consumers' rights were to be protected. "Corporate regulatory reforms are important issues that will be looked into by the next administration."

SA's capital market was not meeting the needs of those who were interested in investing in the country. "There is a structural failure," he said.

The banks' excuse that they needed collateral to lend represented laziness. They were supposed to lend money based on the returns envisaged. "Capital markets have weaknesses that have to be looked into by the next administration," Erwin said.

Job opportunities could not be created unless the economy was restructured to draw sustainable investments. The economy would also need new sectors. He gave as an example the steel industry. SA had to explore exporting everything produced from steel.

"It will take us five to 10 years to get the economy up. In the interim we should invest in job creation," he said.

Mlambo-Ngcuka, who has been more deeply involved in small business development, said the Council for Scientific and Industrial Research, SA Bureau of Standards, Industrial Development Corporation, the department's national enterprise promotion agency, Ntsika, and wholesale financing body Khula were now helping small businesses to develop and meet international standards in terms products and services.

Small, medium and micro-enterprises were being encouraged to venture aggressively into the export market.

An organisation that received very little mention at the function was the National Small Business Council (NSBC) — one of the department's less-successful endeavours. The NSBC was set up in 1995 to represent and promote the interests of small business.

The council was to advise national, provincial and local government on social and economic policy that promoted the development of small business. In short, it was intended as the voice of small enterprise in SA. The department liquidated the NSBC after misappropriation and mismanagement of the council's funds emerged.

Mlambo-Ngcuka said earlier that a body with the same mandate as the NSBC would be set up.

Khula, the wholesale finance house set up by the department, continues to take criticism for not being transparent and accessible to small business. Khula provides finance through nongovernmental organisations and community-based organisations.

SA has recently concluded a trade agreement with the European Union. However, government has yet to convince other Southern African Development Community members of its value.

Erwin said it had taken 20 years to restructure the Australian economy and that the task would take less time in SA.

FOCUS

SADC set to march into new millenium with trade deal

Talks on a southern African free trade area, which may help to cure some of the region's ills, are on track, writes associate editor **John Dludlu**

MEMBERS of the Southern African Development Community have set a June deadline for the conclusion of talks on the creation of the SADC's free trade area. Free trade, characterised by the absence of tariff and nontariff barriers, has been identified by analysts as a panacea to most, if not all, the region's ills

Some countries believe that come January 2000 — the target date for implementing this ambitious project — the SADC's problems of under development unemployment, poverty, sluggish growth low levels of intra-regional trade and commodity-based economies will disappear

Kaire Mbuende SADC executive secretary, has not helped to lower members' expectations by also cautioning them about the pitfalls In fact, he has estimated that tariff-free trade will create about 5-million new jobs in the short term and will add $2,6bn to the region's gross domestic product (GDP) It is this leap of faith in the benefits of free trade that has driven 11 SADC members to work tirelessly towards the June deadline

To some, the talks are about seeking concessions to SA's lucrative market. To others, they offer an opportunity for the region to build internationally competitive industries.

The talks took months, missing several deadlines before gathering momentum The delays were partly to allow for internal consultations but also reflected fears about the dangers of embracing free trade

However, since negotiations were launched in earnest last year, considerable progress has been made members have agreed on a "standstill" and a "rollback" clause In other words, the 11 have agreed not to raise tariffs to levels beyond those of July 1998 Those that have had to, such as Zimbabwe which hiked tariffs by more than 100% in certain sectors at the height of economic turmoil last year, will have to reverse them to July 1998 levels.

The 11, excluding the Democratic Republic of Congo, Seychelles and Angola, have also begun to discuss removing barriers in the trade of chemicals, base metals and liquid fuels.

The civil wars raging in both the Congo and Angola have effectively excluded them from the talks They may accede to an agreed treaty later but will by then be in a weaker position to seek concessions.

Mfundo Nkuhlu, the chief director for Africa trade relations at SA's trade and industry department, says the strategy for the negotiators is to focus on tariffs in sectors where there is limited production capacity in the SADC, such as chemicals.

Tariff liberalisation was the approach adopted in negotiating the free trade deal between SA and the European Union

In sectors with long-term growth potential, such as clothing and textiles, a series of multifaceted agreements is envisaged. Nkuhlu says These comprehensive agreements will look beyond tariff instruments and will address production synergies, export strategies and downstream-upstream linkages.

It is widely believed that the SADC's textile and clothing players are inefficient and involved in destructive competition in the face of damaging penetration by illegal imports.

Take SA and Zimbabwe The two have a bilateral trade accord through which SA grants a quota of Zimbabwean imports preferential access to its market. But Trade and Industry Minister Alec Erwin has admitted that the quota is not big enough to encourage a change in Zimbabwe s production patterns. Far more effective will be a plan that recognises the realities of these two economies

Continued competition between the two leaves the region with the worst of both worlds, says Erwin.

An alternative being considered is the more rapid lowering of tariffs driven by a core group of leading players in the clothing and textile sectors

After an approach by Zimbabwe for a bilateral duty-free trade with SA, Pretoria has decided to broaden the plan to include Mauritius.

A viable long-term plan would have to involve the region's leading cotton players such as Mozambique and Tanzania. This approach provides hope that the region may resuscitate sectors that were once the world's lowest cost producers, such as sugar and cotton

The current long-term approach may enhance growth opportunities for clothing and car industries It will also help address some of the region's production constraints

With a clear strategy, built on tariff-free trade, the region will be in a better position to attract foreign investors and will begin to align itself with the global economy.

Tariff levels in the SADC are already falling thanks to structural adjustment programmes and an accelerated tariff cut programme sponsored by the Bretton Woods institutions. Only one or two SADC members, including SA, are not participants in such schemes

However, the fact that implementation of these programmes has failed to increase intra-regional trade suggests the problem is not entirely trade. It is also the result of economies producing similar products, mostly commodities, and underdeveloped industrial bases.

SA's trade with Southern African development community

SA's trade with individual SADC nations in 1998

	SA exports to		SA imports from	
	Rand in millions	% change on previous year	Rand in millions	% change on previous year
Angola	1 064,6	+22%	9,3	-96%
D R Congo	1 024,7	+15%	23,7	-94%
Mauritius	997,1	-14%	29,6	+18%
Malawi	1 183,3	+8%	459,0	+17%
Mozambique	2 583,6	-1%	212,9	+25%
Seychelles	176,1	-7%	8,9	+41%
Tanzania	1 071,2	+20%	26,5	+35%
Zambia	2 067,2	-3%	229,3	+34%
Zimbabwe	5 219,5	-1%	1 065,9	+19%

SA's trade with the SADC region (excluding customs union countries)

	1996 Rand in millions	1997 Rand in millions	1998 Rand in millions	% change ('97 – '98)
Exports	13 894,2	15 096,0	15 387,5	+1,9%
Imports	2 052,1	2 303,5	2 065,3	-10,3%
Trade surplus	11 842,1	12 792,5	13 322,2	+4,1%

Graphic: MATTHYS MOSS Source: IDC

Intra-SADC trade now stands at about 20%, still below other integration arrangements around the world However, SA has already offered to open the bulk of its markets in the first five years of the eight-year liberalisation programme, and Erwin has made it known that SA is ready to make unilateral concessions on agreed areas as early as January, even if there is not yet overall agreement

There is a very strong case for opening SA's markets to SADC goods. According to the Industrial Development Corporation (IDC), SA's trade surplus to the region rose to R13,3bn last year compared with R12,8bn a year earlier. The numbers refer to the nine SADC members outside the Southern African Customs Union, which includes Botswana, Lesotho, Namibia and Swaziland.

The IDC warns that the picture is "undoubtedly bleaker in volume terms" when considering the rand's depreciation in 1998

If the rest of the region fails to increase exports or attract foreign investment there is potential for deindustrialisation, Erwin says.

SA has relaxed exchange controls to encourage investments in the region. However, the jury is still out on whether the measures have encouraged SA sectors which assist the SADC's industrialisation efforts

Erwin says government is working with the private sector to encourage modern investments in the region, such as the Mozambican aluminium project.

While talk of a free trade area has caused much excitement in the SADC, studies show it will not be entirely free. Most governments still rely on tariff duties as a revenue source — as high as 50% for some countries — hence the reduction of tariffs will require them to think on their feet before next January.

An impact study, conducted by the Centre for Research into Economics and Finance in Southern Africa at the London School of Economics and Harare-based consultants Imani Development, says some members will have to raise taxes to counter reduced tariff income. Malawi and Zimbabwe, for example, would have to raise taxes by up to 5% to offset the loss of customs revenue resulting from a free trade agreement.

While governments will face the challenge of diversifying revenue sources, the same study has found that a case for intra-regional tax competition used as an incentive for investment is very weak.

Apart from revenue declines, the advent of a free trade area will make competition more robust in the SADC.

Because of the enormity of the task at hand, it is looking increasingly probable that the SADC negotiators will not have agreed on everything by the June deadline. If that is the case, governments must not despair but rather press on.

A free trade area is, after all, a key ingredient to the overall cure of the region's ills

A bilateral trade agreement with Kenya is in the offing

BD 11/5/99

John Dludlu

SA AND Kenya have launched talks that could lead to a bilateral trade agreement that will enhance the terms of Kenyan trade with SA.

Following a fresh attack last week on Pretoria's trade policies, which are perceived to be restrictive, government has pledged to assist Kenyan businesses market their products in SA.

A senior official at the trade and industry department's Africa trade relations unit said yesterday Pretoria would respond to the proposals for a Kenya-SA accord within two weeks.

"We are not opposed to a trade agreement," said the official. The proposed accord would supplement access to SA within the framework of the World Trade Organisation (WTO), he said.

A bilateral meeting of trade ministers was being planned for later this year.

Complaints that SA's trade policy was protectionist were based on inaccurate tariff information as well as on poor marketing campaigns by Kenyan companies, the official said.

Under WTO rules, SA could not discriminate or put up barriers against Kenyan exporters.

Chris Kirubi, the chairman of the Kenyan Manufacturers' Association, called on the SA government to "guide bilateral trade" or face the threat of Kenya reverting to trade with western countries.

SA's trade official said the Kenyan market, which imports about R1bn worth of SA's products, was important to SA.

For this reason Pretoria had undertaken to help Kenyan companies find joint venture partners and buyers for their products.

The complaints about restrictive trade practices mainly related to Kenya's leading exports, including coffee, tea, and some fruit.

Last week'sdiscussionsalso dealt with investment relations.

The official said SA was one of the leading foreign direct investors in Kenya.

The Kenyans were keen to see SA manufacturers making direct investments. Apart from the investment by SA Breweries, which led to a "newspaper and beer war" with East African Breweries, SA's investments are in the tourism sector.

SA, which enjoys a trade surplus with most African countries, would like to encourage Kenyan imports.

Government's undertaking to assist Kenyan business to find partners in SA come a week after the trade department hosted a Malawian delegation — which consisted of business and government officials — aimed at strengthening trade and investment relations with that country.

Trade and Industry Minister Alec Erwin has warned that the unsustainable trade imbalance could lead to de-industrialisation in the neighbouring states, particularly if wealthier nations failed to invest, large amounts in those countries.

Zimbabwe wants SA-EU trade pact updated

Michael Hartnack

HARARE — A 14-member Zimbabwean delegation is due to leave tomorrow for Pretoria to discuss possible tariff relaxation, according to the state-run Zimbabwe Broadcasting Corporation.

The trip comes at a time when a Zimbabwean minister has warned that the recent SA-European Union (EU) trade pact threatens to curtail trade with SA's Southern African Development Community (SADC) partners. Deputy Minister of Industry and Trade Obert Mpofu said Zimbabwe was absent from those offered safeguards under Pretoria's pact with Brussels and demanded a revision of concessions in an updated version of the Lomé agreement which he said would be negotiated between 2000 and 2005. Trade and Industry Permanent Secretary Kellibert Nkomane said 30% to 40% of Zimbabwe's exports went to the EU.

Representatives of Zimbabwe's motor industry leave for Pretoria tomorrow for talks with their counterparts on relaxing tariff barriers.

Confederation of Zimbabwean Industries' spokesman Eddie Cross has said termination of past barriers under the SADC trade protocol need present no threat to either side if they obtain world-class quality and specialise in sectors of the regional market. SA exports to Zimbabwe in the motor sector attract up to 100% duties under protectionist tariffs imposed a year ago.

In its latest up-beat report on President Robert Mugabe's protracted tour of Asia, the Zimbabwe Broadcasting Corporation reported that China would provide Z$135m for a dam on the Gwaai-Shangani river system in northern Matabeleland.

Following earlier reports that China would source Z$2bn for Zimbabwe, Mudenge told the broadcaster that Peking was providing Z$1,1bn "at a time the International Monetary Fund (IMF) is dragging its feet".

The IMF has repeatedly deferred a decision on $53m budget support, stalling a further $400m aid which western donors have made conditional on IMF satisfaction with Zimbabwe's economic performance.

BD 12/5/99

Farmers stand to reap big benefits

(74)

BD 12/5/99

International trading, though, is not perfect, says Agriculture and Land Affairs Minister **Derek Hanekom** of the EU free trade agreement

SA's biggest agricultural trading partner is the European Union About 40% of our farm exports go to the EU and about 20% of our farm imports come from there. So it is important to the future of SA agriculture that we put in place a regime that stimulates an orderly growth in trade and which provides confidence to producers and investors.

This is what the free trade agreement between the two is intended to do. In agriculture the EU has agreed to remove duties on 61% of our products over a 10-year period and grant preferential rates for a further 13% of our products For our part we shall liberalise about 83% of agricultural imports from the EU.

These are important trade concessions. There are also important provisions in the agreement on safeguards for domestic producers (and their workers) against market disruption caused by EU imports However, these concessions and safeguards — and what they mean for particular agricultural industries — must be seen in the context of other EU policies which affect our competitiveness on the European market.

Firstly, trade. In some respects the agreement will simply help us recover the position we lost as a result of the years of international isolation under apartheid. We are now competing in a market which is characterised by a complex set of preferential trade agreements that the EU has negotiated over the past 20 years or more with our direct competitors such as Morocco, Israel, Cyprus and Turkey.

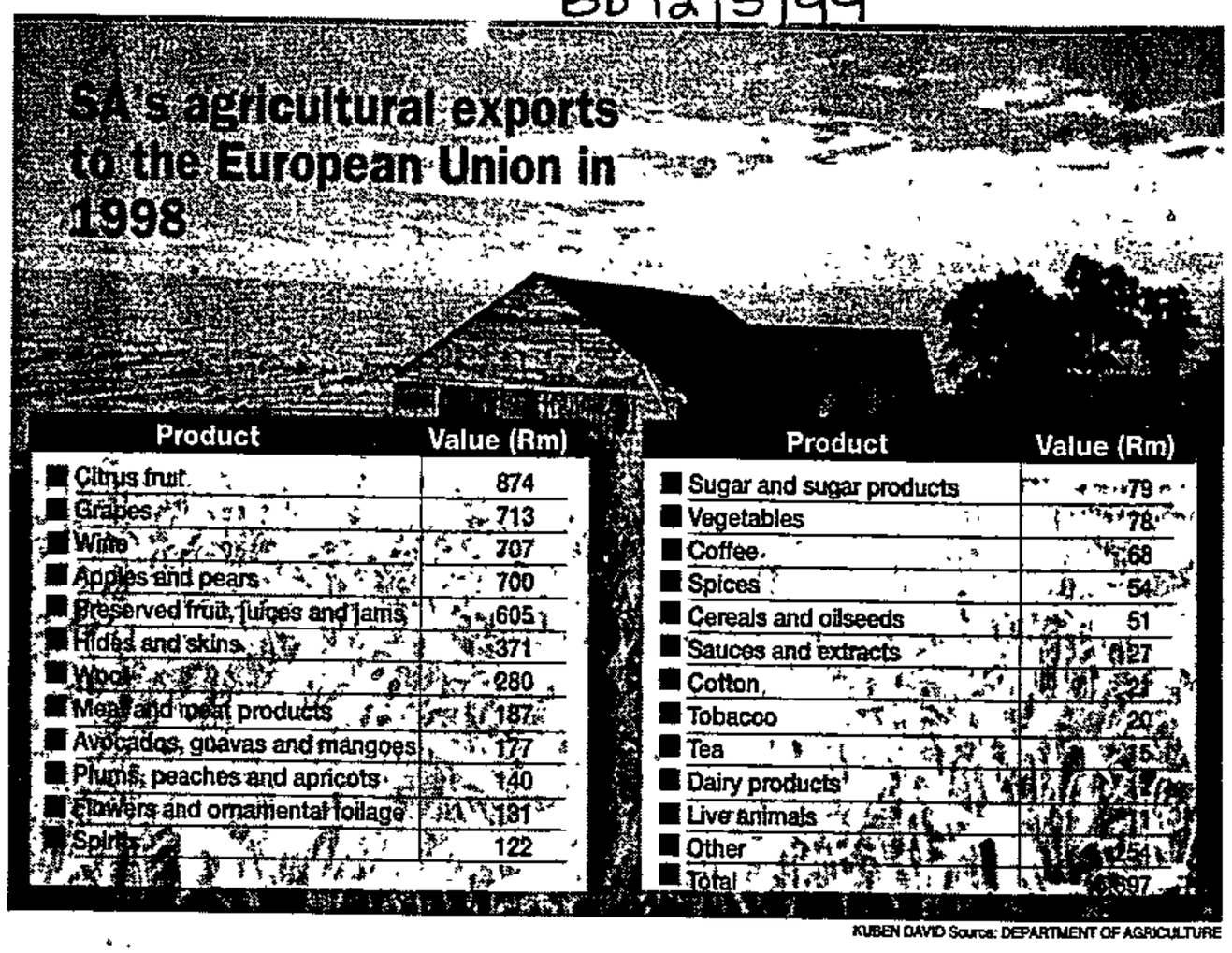
In the past decade new preferential agreements have been signed with similarly competitive and large agricultural producers such as Poland, Bulgaria and Romania which are either pencilled in (or inked in, in the case of Poland) for EU enlargement Under the Lomé Convention all of our African, Caribbean and Pacific trade competitors have had significantly better trade access in agriculture for many years, even if they have not all been able to take advantage of concessions available

In other words, the agreement is giving our farmers an opportunity they have been denied in the past. Our competitors, though, may not see it this way; and they, in turn, will be looking to improve their own EU market access in future negotiations, which the EU is preparing for with Mediterranean and eastern European countries as well as Mexico and Mei cosur in South America.

Secondly, EU domestic agricultural policy. At the same EU council of ministers meeting where the agreement was approved, a deal was finally reached on the future EU budget, half of which goes to agricultural support. The common agricultural policy (CAP) provides for a system of price guarantees, subsidies and export refunds which has cushioned farmers from international competition and given them clear advantages over competitors, such as ourselves, in international markets.

The CAP reforms make some moves towards an ostensibly more defensible agricultural support regime in the context of the forthcoming World Trade Organisation round of farm trade liberalisation. For example, there are cuts of between 15%-20% in the guaranteed prices of cereal, beef and dairy by 2006. However, compensation payments to farmers will remain (and even increase in some cases), as will export refunds. The net effect for SA exports could well be lower prices in European markets without any opportunity to offset this with increased sales.

The Cairns Group countries — SA, Australia, Canada, Malaysia, New Zealand, Argentina, Brazil, Chile, Colombia, Fiji, Indonesia, Philippines, Thailand, Uruguay and Paraguay — have expressed their disappointment with the CAP reforms and we shall be putting up a vigorous performance in the next WTO round to contest the EU's trade-distorting and protectionist agricultural policies. We expect large exporters like the US to take a similar position and we expect the WTO round to come down hard on export subsidies in particular.



KUBEN DAVID Source: DEPARTMENT OF AGRICULTURE

Given this wider background of EU trade and agricultural policies, what have we really achieved for SA agriculture in the agreement?

Firstly, there are tangible competitive gains for a large group of producers through savings on customs duties paid on exports to the EU. Obviously only those products subject to tariff liberalisation or preferential tariff quotas under the deal will benefit from these savings.

This means that exporters of products which the EU has excluded from the agreement, such as beef, mutton, maize and sugar, will not enjoy direct benefits.

The agriculture department has analysed the possible effect of the agreement In the short term — within three years after the agreement's coming into force — the dairy industry will benefit the most, saving about R200m. The wine and spirits industry will save about R150m, while the fresh fruit and canned fruit industries stand to save about R100m. Dairy industry savings should be set against substantial investments it must make to comply with EU hygiene requirements.

In the longer term (after 10 years) the fresh fruit industry stands to benefit most, saving about R1bn. The dairy industry will save about R700m and the wine and spirits industry about R500m.

The canned fruit, tobacco, wine and spirits and cut flower industries also stand to benefit.

These direct savings are not the only benefits of the agreement. We have also improved our ability to challenge EU agricultural exports where these unfairly threaten our industries. The import tariff reductions on EU products do not mean our farmers must compete against dumped exports or that we have no protection against imports which endanger our agricultural industries.

At present the special tariff measures we can take against these threats (such as anti-dumping or countervailing duties) are subject to exceptionally rigorous requirements to avoid subsequent challenge within the WTO. Under the agreement, however, we have established consultative mechanisms which allow us to take provisional measures pending agreement on any "market disruption". There is also a safeguard clause where imports "cause, or threaten to cause" problems to any SA Customs Union member

There are, therefore, significant potential benefits in the agreement for all our farmers, including beef and cereals producers, as long as government is vigilant in its support of our competitive position, We shall be. And we expect the agricultural sector to be closely engaged with us in ensuring such vigilance is well informed and timely.

The agreement must also be seen in the light of broader government objectives in the sector, especially in relation to new farmers and employment. Following deregulation of the agricultural marketing environment and the effect of land reform, there are a growing number of traders and increasing opportunities for small- and medium-scale farmers to enter overseas markets Many of these products, such as cut flowers and deciduous fruit, are often especially well suited to small-scale farming; and many of the new equity schemes for farm workers are engaged in fruit production for export.

Job prospects, too, are enhanced by the agreement as most of the products which directly benefit are relatively labour-intensive; and many require value-adding in processing, canning and packaging industries which creates jobs.

Attention now turns to the next round of WTO negotiations SA, with its Cairns Group partners, will push global liberalisation of agriculture. This could produce substantial changes in world agricultural production from which SA could expect to benefit. But that will take time

In the medium term the agreement will provide solid benefits in the less than perfect system of international trade.

WORLD TRADE ORGANISATION (74) FM 14/5/99

SA IN THE THICK OF ANOTHER NORTH-SOUTH TIFF OVER TRADE

Tussles are common in the WTO. But this one may be different

Members of the Geneva-based World Trade Organisation (WTO) will have to labour hard in coming months to rebuild an institution battered by weeks of ill-tempered jostling for power and prestige among its 134 members

Thailand deputy Prime Minister Supachai Panitchpakdi and former New Zealand Premier Mike Moore are running for the director generalship of the WTO which became vacant on May 1 after the retirement of Renato Ruggiero But, despite six months of fierce campaigning, neither Moore nor Supachai has been able to secure the consensus support needed to lead the WTO Their battle for the world's top trade job could have a damaging long-term effect on the way the agency conducts its business and plans to start a new "Millennium Round" to further liberalise global trade.

WTO insiders admit that both Supachai and Moore are highly qualified But many developing countries — including SA — believe it's time the WTO had a DG from a developing nation. As such, Supachai is SA's favoured candidate and that of the Association of Southeast Asian Nations, India, Pakistan, Japan and Australia Moore has the backing of the US, several European nations, including France, and some Latin American and African countries.

Tanzania's ambassador, Ali Mchumo, who heads the agency's governing council, claimed last week that Moore was in the lead with 62 votes to Supachai's 59. But his suggestion that the Thai candidate should withdraw, allowing for a consensus to be built around Moore, is being resisted by Supachai's supporters. Many of them accuse the US of using its political and commercial muscle to push Moore into the job.

The resulting acrimony has surprised insiders and outsiders alike Unlike other UN bodies, the WTO has always prided itself on taking decisions by consensus and refusing to get entangled in North-South disputes. Now the agency stands accused of injecting political, regional and even national arguments into a decision that should be based purely on the personal qualifications and merits of the candidates.

"Our delegation is deeply troubled because the atmosphere in the WTO has deteriorated to the point that we now stand on the brink of a crisis in our rules-based system," says an SA diplomat "Relations in the organisation are strained."

Fighting in the WTO is not uncommon; Ruggiero's nomination as WTO chief four years ago was preceded by a bruising trans-Atlantic battle which almost brought the agency to its knees Trade disputes, even over bananas or textiles, often provoke bitter wrangling, too

But this fight is different, say developing-country representatives in Geneva: after years of accepting US and European dominance on trade, developing countries are beginning to challenge the status quo.

In a statement in Geneva last week, Pretoria said "the central systemic challenge confronting the WTO is to promote the development and integration of developing countries into the international trading system We believe these objectives may be better served if the secretariat of the WTO is led by a representative from the developing world, with direct experience in meeting developmental challenges"

Many fear the crisis in Geneva could impair the agency's ability to play global trade policeman The WTO is involved currently in up to 165 trade quarrels. Increasingly, countries rely on the agency's dispute-settlement system to ensure world trade peace and halt creeping protectionism But the WTO can fulfil this role only if its impartiality is not called into question.

At stake especially are plans to launch a new, comprehensive round to further break down trade barriers. Preparations must start soon for the WTO ministerial meeting in Seattle in November The leadership crisis has already led to the cancellation of several meetings to discuss the agenda for Seattle. Many developing countries remain reluctant to participate in the Millennium Round, fearing that the US — and the Europeans — will use it to promote their demands for linking trade, labour and environmental issues They also contend that the focus must be on implementing current trade commitments, not taking on new ones These countries are now likely to dig in their heels further

The wrangle over the next WTO DG will make agreement in Seattle even more difficult, SA diplomats say The challenge in the new round, they say, will be to give a credible demonstration that every member of the WTO is embraced in a fair and equitable manner, regardless of status or economic might. They are adamant the focus must be on fashioning a more efficient method for appointing future WTO chiefs.

This is a difficult time for global trade. Latest WTO figures show world goods trade volumes grew by only 3,5% last year, compared to 10% in 1997 — due largely to the economic contraction in much of Asia. (In value terms, world trade actually fell — see table) Keeping trade flows buoyant, then, will be a key challenge for the WTO in coming months.

Shada Islam, Brussels

GROWTH IN WORLD MERCHANDISE TRADE, 1990-1998

	EXPORTS (free on board)					IMPORTS (landed cost)				
	Value US$bn	Annual % change				Value US$bn	Annual % change			
	1998	1990-95	1996	1997	1998	1998	1990-95	1996	1997	1998
World	5 225	7,5	4,5	3,5	-2,0	5 410	7,5	5,0	3,0	-1,0
North America	898	8,5	6,5	9,5	-1,0	1 151	8,0	6,0	10,5	4,5
Latin America (excl Mexico)	157	7,0	8,0	7,0	-7,0	211	15,5	2,5	16,5	0,5
Mexico	118	14,0	20,5	15,0	6,5	129	12,5	25,5	23,5	14,0
European Union (15)	2 171	6,5	3,5	-0,5	3,0	2 163	5,5	3,0	-2,0	5,5
Transition economies	178	7,0	6,5	5,0	-1,0	207	5,0	17,0	9,5	3,0
Africa	106	0,5	16,5	2,0	-16,0	129	5,5	-1,0	6,0	-1,5
South Africa	26	3,5	5,5	6,0	-15,0	29	10,5	-1,5	9,5	-11,0
Middle East	138	1,5	17,0	4,0	-21,0	139	5,5	7,0	6,5	-6,0
Asia	1 294	12,0	0,5	5,5	-6,0	1 090	12,0	4,5	0,5	-17,5
Japan	388	9,0	-7,5	2,5	-8,0	281	7,5	4,0	-3,0	-17,0
China	184	19,0	1,5	21,0	0,5	140	20,0	5,0	2,5	-1,5

SOURCE: WTO

Kenyan disquiet with SA trade growing

Reuters and John Dludlu BD 18/5/99

NAIROBI — Kenya fired another angry broadside at SA yesterday over what it called unfair trade practices, and threatened retaliatory action against Pretoria.

The new attack, by Trade Minister Joseph Kamotho, was backed by a senior Common Market for Eastern and Southern Africa official, who said the 21-member Comesa was considering common external tariffs against SA.

This comes only a week after another round of criticism by Kenya's private sector, which preceded a meeting between the two governments.

The outcry also comes a week after Pretoria promised a bilateral accord that would upgrade Kenya's terms of trade. SA has also offered to help Kenyan firms find joint venture partners and buyers for their products.

Mfundo Nkuhlu, chief director for Africa trade relations at the trade and industry department, said yesterday: "From our side, we'd like to deal with the Kenyans seriously, on serious issues."

(74)

He warned that a preoccupation with accusations based on inaccurate information undermined efforts to build a healthy bilateral relationship.

Kamotho told Reuters yesterday that SA subsidised its products before exporting them, but put a lid on its own market to ward off regional competition.

"We have asked them to give the same access to our products, and they refuse to do so," Kamotho said.

"We are reviewing the trade licensing laws and the tariff structure. It is time to say 'stop these games'."

Kenya imported goods worth Ksh20bn ($294m) annually from SA, but exported only Ksh1bn in goods and services in return, Kamotho said.

SA goods that are frequently found in Kenya include eggs, fruit, juices, butter, wine, clothes, farm machinery and cars.

As an example of SA's restrictive trade laws, Kenyan officials said their soda ash exports to SA attracted an additional tax of 10%, which made them more expensive than Botswana's.

Comesa secretary-general Evarastus Mwencha, a Kenyan, said the bloc, which does not include SA, remained concerned about its members' lack of access to the SA market.

"A common external tariff structure against SA goods is one area we are examining," he said.

Kamotho rejected Pretoria's explanation that Kenyans were not aggressively marketing their products in SA, arguing that Kenya's trade balance with the US and Germany was better than its trade with SA.

He did not say when the revised trade licensing laws would come into effect.

Chris Kirubi, chairman of the Kenya Association of Manufacturers, said his organisation was pressing for interim measures, to stem the flow of SA goods to be enacted in the state 1999/2000 budget, due forpresentation next month.

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TRADE *Swedish exports exceed R2 billion*

Exports grow by leaps and bounds to SA

CT(DA) 19/5/99 (=74)

Last year Sweden's export trade to South Africa totalled R2, 7 billion, an increase of 20 percent over the last year. In just five years Sweden has become one of South Africa's more important trading partners.

"When Swedish companies began reinvesting in South Africa in 1994, total exports for that year were R307 million," said Hans Josefsson, the Swedish trade commissioner for South Africa. Sweden had taken a strong stance against the nationalist government and imposed sanctions on South Africa during the apartheid years.

But it hasn't taken the Swedes long to re-establish themselves in South Africa. "Sweden is a small country, so we have learnt to compete efficiently in the international market," said Josefsson.

In 1995 there were only 25 Swedish-affiliated companies in South Africa, but last year there were 45, and this has grown to 49 this year, said Josefsson

The main export commodity from Sweden to South Africa has been telecommunication equipment, which last year accounted for R1, 3 billion. Industrial machinery exported to South Africa accounted for R461 million and motor vehicles brought in R230 million. Other important commodities include iron and steel, chemicals and electrical equipment.

Last year exports from South Africa to Sweden grew by 16 percent and exports of beverages, iron and steel were R92 million. Industrial machinery accounted for R38 million and telecommunications, R30 million.

There are several reasons for Sweden's growing interest in South Africa. "It's the gateway to the rest of Africa," said Josefsson. "Also, South Africa has a large population and culturally is an easier country to deal with than, let's say, an Asian country. We are also in the same time zone."

The recent Asian financial crisis has also forced Sweden to look for new markets, particularly in Africa.

But it is not only with South Africa that Sweden is seeing increased trade success. Globally Sweden has adopted an aggressive approach to marketing its goods abroad. In 1997 Swedish exports and services were valued at more than US$100 billion — 40 percent of Sweden's GNP. Josefsson believes the demand for Swedish products is to do with the high quality of goods and services and many Swedish companies have undergone extensive restructuring, which in turn has streamlined them for increased efficiency

Despite turning to Africa, Sweden has also made rapid inroads into the central and eastern European markets. In 1997 the biggest increases in exports – nearly 50 percent – were registered in Russia, Turkey, Poland and the Baltic states.

Other Swedish goods such as electronics are coming to the fore in export markets

Sweden has enjoyed more gains in productivity than many of its competitors and the value of the Swedish krona has declined, making it a favourable country in which to invest.

In the future Josefsson believes that despite a stronger krona, Sweden's favourable cost situation, and the competitiveness of Swedish companies will remain unchanged Other products will also come to the fore traditionally engineering products have made up most of Sweden's exports but in recent years the highest increase in percentage has been electronic goods.

"Over the past couple of years the large corporates have moved into South Africa, but we are going to be seeing the small and medium-sized companies moving in now," said Josefsson.

The Swedish trade commission is planning a Swedish exhibition in South Africa later this year. "We will further foster trade, showing South African companies what Sweden has to offer," said Josefsson.

Skansa comes to SA

Earlier this year Skanska Africa opened offices in Johannesburg with a staff complement of only three

"Our South African office is a marketing and project development office with a focus on sub-Saharan Africa," said Lars Rönnberg.

Skanska's core business is construction services and development of projects and real estate. "We will be active in civil engineering, road and building construction and niche markets," said Ronnberg.

"We felt we needed to establish a presence in South Africa as it is the powerhouse of Africa and a gateway to the rest of sub-Saharan Africa."

But the company is not all that new to Africa. Some recent projects are Sheraton Hotel in Dar es Salaam, Kotoka International Airport in Accra, Ghana, and the underground oil storage cavern in Harare, Zimbabwe.

"Skanska's goal is to be the leading company in the fields of construction-related services and project development in Africa," said Ronnberg.

The company has also made a name for itself in Europe and the US and it operates in more than 50 other countries

Skanska is a rapidly growing company During 1998 net sales rose by 29 percent to $8 billion Over the past five years net sales have been rising annually by an average of 19 percent.

Trade council helps open market doors

Establishing a foothold in a foreign market is always difficult, but the Swedish Trade Council helps companies find out about new business opportunities or joint venture partners.

The Swedish Trade Council is the central organisation in Sweden for the planning, co ordination, marketing and implementation of export promotion activities for Swedish industry. It is a semi-government, semi-private organisation and has over 430 employees worldwide.

The head office is in Stockholm, with representation in most Swedish counties.

The concept is that the trade council makes it easier for companies to do business with Sweden and takes a central role in promoting Swedish industry abroad and in the internationalisation of Swedish trade and industry.

There are currently 50 offices in 35 countries, and collaboration with Swedish embassies, consulates and chambers of commerce in another 100 countries.

The position of the council was further strengthened in 1997 by an increase in the demand for the council's services.

While the council has expanded, the state-financed aspect of the business has over a period of the past five years decreased from 59 percent to 33 percent.

The council also provides services for Swedish industry in connection with business development in southern Africa. These services include a market check, gathering basic information for the appraisal of a particular market, finding a suitable agent, distributor or licensee. The council also helps in establishing a local subsidiary and business support office.

Involvement in foreign trade in recent years has included organising the business delegation that accompanied Ann Lindh, the environment minister, to Vietnam In South Africa, the trade council was involved in the Swedish royal visit.

Recently the goal of the council has been to promote medium and small Swedish companies. It has organised exhibitions in various countries for local businesses to discover what Swedish companies have to offer

The council website address is http://www swedishtrade com

EU TRADE

SA PACT OPENS PANDORA'S BOX

Africa balks at EU desire to use SA deal as basis for future relations with developing countries

It took more than three years to negotiate and has its share of critics and detractors on both sides But like it or not, the European Union's free trade and co-operation pact with SA looks set to become a model for the EU's future relationships with the rest of Africa

The EU-SA agreement is the newest and most ambitious free trade deal concluded by the EU with any of its trading partners It is the only pact that provides for the gradual elimination of trade restrictions in agriculture, long the most protected of EU sectors It also goes further than any other free trade arrangement in its references to subsidies, intellectual property rights and competition policy Also important is the agreement's promise that aid from Europe will help prop up sectors most vulnerable to increased foreign competition

EU officials have long maintained that their success in negotiating the SA deal would be a test for Europe's wider relationship with other African nations When the SA arrangement was finally clinched in Berlin at end-March, the EU said the deal — with its combination of free trade and development co-operation — would set the tone for future EU pacts in Africa

Pretoria takes a more cautious view "The EU-SA agreement is atypical because SA's level of development and economic structures are totally different from other African countries," insists Elias Links, SA's ambassador to the EU "I am hesitant to call it a model for others in Africa. It is more a source of inspiration Something that shows the way for the future"

But as negotiations get under way on a new relationship between the EU and African, Caribbean and Pacific countries, the message from Brussels is clear the EU intends to replace the 25-year-old Lome trade and aid Convention which runs out in February 2000 with so-called Regional Economic Partnership Agreements (REPAs), based loosely on the pact negotiated with SA Officials in Brussels say the new partnership deals will be on offer to all ACP nations Each country will be free to decide whether it wants to negotiate with the EU individually or as part of a wider regional organisation

The EU's new ACP strategy marks a clean break with the past The Lome treaty was based on nonreciprocal trade preferences given by the EU to the 70 ACP nations The new REPAs, in contrast, will focus on the trade reciprocity that is a central plank of the EU-SA pact In other words, ACP nations, which have enjoyed duty-free access to the EU market for over two decades, will have to start opening up their own markets to EU goods, possibly over a period of 12 to 15 years Only least-developed nations will continue to sell their products in Europe without tariffs and without having to dismantle their own barriers

Philip Lowe, the EU's director-general for development, says the Lome agreement can be extended provisionally for another five years after it runs out next February But he insists that, as of next year, he wants the ACP countries to begin negotiations on the new partnership pacts that will go into effect in 2005

Many in the ACP group are unhappy with the EU's change of direction They argue that most countries in Africa are not ready for free trade with Europe Despite over two decades of tariff preferences, ACP exporters have made few inroads into Europe Given ACP countries' continuing economic problems and failure to increase manufacturing or farm production, this is unlikely to change in the coming years European exporters, on the other hand, will be able to use the tariff-dismantling provisions of the REPAs to secure increased access to ACP markets

The future agreements will not translate into more ACP exports to Europe, says Mirjam van Reisen, an independent development economist who works with Eurostop, a Brussels-based nongovernmental agency "But it would give the EU plenty of access to the South"

As such, many ACP nations are calling for a 10-year transitional period and say negotiations on the post-Lome trade and economic arrangements should start only in 2005 "We should avoid being wooed by EU words such as regional economic partnerships," says ACP deputy secretary-general Carl Greenidge "In fact, the EU is offering us free trade There is talk of nontrade advantages to be included in the agreements but we have not seen any economic dimension to the REPAs yet"

Their misgivings about free trade notwithstanding, ACP officials and diplomats admit that by negotiating a market-opening deal with the EU, SA has set a precedent which some in Africa will be tempted to follow, at least in the long term. For one, a deal with the EU will be seen as a signal that an ACP nation — or region — is serious about economic reform and trade liberalisation. It will, as such, give added guarantees to foreign investors, say EU officials.

Also on the plus side, better market access in agriculture will now be up for negotiation Having agreed to open its markets to SA farm goods, the EU "ought to be willing to fashion REPAs with the ACP states in a similar way," says Greenidge

SA's success in negotiating a long 12-year period for full implementation of the free trade provisions means ACP countries can ask for equally generous — or even more generous — treatment. Like SA, ACP countries should be able to "ring-fence" their more vulnerable sectors from European exports, says ambassador Links

But following in SA's footsteps for the continent's poorer and less internationally savvy nations will not be easy SA's long and difficult negotiating experience with the EU is a source of concern to many If Africa's most-advanced nation found it so difficult to thrash out a deal, other ACP nations, given their more limited administrative resources and negotiating skills, will find the task of negotiating REPAs even "more onerous", says Greenidge

Keen negotiating skills will be required At times, bargaining on trade concessions in the EU-SA negotiations turned into "hand-to-hand combat on each product", says Eileen Sudworth, an independent development expert in Brussels "Given the minutiae of the negotiations, ACP

WEST AFRICAN ECONOMIC AND MONETARY UNION (UEMOA)

	GDP ($bn)	Population (m)
Benin	2,1	5,8
Burkina Faso	2,4	10,9
Cote d'Ivoire	10,3	14,7
Mali	2,5	10,3
Niger	1,9	9,7
Senegal	4,9	8,8
Togo	1,5	4,3
TOTAL	25,6	84,5

ECONOMIC COMMUNITY OF WEST AFRICAN STATES (ECOWAS)

	GDP ($bn)	Population (m)
Benin	2,1	5,8
Burkina Faso	2,4	10,9
Cape Verde	0,43	0,40
Cote d'Ivoire	10,3	14,7
The Gambia	0,41	1,2
Ghana	6,8	18,0
Guinea	3,9	6,9
Guinea-Bissau	0,27	1,1
Liberia	—	2,9
Mali	2,5	10,3
Mauritania	1,1	2,4
Niger	1,9	9,7
Nigeria	52,2	117,9
Senegal	4,9	8,8
Sierra Leone	0,76	4,7
Togo	1,5	4,3
TOTAL	91,4	220

ECONOMIC COMMUNITY OF CENTRAL AFRICAN STATES (ECCAS)

	GDP ($bn)	Population (m)
Burundi	1,2	6,6
Cameroon	9,1	14,1
Central African Republic	1,0	3,4
Chad	1,2	6,8
DRC	6,1	46,7
Republic of Congo	2,3	2,9
Equatorial Guinea	0,49	0,42
Gabon	4,2	1,2
Rwanda	1,9	7,9
São Tomé & Principe	0,04	0,14
TOTAL	28,53	90,06

SOUTHERN AFRICAN DEVELOPMENT COMMUNITY (SADC)

	GDP ($bn)	Population (m)
Angola	7,7	11,4
Botswana	5,1	1,5
DRC	6,1	46,7
Lesotho	0,95	2,1
Malawi	2,4	10,3
Mauritius	4,2	1,1
Mozambique	2,8	18,5
Namibia	3,3	1,62
Seychelles	0,54	0,08
Swaziland	1,2	0,953
South Africa	129,0	38,3
Tanzania	6,7	31,3
Zambia	4,0	9,4
Zimbabwe	8,9	11,5
TOTAL	182,89	184,73

ECONOMIC AND MONETARY COMMUNITY OF CENTRAL AFRICA (CEMAC)

	GDP ($bn)	Population (m)
Cameroon	9,1	14,1
Central African Republic	1,0	3,4
Chad	1,2	6,8
Republic of Congo	2,3	2,9
Equatorial Guinea	0,49	0,42
Gabon	4,2	1,2
São Tomé & Principe	0,04	0,14
TOTAL	18,33	28,86

COMMON MARKET FOR EASTERN AND SOUTHERN AFRICA (COMESA)

	GDP ($bn)	Population (m)
Angola	7,7	11,4
Burundi	1,2	6,6
Comoros	0,19	0,52
DRC	6,1	46,7
Djibouti	0,50	0,64
Egypt	75,5	60,3
Eritrea	0,65	3,8
Ethiopia	6,4	60,6
Kenya	10,2	28,0
Madagascar	3,6	14,1
Malawi	2,4	10,3
Mauritius	4,23	1,1
Namibia	3,3	1,6
Rwanda	1,9	7,9
Seychelles	0,54	0,08
Sudan	22,3	27,9
Swaziland	1,2	0,95
Uganda	6,6	20,2
Tanzania	6,7	31,3
Zambia	4,0	9,4
Zimbabwe	8,9	11,5
TOTAL	151,76	354,49

This makes arguments that regional trade can help overcome the problem of small domestic markets less compelling.

The only exception Yeats found was in the Southern African Customs Union (Sacu), made up of Botswana, Lesotho, Namibia, Swaziland and SA Sacu's exports to the rest of the sub-Saharan region were about US$3,4bn in 1995, making it the largest regional trader.

"Though size alone makes Sacu a potentially important factor in regional trade initiatives, its attraction as a partner is further enhanced by its capacity to competitively export many of the types of products which are prominent in other sub-Saharan countries' imports"

Even in Sacu's case Yeats finds that its trade is concentrated in countries closest to it because of transport, communication and other logistical links.

Instead of preferential trade arrangements, Yeats suggests sub-Saharan African countries should reduce trade barriers, thus freeing producers to source their supplies and production equipment from low-cost suppliers This way Africa would improve its ability to compete internationally.

Jabulani Sikhakhane

REGIONAL INTEGRATION

INDULGING IN A DAYDREAM?

Regional trade pacts flawed

For more than three decades, sub-Saharan African countries have been attempting to integrate their economies as a way of accelerating industrialisation and economic growth

But attempts at regional integration have had a chequered history and may not achieve the desired results, says a recent study by Alexander Yeats, a principal economist with the international trade division of the World Bank.

He cautions that preferential trade deals in sub-Saharan Africa could have a negative impact on industrialisation and growth They could also reduce the ability of countries to compete in outside markets, thus leading to greater marginalisation.

The reason for this is that if other developing countries, such as south Asia, sourced imports for production equipment from world low-cost producers, preferential trade deals might force sub-Saharan countries to buy from higher-cost-less efficient sources in the region. This in turn would reduce their ability to compete with other regional markets

Yeats draws his conclusions from a study of intra-African trade which shows that Africa's nonoil exports are concentrated in a few products, none of which are important in regional imports Furthermore, the range of processed products African countries export competitively is narrow and would provide a limited base for expanding intra-trade

Many of sub-Saharan countries share comparative advantage in the same items, primarily commodities such as coffee, cocoa, sugar and metal ores

Excluding refined petroleum products, Yeats found that only a few African countries had a comparative advantage in products accounting for about 5% of total regional imports

Trade between African countries also tends to be concentrated within subregional geographic groups, with almost no trade occurring between east and west

Moi attacks SA trade policy

ET (MR) 25/5/99 (=74)

WAITHAKA WAIHENYA

Nairobi – The fourth summit of the Common Markets of Eastern and Southern Africa (Comesa) opened in Nairobi yesterday with South Africa coming under attack over its trade policies with other African states.

The incoming chairman of Comesa, Kenya's President Daniel arap Moi, stepped up this criticism when he warned Kenya might be forced to review its trade with South Africa if South Africa continued pursuing what he called unfair trade practices at the expense of its neighbours.

"After this meeting Kenya will ensure it gives top priority to member states of Comesa in matters of trade while others will have to take second or even third places," he said.

Moi said the existing bilateral trade between Kenya and South Africa was in favour of the latter, with imports and exports pegged at approximately 20 to 1.

While South Africa was widely regarded as the driving economic force of the region, it had done this through unfair trade practices, he said.



UNFAIR *Daniel arap Moi, the president of Kenya*

Moi asked the regional countries to resist the temptation of going back to the era of protectionist trade policies and price controls, saying this was not the way to respond to the challenges posed by the new global economic framework.

The meeting, attended by 21 heads of state, also decried the rising armed conflicts in Africa with Zambian President Frederick Chiluba, saying armed conflicts in some Comesa-member sates were a major impediment to the realisation of full economic prosperity and integration.

"Member states involved in conflicts must accept mediation, sit down and resolve their differences peacefully," said Chiluba, outgoing chairman of Comesa.

Chiluba said enormous resources "that member states can ill afford" were being channelled to fighting wars in the affected countries. He warned that Comesa member states' efforts at integration would not count for much if these wars were not immediately stopped.

The benefits of integration could only accrue and be sustained in an atmosphere of peace and stability, he said. – Independent Foreign Service

C

SA, Libya initial trade pact as suitors stream to Tripoli

BD 26/5/99

Tim Cohen and Sapa (74)

SIRTE — The governments of Libya and SA have initialled a trade pact that both sides hope will lead to a major boost in bilateral trade.

The agreement is similar in type to many others negotiated by SA. However, the SA delegation has been encouraged by the willingness of Libya to engage in trade talks and the speed with which agreement was reached.

Clauses specific to the needs of both countries will be negotiated by a committee established yesterday. Negotiations are likely to be necessary on capital movements between SA and Libya, which has been forced to restrict its dealings in foreign currency due to United Nations sanctions and a low oil price

Yesterday's agreement was initialled by Trade and Industry Minister Alec Erwin and Libyan Economic Affairs Secretary Abdel Hasez al-Zlitni.

Erwin heads a delegation of about 30 SA business people in an attempt to capitalise on goodwill generated by President Nelson Mandela's role in resolving the stand-off between Libya, the US and UK over the Lockerbie affair. Sanctions were imposed on Libya after it initially refused to hand over two suspects in the bombing of a Pan Am jet over Lockerbie, Scotland.

With the UN and US sanctions on the brink of being dismantled, a host of countries are seeking contracts to refurbish Libya's infrastructure, much of which has become run down due to sanctions. It has been estimated that infrastructure projects worth about R14bn are up for grabs, although there is some doubt over Libya's ability to pay.

Minerals and Energy Minister Penuell Maduna, who was also part of the delegation, said yesterday that SA was interested in buying oil from Libya if the price was right. "If they give us a good deal we will lift it," he said.

SA sources about 45% of its oil from Iran and 30% from Saudi Arabia; the balance comes from a variety of sources including the SA synthetic fuels industry.

He echoed Erwin's sentiment that SA was not interested in bartering its goods for Libyan oil, saying oil purchases were in the hands of the private sector. However, it was possible that SA companies would pay for Libyan oil in rands, and the money could be used [redacted] it was importing.

SA energy companies are hoping for a stake in several large petrochemical deals in Libya, and several of them are confident of signing deals soon. Among those companies represented on the delegation were oil parastatal Soekor and Energy Africa, the Engen-owned oil exploration company.

Construction company CBI and process engineers Lurgi are bidding for a stake in a project to upgrade one of Libya's three refineries, and are investigating the possibility of building a new one.

SA misses unique opportunity after standing up OECD

(74) CT(MR) 31/5/99

LIESL LOUW

Paris – The South African government passed up a unique opportunity to attend the annual ministerial meeting last week of the Organisation for Economic Co-operation and Development (OECD) – one of the world's leading independent economic think-tanks – and to contribute to discussion on coming international trade talks.

The OECD for the first time invited eight non-members to attend the meeting.

South Africa was among the developing economies invited to the meeting – the only one from Africa – and was expected to do so until the last minute, when the government told the OECD that election commitments would prevent ministers from attending.

Russia, China, Brazil, Israel, India, Indonesia and the Slovak Republic each sent a minister or deputy minister to the meeting, designed to "foster shared understanding of global policy challenges – the promotion of growth, sustainable development and social cohesion and how to reap and share the full benefits of trade and investment liberalisation".

On Tuesday, just before the one-day dialogue with non-members, the press was informed that a minister from South Africa would attend.

South Africa was to be the only African country at the talks with the world's most industrialised nations. The 29 members of the OECD, among other issues, discussed preparations for the next round of comprehensive trade talks to start in Seattle in the US in November.

Eric Burgat, the chairman of the centre for dialogue with non-member countries, said the OECD accepted that South Africa's election was the reason for the country's absence from the meeting. He said there were "no hard feelings" about the fact that South Africa didn't attend.

But an observer from a leading financial publication said South Africa's contribution at the meeting would have depended on which stance the country was prepared to take vis-a-vis the next round of trade talks.

"Not all non-member countries support liberalisation and free trade principles. If South Africa was to support these principles, its presence could have had an effect," he said.

South Africa has co-operated with the OECD in the past. It has earned observer status in the OECD's committee for science and technology, together with Israel, Russia and the Slovak Republic. — Independent Foreign Service

LIBYA *SA delegation comes home with high expectations tempered by economic reality*

Trade route to Tripoli sprouts with promise

ET(MR) 21/5/99 (74)

JEAN-JACQUES CORNISH

Johannesburg – Oil sector companies on last week's South African trade delegation to Libya were delighted with the progress they made.

The team from CBI, the construction company, stayed behind when the delegation returned home from Tripoli on Wednesday. They had strong signals from their Libyan counterparts that they had a good chance of getting a piece of the $170 million refurbishment contract for the Az Zawiya refinery.

CBI has indicated it would be interested in forming a consortium with Lurgi SA, which was also represented on the delegation.

Energy Africa and Soekor indicated they would be interested in upstream concessions, possibly with Sasol also involved.

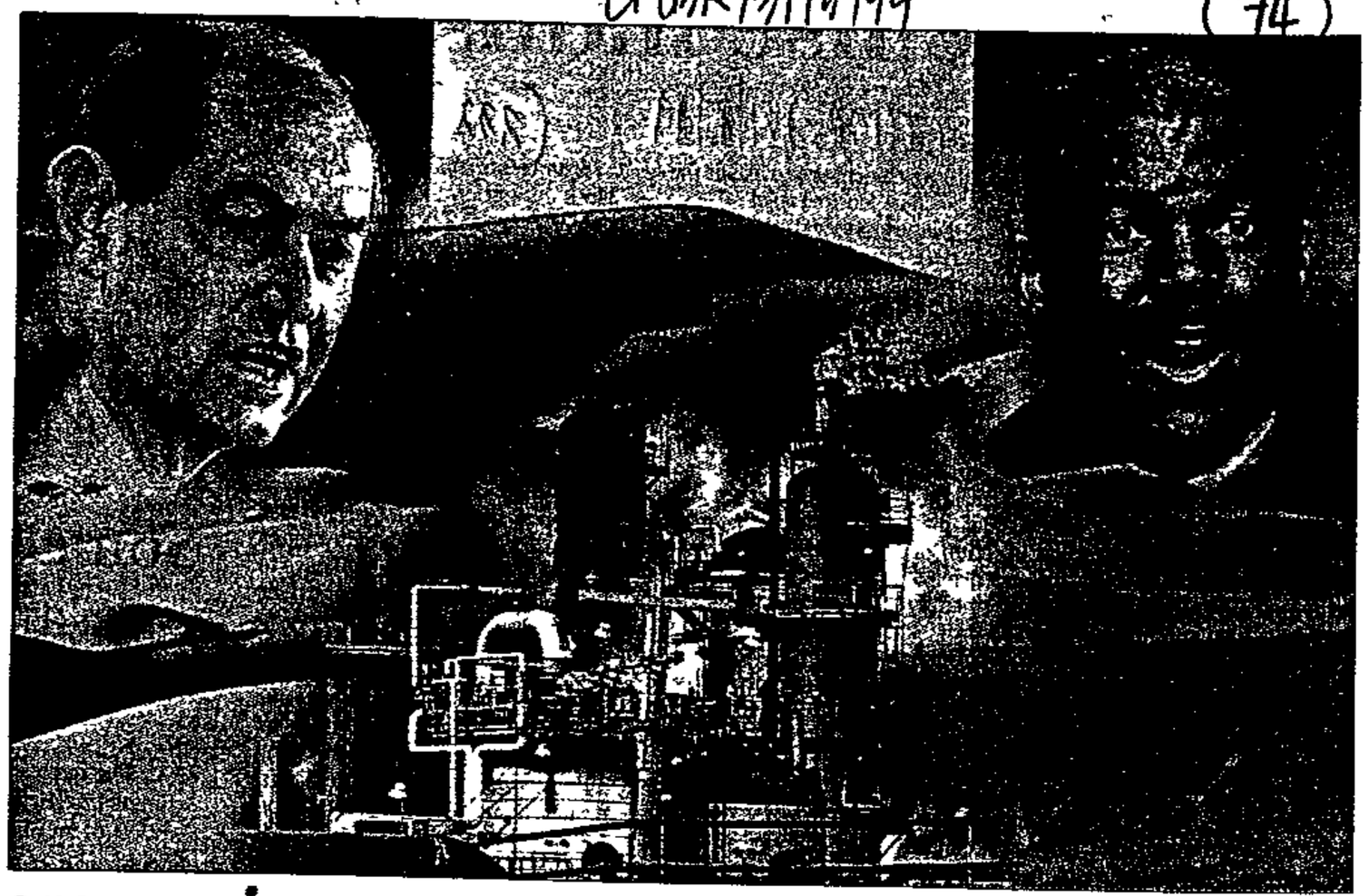
"We were left in no doubt that the word has come down from on high that we are to be given concessions," said one South African energy sector representative. "There will be no more middlemen for us."

The 28 businessmen were specially selected by the department of trade and industry for their competitive track record in tough markets.

Alec Erwin, the trade and industry minister, Penuell Maduna, the minerals and energy minister, and Aziz Pahad, the deputy foreign minister, led the delegation, clearly intending to cash in on South Africa's political advantage in Libya.

> *'There is no limit to the co-operation we will achieve in all fields,' said Gaddafi*

The extent of this goodwill was illustrated by the meeting between the delegation leaders and Libyan leader Muammar Gaddafi in his tent in the desert outside Surt, the country's administrative capital. "There is no limit to the co-operation that we will achieve in all fields," Gaddafi said at the meeting.



But not all of the businessmen were satisfied with the outcome of the visit, which broke new ground in South Africa's efforts to turn its political and diplomatic credit into trade and investment opportunities.

The party flew in a specially chartered South African Air Force Boeing 707 and was hosted in the country by the Libyan government.

At the last minute the host country diverted the flight from Tripoli to Surt, 450km away. Appointments were held in the impressive new parliamentary and administration complex there.

This sudden change put paid to the extensive arrangements made in the commercial capital by a South African advance team lead by Ebrahim Saley, South Africa's non-resident ambassador in Libya.

The businessmen met on Monday for more than two hours with their counterparts. They also visited a section of the man-made river project.

This $30 billion underground construction carries water from the central desert of the 1,8 million square kilometre country to the coastal region.

On Tuesday, the delegates flew to Tripoli, ostensibly to view a number of projects, but they did not get to see much.

"Three days and only two hours of meetings. If I'd wanted a holiday I could have arranged it better," said a director of an engineering firm.

Some government officials felt it might have been more useful if an official delegation had played a pathfinder role for the businessmen.

The overall impression among the trade delegation, however, was upbeat.

Several of the members had been to Libya more than once before and were fully aware that there was no chance of any deals being signed or even brought close to conclusion in this short visit.

"In this kind of market, it is who leads you into the tent that matters," said a construction executive.

"The next time I come I will be recognised as a member of the ministers' delegation who saw the Brother Leader. That will be worth gold."

Max Sisulu, the deputy chief executive officer of Denel, found a very good chance that the state-owned arms company could successfully bid for mine-clearing contracts through its subsidiary Mechem.

There were also opportunities for Denel to be involved in upgrading civilian and military aircraft and offering training and technology.

There appears to be no question of South Africa selling arms to Libya, which is faced with refurbishing and repairing its infrastructure worn down by UN sanctions imposed in 1992.

> *'In this market it is who leads you into the tent that matters,' said one executive*

Neither is it likely that South Africa will be buying oil from Libya. Erwin said South Africa had no need to increase its supply network, comprised mostly of Iran and Saudi Arabia.

Price would, of course, ultimately determine these matters.

Erwin said he was very pleased to have initialled, with his Libyan counterpart Adbelhafez al-Zlitni, the draft of a trade co-operation agreement and the minutes of the working group meetings.

Probably the most excited member of the delegation on the aircraft home was Shaheen Ahmed, the operational director of Kennedy & Donkin (K&D).

He had learned K&D was one of the front runners for the R60 million-plus contract to report on the technical feasibility and draw up tender papers for a 10km electricity transmission line linking Libya and its five neighbours: Burkino Faso, Mali, Chad, Niger and Sudan.

This would be far and away the largest such project ever undertaken. The company winning the feasibility study contract would not have to concern itself with economic or financial viability. Like the great man-made river, this project makes no economic sense.

Gaddafi has reportedly insisted that work press ahead to find if, on a technical level, the job can be done. He has ordered that tenders be named soon.

The South Africa Council for Geoscience is also well in the running for a multimillion-dollar contract to map the southern regions of Libya. Like most projects, this is on hold until government funds are allocated.

Libya plans to spend $14 billion on capital projects, but it is running on a belt-tightening budget that did not take into account the diplomatic developments that ended UN sanctions.

Private and corporate tax revenue is negligible. The country is run on downstream oil revenue.

Even when this starts flowing, foreign currency will be carefully allocated by the Libyan government.

South African officials are even now working at getting an undertaking that a guaranteed tranche of these funds will be allocated to South African projects.

For the benefit of all

South Africa's trade agreement with the EU compels it to help in the development of its poorer neighbours, writes Labour reporter **Mzwakhe Hlangani**

FRESH from its success in winning the right to a lucrative European preferential trade agreement, South Africa is now gearing up for its next task – the economic and infrastructural development of the region.

South Africa is surrounded by a sea of poverty in the region, says Herbert Mkize, senior labour movement negotiator in the National Economic Development and Labour Council's (Nedlac) trade policy chamber.

He believes the benefits derived from South Africa's agreements with the European Union must be stretched out for the benefit of the region.

Mkize adds: "It is a harsh reality that can't be chased away, but should be addressed through sensible policies."

Business South Africa's chief representative in Nedlac's trade policy chamber, Michael McDonald, agrees that building the economic base of the Southern African Development Community (SADC) is imperative.

Although most countries in the region are not developed industrially, some possess a highly viable agricultural base and adequate markets in textile and clothing.

But to assist the growth of the region's economy, it is crucial to restore the balance in trade relations with neighbouring countries. This will encourage regional development.

The southward drift of millions of poverty-stricken, unemployed people to South Africa from neighbouring countries is a major crisis.

But this may soon change – even without a free trade agreement in the region.

"Relocating businesses (from South Africa) will happen with or without the SADC free trade agreement, for businesses are attracted by low manufacturing labour costs," McDonald says.

Wages in the South African manufacturing industries are much higher than in the rest of the SADC countries, making South Africa uncompetitive, he says.

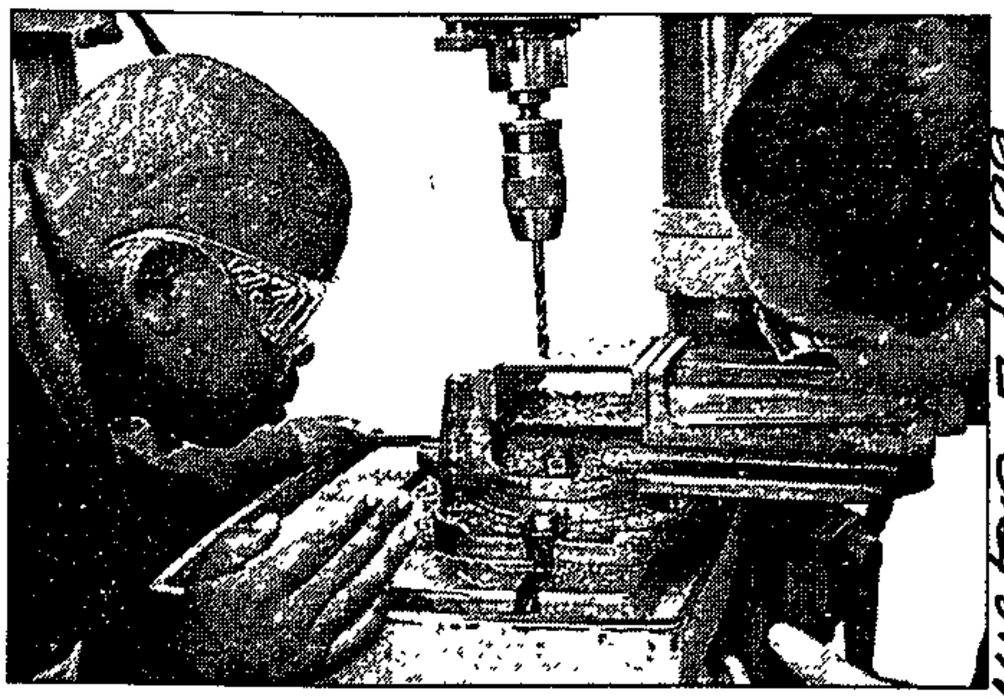
As wages are the largest single component of the expenditure of a business, moving its operations to those countries with much cheaper manufacturing labour costs is a solution

Mkize frowns at the mention of cheap labour but tactfully points out that most companies will not suddenly relocate their business elsewhere in the region when there is one common market.

"There are appallingly low labour standards in countries such as Swaziland, Zimbambwe and many others, who violate all International Labour Organisation conventions," he says.

Precisely because of this, he believes, it is now time for South Africa to ensure the region begins to move towards a common labour market system.

"We have already begun discussions on developing a regional economic development labour council that will be a replica of Nedlac," says Mkize. "Looking at socio-economic issues in the region has gained momentum with the aim of reaching consensus on formulating policies that will be commensurate with the changing trade environment."



Technicians receive training on a lathe at a skills development course in Pelindaba near Pretoria.

PIC: PAUL VELASCO

Mkize also calls for restructuring of the region's industrial policies to harmonise them – "not in a big bang approach, but incrementally".

Those economic sectors that will be more sensitive to free trade must first be identified.

Though falling short of advocating minimum wages for the whole region, the labour movement's attitude towards the free trade agreement lists socio-economic clauses and labour standards as its main priorities.

"Our version of the socio-economic clause is not one calling for the region to have a minimum wage nor pronouncing on detailed working conditions," Mkize says. "But we call for an enabling environment for labour to resist exploitation and the right to collective bargaining.

"On the basis of their own organisational strengths, unions should determine working conditions and labour standards, depending on the economic strengths of the country."

Also of immediate concern to the labour movement is to ensure that the Southern African Trade Union Council and the Organisation of African Trade Unity develop greater coherence.

These organisations must also launch pilot structures to deal with the problem of the skewed level of development of trade unionism in the region.

For its part, South Africa's labour movement will strive to share and pool their resources with their union counterparts within SADC in order to deal effectively with major challenges.

Mkize adds: "South African-based companies and transnationals with their head offices or origins here must agree to the extension of collective bargaining agreements to cover all workers within SADC."

Uniform working conditions must be considered in the region, he urges, so that what employers pay in South Africa is paid on a *pro rata* basis to workers in other countries, depending on their economic strengths.

The Southern Africa region remains one of the poorest today in terms of world trade – which has climbed to R25 trillion a day – because it trades mainly in commodities.

All developing countries are currently "in a terrible state" because the prices of commodities have declined to their lowest point in more than 20 years, says McDonald.

SA cannot rely on manufacturing to create jobs. "We have to look at other areas like the service industry, with tourism offering the best potential in South Africa."

McDonald says training the workforce and industries is necessary in the region. Converting raw materials into valuable products is essential to economic development and this cannot be done without the right skills. He says the skills of workers in the region must at least be brought up to the level of workers in South Africa.

The SADC agreement will be implemented over eight years, with South Africa opening its borders to trade quicker than some of the other countries in the region.

Zimbambwe, Angola, Mauritius and the Democratic Republic of Congo, for instance, have not yet met all the requirements demanded by the SADC agreement.

SA moves to boost trade ties with Nigeria

Business Day Reporter (74)

THE SA departments of foreign affairs and trade and industry will hold a trade week in Nigeria next month.

Exhibition Management Services, the organisers of the show between July 12 and 17, said there was significant interest from Nigerians keen to establish trade links with SA companies.

The company's CEO, John Thomson, said one exhibitor had already sold his whole display in Nigeria before even leaving SA.

"Nigerians are finding that their traditional trading partners in the UK and the US are proving expensive. They are now looking at SA for cheaper, good quality products that are designed for the African continent," he said.

Macadams, an SA bakery equipment manufacturer, confirmed that it had already closed a deal prior to the exhibition's start.

"A trade exhibition like this can help jump-start business and eliminate the problems associated with entering a new market like Nigeria. In sheer numbers, Nigeria has a potential customer base five times larger than any other African country. It simply cannot be ignored," said Thomson.

Companies interested in the show can contact Sue Hennings at Exhibition Management Services, telephone (011) 783-7250.

BD 7/6/99

SA wants to scrap trade barriers in some sectors

(74) BD 11/6/99

John Dludlu

SA HAS signalled its intention to push for the removal of trade barriers in "grandfather" industries — sectors where developing nations have gained a competitive edge — when the next set of multilateral trade talks begins later this year.

However, Bahle Sibisi, the chief director for foreign trade relations at the trade and industry department, said this week that Pretoria was not in favour of sector-specific negotiations.

He favours the grandfather industries being discussed in a comprehensive round of trade talks, rather than in a series of negotiations on individual sectors.

A sector-specific approach could limit bargaining space, especially for developing countries, he said. Such talks could easily be driven by narrow vested interests.

Sibisi said it would be in SA's interests if trade was liberalised in the grandfather industries. These sectors, which are seen as the key to industrialisation efforts, include textiles, footwear and steel.

There is a feeling within the developing nation members of the World Trade Organisation (WTO) that the organisation's developed members, which have lost comparative advantage in the grandfather industries, are now implementing new standards (such as health and technical standards) to deprive developing countries of the opportunity to industrialise.

Government has begun wide-ranging consultations with business and labour to prepare SA's negotiating position at the forthcoming WTO ministerial summit in Seattle, US.

Sibisi said SA's areas of interest included those contained in the "built-in agenda" of the WTO and trade in services like banking. The built-in agenda forces the WTO's members to begin fresh talks on further liberalisation in farm trade before year-end.

The agenda also includes work on "unfinished business" — including state procurement and subsidies — and periodic reviews of agreements reached in the general agreement on tariffs and trade (GATT), the WTO's predecessor.

Apart from internal consultations, SA would also consult its neighbours ahead of the Seattle meeting to forge alliances, said Sibisi.

Pretoria, now a member of the Cairns group, the club of countries pushing for freer trade in agriculture, will probably support the group's campaign for the removal of distortions in the farm sector.

"Liberalisation will create opportunities to expand SA's — and other developing countries' — competitive agricultural exports and promote wider economic development," says a government document.

Apart from the format to be followed in negotiating further trade liberalisation, observers say the next area of difficulty will be finding common ground between developing and developed WTO members in dealing with "new issues". These include investment, environment, competition and labour standards.

Developing countries, most of which are still battling to implement their GATT obligations, are opposed to the inclusion of new issues in the next phase of talks.

"With regard to new issues, developing countries will need to avoid simply reacting to proposals by industrialised countries and place their issues on the agenda," says the SA government paper.

"For African countries, an obvious subject will be the question of debt and its effects on trade performance."

BD 17/6/99

Obasanjo

SA, Nigeria can team up on conflicts, trade

Claire Pickard-Cambridge

NIGERIA is ready to work closely with SA in resolving conflicts in Africa, says Nigerian President Olusegun Obasanjo.

Outlining his vision of relations with SA at a Johannesburg news conference yesterday, Obasanjo said Nigeria also wanted to co-operate closely with SA in the economic, social and political arenas.

"A democratic SA and a stable and prosperous Nigeria can be two good pillars on which Africa can rest. The two can be instruments of assistance and the vanguard for hope, for the management and resolution of conflict and for the development and strengthening of our continent."

He also said Nigeria could consider sending troops to maintain peace in the Democratic Republic of Congo. "I was one of the first Nigerians who went to the Congo as members of a UN peacekeeping force in 1960. This could be possible again if troops are sent under the right conditions and under the auspices of the United Nations, the Organisation of African Unity or even the west African peacekeeping force, Ecomog."

After the rebellion last year, African countries had sent their troops into Congo on opposing sides. "This is unfortunate and it is not helping things," he said, emphasising that conflict should be resolved through dialogue.

Nigeria wanted other countries to co-operate in helping Congo "to help itself". Foreign troops should be withdrawn and a conducive climate created for peace.

Referring to the civil war in Sierra Leone, Obasanjo said he wanted to get Nigerian troops out of the country — where they are serving in Ecomog — "as soon as possible without jeopardising security in affected countries".

Obasanjo said his meeting with SA business leaders at a dinner on Tuesday night had been positive. He had emphasised that Nigeria and SA saw each other as "desired partners", not competitors.

Obasanjo, who once chaired the advisory council of Transparency International, said he was determined to bring corruption to an end in Nigeria.

He described the campaign to recover state funds and assets from the family and collaborators of late ruler Sani Abacha as an "ongoing exercise".

The transitional military administration under Gen Abdulsalam Abubakar had not claimed to have finalised these recoveries — although $800m and many properties had been recovered — and the process would go on for some time.

Abubakar's administration inherited foreign reserves of $7,1bn at the start of its rule in January. By the time it left five months later, reserves were only $3,7bn. One of the first things Obasanjo did was to stop all approvals for government contracts, posts and payments to study merits of these decisions.

He also said a panel, headed by a supreme court judge, would probe human rights abuses.

Obasanjo has moved quickly to revamp the public service and purge the military of about 149 senior officers holding political office since 1985. He has said this was necessary to ensure the survival of democracy in Nigeria and to build new, professional armed forces.

Govt ready for free trade talks

B/A (74) 18/6/99

Zimbabwe has threatened action against SA

John Dludlu

GOVERNMENT last night signalled its readiness to break the impasse on talks to create a regional free trade deal by indicating its willingness to hold bilateral talks with Zimbabwe.

Following an inconclusive round of free trade negotiations in Zambia a week ago, Zimbabwean private sector representatives have threatened to join other African countries in a retaliatory action against SA.

Zimbabwe is unhappy at a proposal by the Southern African Customs Union to seek tighter rules of origin in clothing and textiles for the planned free trade area within the Southern African Development Community (SADC).

Instead, Zimbabwe, which sees the union's proposal as a protectionist ploy by SA, is seeking a bilateral duty-free trade in clothing, textiles and footwear.

Sifiso Ngwenya, the SADC director at the trade and industry department, said "we will sit down and talk to them", but he reiterated SA's concern at encouraging the creation of a plethora of bilateral trade arrangements in the region.

Zimbabwe has sought a bilateral ministerial meeting to discuss its "disappointment" at SA's reluctance to go the bilateral route.

Shortly after the reappointment of Alec Erwin as trade and industry minister last night, Ngwenya said a meeting would be planned with Erwin's Zimbabwean counterpart, possibly before the next meeting of the SADC trade negotiators in Gaborone next month.

Zimbabwe is SA's largest trading partner in the SADC. According to the customs union's proposal on rules of origin, a two-stage conversion must be followed — in other words, raw material must be converted into fabric and fabric into clothing in the region.

This will assist in encouraging industrialisation in the SADC. Otherwise the stimulus for a strong domestic cotton industry is limited.

Paul Theron, the executive director at the Clothing Federation, said: "We are very firm on the rules of origin." He also backed Pretoria's stance of harmonising its trade relations with a single SADC trade agreement rather than maintaining the existing string of bilaterals.

A resolution of the differences on the rules of origin would pave the way for the conclusion of the free trade talks.

Zimbabwe's threats of retaliatory action, which would follow if SA refuses to revise its position, follows similar remarks by Kenya. Reuters reports that Trade Minister Joseph Kamotho said yesterday the Common Market for Eastern and Southern Africa would block SA from trading in the region, or introduce punitive tariffs until Pretoria reformed.

Trade pact with EU 'by January'

BD 21/6/99 (74)

Patrick Wadula

THE European Union (EU) and SA bilateral agreement on trade, development and co-operation was expected to be in place by January 1 next year following the recent conclusion of the EU-SA talks in Berlin, EU ambassador Michael Laidler on Friday.

Laidler was in Johannesburg to attend a conference on SA business and the EU in the context of the new trade and development agreement.

He said the trade, development and co-operation agreement was the second of the two main pillars, which formed the foundation for long term relations between the European Union and SA . The first was SA's qualified membership of the Lomé Convention which was approved in April 1997.

He said the agreement covered a wide range of areas including trade, economic relations, finance and technical assistance. It also had provisions for continued political dialogue and development assistance.

The establishment of a free trade area under the agreement between the EU and SA, meant that at the end of a 10-year transition period, 95% of EU imports from SA would enter the EU market free of duty.

SA would be able to retain its tariff barriers for a longer time. After a transition of 12 years SA would open 86% of EU imports to duty free trade.

Laidler said the figures were based on the current levels of trade. They did not illustrate the growth potential that liberalisation of the products which were not traded at the moment would provide.

These non-traded products would, with minor exemptions, be subject to free trade at entry into force of the agreement. Laidler said the agreement was designed to accommodate the southern African region.

To respect the sensitivities on both sides and within the southern African region, a limited number of products such as beef and sugar have been excluded. The purpose was to accommodate the preferential treatment granted by the EU to the African Caribbean and Pacific states in the framework of the Lomé Convention. Botswana, Lesotho, Namibia and Swaziland are members of the Lomé Convention.

Laidler said in addition to an increase in the level of trade, the agreement was likely to generate investment flows between the EU and the region.

dip

Value of SA's trade with US takes 12%

(74) BD 21/6/99

After years of expansion, the US is concerned that SA's deal with the European Union may be affecting its exports to this country

Simon Barber

WASHINGTON — After several years of expansion, the value of US-SA trade was down 12% in the first four months of this year compared to the same period in 1998, according to newly released commerce department statistics.

SA's unusual trade surplus with the US continued to grow, reaching $142,8m at the end of April. Analysts said it was too early to tell whether this represented a trend, but the office of the US trade representative, already concerned the EU-SA free trade agreement may disadvantage US exporters, does plan to take a closer look for signs that SA may be sourcing relatively more imports from Europe.

The value of US exports to SA as of April 30, $810,1m, was 19% off last year's pace, reflecting across-the-board declines in shipments of computers, industrial machinery, vehicles and other capital goods, logically attributable to SA's economic slowdown and the relative strength of the dollar.

SAA's 1998 purchase of new Boeing 747's are not a factor in the period on period comparison because they occurred later in the year.

SA exports to the US have also slowed, down 5,5% by value on a year ago, to $952,9m as of April. Although this was to be expected, given weak commodity prices, shipments of platinum sponge, SA's largest single export to the US, were down 28% by volume while the customs value per gram of imports was down only 14%. However, this tracked with reduced US imports of platinum sponge from all sources.

In SA's case, the reduction was offset by a dramatic increase in US imports of another platinum group metal, palladium, to $108m, up 34% by volume and 42% in unit value.

The impact of the US steel industry's war on imports was clear. Hit with anti-dumping and countervailing duties, shipments of SA flat-rolled stainless steel plate fell to $7,7m from $20,6m at the same point a year ago.

Imports of SA cold-rolled steel, now also the target of US anti-dumping action, also fell to $9,9m from $20,5m.

Ferro-alloy shipments, representing nearly half of SA iron and steel exports to the US, were down from $83,4m to $69,9m.

The numbers do point to a few SA success stories, most notably in the automotive sector. US imports of catalytic converters, negligible a year ago, rocketed to $10,6m in the first four months of the year, with some 42 000 units shipped. SA is now the US auto industry's number two foreign supplier of the anti-pollution devices, second, albeit by a long way, to Mexico.

Data suggested that SA's efforts to penetrate the US wine market have thus far been feeble. Comparable imports from Australia were valued at $144,4m last year, and $56,4m in the first four months of 1999. For SA, the figures were $6,8m and $1,9m.

Australian reds enter the US market at a landed, duty-paid value of around $5,50 a litre, the same as SA ones, compared with $2,80 for Chileans which tend to be aimed at the mass market. Imports of red from Australia has gone from 1,36-million litres in 1992 to 15,6-million last year

and continue to grow, even at rising prices, hitting 6,9-million as of April. SA managed 822 000 litres last year, and is on the same pace in 1999.

Meanwhile, US trade with sub-Saharan Africa is also contracting, with exports to the continent down 12% to $3,2bn in the first four months of the year, and imports down 19% to $4,8bn. The latter was partly attributable to reduced volumes of oil imports from Angola and Nigeria.

SA faces 'bitter trade war' with neighbours

(74) (~~279A~~) Sowetan 21/6/99

By David Mageria

SOUTH Africa faces a bitter trade war with its Common Market for Eastern and Southern Africa (Comesa) neighbours over its aggressive sale of products on the continent while closing its own market, a Kenyan minister said.

Trade minister Joseph Kamotho told Reuters in an interview on Thursday that the 21-member Comesa would block South Africa from trading in the region or introduce punitive tariffs until Pretoria reformed and opened up its market to its neighbours.

Since the fall of apartheid, South African products have glided across Africa, while partly benefiting from government farm and export subsidies.

But some of the countries in which the goods compete have high raw material taxes and other production inefficiencies that put unit costs above the price of imports.

"We are looking at October 31 2000 when Comesa establishes a free trade (regime), then we can act as a block," Kamotho said.

Before that date, individual states such as Kenya are enacting punitive and retaliatory tariffs that clearly target South Africa. That was inspired by South Africa's refusal to change its hardline protectionist stance, Kamotho said.

Ugandan finance minister Gerald Sendaula said last month. "What we really hate is the flow of goods being one-sided. People using your market as a dumping ground. We love fair trade. They send their stuff here, they allow ours there."

Comesa's restructured external tariffs will deny South Africa the huge export markets of Egypt, Kenya and Zimbabwe, Kamotho said.

The Comesa nations have a combined population of 380 million people and its imports were valued at R232,8 billion in 1998.

Comesa general secretary Erastus Mencha said last month that South Africa's trade practices remained deeply unfair and states in the region would be forced to seek measures to force fair play.

Kamotho said South Africa has been feigning poverty to maintain a closed market. "But who is poorer?" he asked.

Kamotho said South Africa was reluctant to sign a bilateral trade protocol with Kenya which would have ironed out the mess. Kenya will send a trade attaché to its mission in Pretoria next month to try to speed up the ongoing trade negotiations.

A trade counsellor at the South African high commission in Nairobi denied reluctance on South Africa's part, saying any negotiations of that nature usually took time

Kamotho said South African companies that had set up base in Kenya had failed to help the trade balance between the two countries because on insisting on sourcing raw material from back home.

He cited a fast food franchise that imported beef for its burgers and a brewer that got its barley from South Africa.

Kenya imported goods worth 1 128 billion rand from South Africa while exporting products worth R75,72 million to South Africa, in 1998.

Kenya increased its special suspended duty on barley by 10 percent to 25 percent. Retaliatory taxes were not stated.

Analysts said protectionist measures could boomerang. "It can only work as a measure of last resort.

"Potential investors will be unwilling to set up shop in a region in the middle of a trade war," said Charles Muchene, country leader of PricewaterhouseCoopers. – *Reuters*



A train of cargo carriages stand by while a crane unloads the cargo at the container docks in the Durban Harbour. PIC. PICTURE-NET

Amplats lays off 415 workers at Lebowa mine

BD 22/6/99 (8)

AMPLATS, the world's biggest platinum producer, announced yesterday that it had retrenched 415 employees at its Lebowa mine in the Northern Province.

Spokesman Johan Adler said the mine had not been performing well for "quite a few years".

"We explored everything as required by the Labour Relations Act before deciding on this action as a last resort," said Adler.

He said the retrenchments, which took effect last Friday, were "across the board". Adler would not give details of the severance pay, saying this was a matter for the company and trade union representatives.

Most of the workers at the Lebowa mine are represented by the National Union of Mineworkers.

Amplats said yesterday that the lay-offs were discussed with the Northern Province MEC for Finance, Trade, Industry and Tourism in May. "Subsequent to the discussions and after taking into account the company's desire to minimise the social consequences of such labour reductions, it was agreed to delay the implementation of the job cuts.

"During this extension, management engaged in further discussions to provide employee representatives with further opportunities to provide constructive solutions to the company's poor performance.

"Having exhausted all alternatives, Amplats must unfortunately announce that it has terminated the services of 415 employees at the mine." — Sapa.

Weakest countries face trade hurdles

Patrick Wadula

LEAST developed countries (LDCs) need a system of special provisions if they are to succeed in a global trading system like the World Trade Organisation (WTO).

This emerged at a workshop yesterday organised by the United Nations Conference on Trade and Development (Unctad) and SA's department of trade and industry.

Anna Kajumulo Tibaijuka, Unctad's special co-ordinator for LDCs, told the workshop at Sun City that a weak trading partner such as a LDC was at a disadvantage in a multilateral trading system, based mainly on reciprocity.

The idea of special provisions should not be considered an exercise in generosity, she said. "It should be regarded as a corrective measure to reduce the structural disadvantages faced by weak economies and ensure a fair distribution of the benefits of the system."

Tibaijuka said LDCs which were not members of the WTO should base their negotiating objectives on a detailed analysis of their economic strategies and WTO membership obligations.

"Once an LDC has decided to join WTO, it should facilitate the process of accession," she said.

Unfortunately experience with the accession or membership process was not encouraging as countries negotiating for membership were often called upon by WTO members, particularly developed countries, to make initial commitments.

These commitments usually went beyond the normal obligations under the Uruguay Round agreements.

In addition developed countries often had high expectations with regard to market access commitments, the reduction of tariffs and the elimination of non-tariff measures.

As emphasised in the 1988 LDC report, there was a need for a more lenient and easier accession process for LDCs that wanted to join the WTO.

"After all they are small economies and their exports or curbs on imports will not have a major impact on the economies of developed countries," said Tibaijuka.

Fast-track entry for LDCs needed to complemented by favourable terms and conditions of membership.

She said the workshop provided an opportunity to address issues relating to the emerging multilateral trading system and its significance for LDCs.

(74) BD 22/6/99

Shoe industry me

Tim Cohen

CAPE TOWN — Footwear and leather industry representatives met union representatives yesterday in a last-ditch effort to avoid a strike in the struggling industry.

Union representatives said last week that a strike ballot was probable in the industry — which employs 13 000 people — this week or next.

Union representatives have been pressing for a 10% increase across the board, while the industry's opening offer was no increase, although it is understood that this offer had been improved during negotiations. A conciliation process has been unable to resolve the dispute.

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Govt holds final talks

Sibonelo Radebe

MEMBERS of a government delegation began leaving for London yesterday for final talks with shortlisted bidders for a 20% stake in SA Airways (SAA).

Yesterday was the deadline for the submission of bid offers.

"The process has been a great success despite the aggressive time frames that we have imposed," said Transnet MD Saki Macozoma, who is heading the delegation and is expected to join it later in the week.

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Lott now supports US-Africa trade deal

Simon Barber

WASHINGTON — Senate majority leader Trent Lott, who was chiefly responsible for blocking expanded US trade preferences for Africa last year, yesterday called them "overdue and very justifiable" and pledged to help bring them to the Senate floor.

Lott signalled his change of position as the Senate finance committee unanimously, and without debate, approved a less generous version of the Africa Growth and Opportunity Act ready for passage by the House of Representatives.

The House version, expected to pass next week, offers duty free treatment to imports of fabric and clothing from African countries that are taking steps to make themselves attractive to foreign investment.

The finance committee recommended that benefits be granted only to African garments made with US fabric and yarn.

The hope is that when House and Senate negotiators meet to reconcile the versions for final passage, they will strike a deal to grant preferences to African textiles and clothing made with African inputs.

Senator William Roth, the committee's chairman, said he was likely to seek to schedule a vote in the Senate once the House had acted.

House Speaker Dennis Hastert is said to be satisfied that the bill has enough support to warrant a vote next week. A head count by the Republican leadership shows the legislation likely to pass by 270 votes to 185.

Assistant US Trade Representative for Africa Rosa Whittaker, who is heading the administration's lobbying for the bill, judged Lott's signal of support a major breakthrough.

A private lobbyist was not so optimistic, noting that Lott, who represents cotton-growing Mississippi, had a track record of saying one thing and doing another.

(74)

BD 23/6/99

Unctad workshop calls for help with food prices

Patrick Wadula

A REVOLVING fund to help least developed countries (LDCs) cope with rising food requirements should be established by developed countries and international financial institutions, it was recommended on Friday.

The call was made at a United Nations Conference on Trade and Development (Unctad) workshop held at Sun City.

The aim of the five-day workshop, organised by Unctad and SA's trade and industry department for trade officials from 48 least developed countries, was to enable LDCs to ensure their interests and needs were recognised by developed countries and the World Trade Organisation (WTO).

At the workshop it was made clear that LDCs needed the fund to cope with high food import bills and to assist them to increase local production and capacity related to marketing, storage and distribution.

LDCs needed quota-free access and duty-free access for all their agricultural and industrial exports and LDCs' textile and clothing exports had to be exempt from antidumping duties.

Other proposals were in relation to air transport and maritime services, telecommunications, trade and investment, environment, labour, competition policy and transparency in government procurement.

These would be submitted to the third WTO ministerial conference.

According to Unctad's research the small share of LDCs in world trade has declined over the past two decades to 0,4% in 1997 from 0,85% in 1975.

The total value of their exports amounted to $23,4bn in 1997, representing only 1,5% of merchandise exports of developing countries and less than half of Denmark's exports.

In the same year only three LDCs — Angola, Bangladesh, and Yemen — had exports exceeding $1bn.

In developing countries trade accounted on average for between 24% and 26% of gross domestic product (GDP), whereas in LDCs trade accounted for 9% to 16% of GDP.

The export base of the majority of LDCs is typically limited to a range of two to three products out of the 5 000 products that are traded globally.

(94) BD 28/6/99

Developing countries prepare for WTO talks

(74) CT(MR) 28/6/99

BONTLE HEADBUSH

Sun City – Commitments made by the 29 least developed countries (LDCs) at the World Trade Organisation Uruguay Round talks were unrealistic and needed to be revised, Anna Kajamulo Tibaijuka, the LDC Special Co-odinator for the United Nations Conference on Trade and Development (Unctad), said on Friday.

She said the meeting for the countries' senior trade advisors, sponsored by South Africa's trade and industry department and Unctad, would help prepare them for the third World Trade Organisation (WTO) ministerial conference later this year.

"We now have the benefit of hindsight after having seen that it was not possible to fulfil commitments made in the Uruguay Round Agreement," she said. "So we can now formulate a collective preferential negotiating position to present at the next round of talks."

She said the meeting had examined enhancing the LDCs' participation in making global trade rules. It also focused on identifying issues of interest to promote potential benefits and protect against possible risks.

Concern was also expressed at the countries' marginalisation from the mainstream of a globalising world economy, as reflected in their declining share in world trade.

"In the globalising and liberalising world economy, LDCs face much greater challenges in overcoming their marginalisation and require comprehensive and well co-ordinated support measures from the international community," said Tibaijuka.

Bahle Sibisi, the chief director for foreign affairs at the trade and industry department, said this meeting was an important step in preparing for the WTO talks later this year.

He said the challenge lay in getting the resources to ensure that the meeting's findings were included in the mandate to be presented at the WTO.

IX

Port trade slow

ARG 29/6/99.

– but so is crime

(74) (35)

Huge container scams pass city by

The factors slowing Table Bay Harbour's business growth may also be deterring a serious crime wave.

While the port still experiences crime of a relative petty nature, fraud and container theft costing millions of rands have hit Durban.

Cape Town's relative isolation, due to its distance from Gauteng and as a result of the smaller market it serves, has been identified as the cause of slow growth.

Now sources in Portnet, the semi-state ports authority and Transnet subsidiary, believe its isolation and size are also the reason container theft is not a big issue here.

Multimillion-rand fraud and container theft being investigated in Durban have all the elements of a gripping thriller. There are conspiracy theories, double-dealings and smear campaigns, all hinting at high-level involvement.

Even a private investigating firm employed by Portnet to look into the allegations is now itself under investigation – by another private investigator.

HENRI DU PLESSIS



SHIPPING REPORTER

Senior Portnet officials suspect outside involvement in continuing losses from container terminals.

Whereas the surge of crime elsewhere is believed to be "system-based" – meaning it originated within the Portnet system – theft from containers in Cape Town and the occasional disappearance of containers here were suspected to be ship-based.

But inquiries into the theft, fraud, unlawful interference, bribery, corruption and organised crime syndicate operations at harbours are set to change gear when a contract between Portnet and private investigators M-Power Loss Control Services and Consultancy expires tomorrow.

The working relationship between Portnet and M-Power was forged in March, when M-Power investigators approached Portnet, claiming to have evidence of fraud and other criminal activities.

Rob Childs, former managing director of Portnet, said M-Power investigators began collecting evidence of criminal activities and, to date, had been paid R160 000 for information.

"They were supplying us with reams of information containing very little hard evidence. About six weeks into their contract we suspected irregularities and decided to employ another firm of investigators," said Mr Childs.

Because of the sensitive nature of its inquiries, the new firm has asked not to be identified.

Its brief included finding out whether M-Power acted lawfully.



PAPER PUSHERS *(from left) The EU's Michael Laidler with Gill Marcus of the Reserve Bank* PHOTO: JEFF ADDICOTT

Millennium will usher in new EU trade deal

CT(MR)30/6/99 (74)

MARGIE INGGS

Durban – The Trade, Development and Co-operation Agreement between the European Union (EU) and South Africa was expected to be signed in this country in September and implemented in January, Michael Laidler, the head of the European Commission delegation in South Africa, said yesterday.

Talks between heads of state over the past four years culminated in an agreement on development, economic cooperation and political dialogue.

The most ambitious provisions concerned the establishment of a free trade area between the EU and South Africa. This would mean that at the end of a 10-year transition period, 95 percent of imports from South Africa would be duty free.

Conversely, after 12 years, 86 percent of imports from the EU would be liberalised.

Laidler said the agreement with the EU, South Africa's largest trading and investment partner, would strengthen the existing relationship between the regions.

It would also increase investment opportunities for local businesses and competitiveness for local goods on the European market.

"Prices of South African goods on the European market won't be cut overnight," said Laidler. "But gradually decreased tariffs will ensure that price increases on South African goods will be curtailed or halted.

"Conversely, European goods will be imported at a lower price. Many of these are used in the manufacturing industry which, in turn, will bring down the cost of South African manufactured goods in Europe."

Laidler's advice to local traders: "Get to know the deal and find out what advantages it offers to your particular sector of the market. Seize the window of opportunity and exploit it to the full." – Sapa

Free trade agenda deferred to November

(74)

EU, Mercosur agree to talks on subsidies

CT(MR)30/6/99

FROM BLOOMBERG

Rio de Janeiro – The European Union (EU) agreed yesterday to discuss farm subsidies with Brazil, Argentina, Paraguay and Uruguay while rebuffing attempts to set deadlines for free trade talks between the European and South American trading blocs.

The major EU nations agreed with the countries that form South America's biggest trade bloc, Mercosur (Spanish for southern common market), to outline a firm schedule for a free trade agreement only in November, when the World Trade Organisation (WTO) meets in Seattle.

Heads of state from the EU and Mercosur met in Rio to draft an agenda for negotiations that would lead to an accord between the world's biggest free trade zones outside North America.

"We resolved that trade should become more flexible," said Brazilian President Fernando Henrique Cardoso. "The talks won't exclude any area, be it agriculture, services or other topic."

An accord between the EU and Mercosur could boost demand for the main farm exports of the economically battered South American countries, such as grains and oilseeds.

Cardoso said no country was against the inclusion of agriculture in the talks, an area in which the EU plans to spend €42,5 billion (R268 billion) each year from 2000 to 2006. Still, the failure of the countries to commit to a firm schedule indicated that many differences remain.

Cardoso said Brazil and the other Mercosur nations want to get the talks under way by 2001. However, there was no firm commitment on this from the EU.

Europe had a $7,5 billion trade surplus with Mercosur last year, and so has less to gain from the talks than do Brazil and Argentina

Chile, which is an associate member of Mercosur, will also seek to negotiate a trade agreement with the EU on a separate, parallel track, according to the joint statement

It was also unclear whether the EU-Mercosur talks would outpace other free trade initiatives under way, such as discussions on establishing a free trade zone linking the US with Mercosur.

Multilateral trade talks which the WTO hopes to conclude within three years, according to the joint statement, could also overlap with the EU-Mercosur talks.

"We will continue developing the talks" between Nafta (the North America Free Trade Agreement) and Mercosur, Cardoso said.

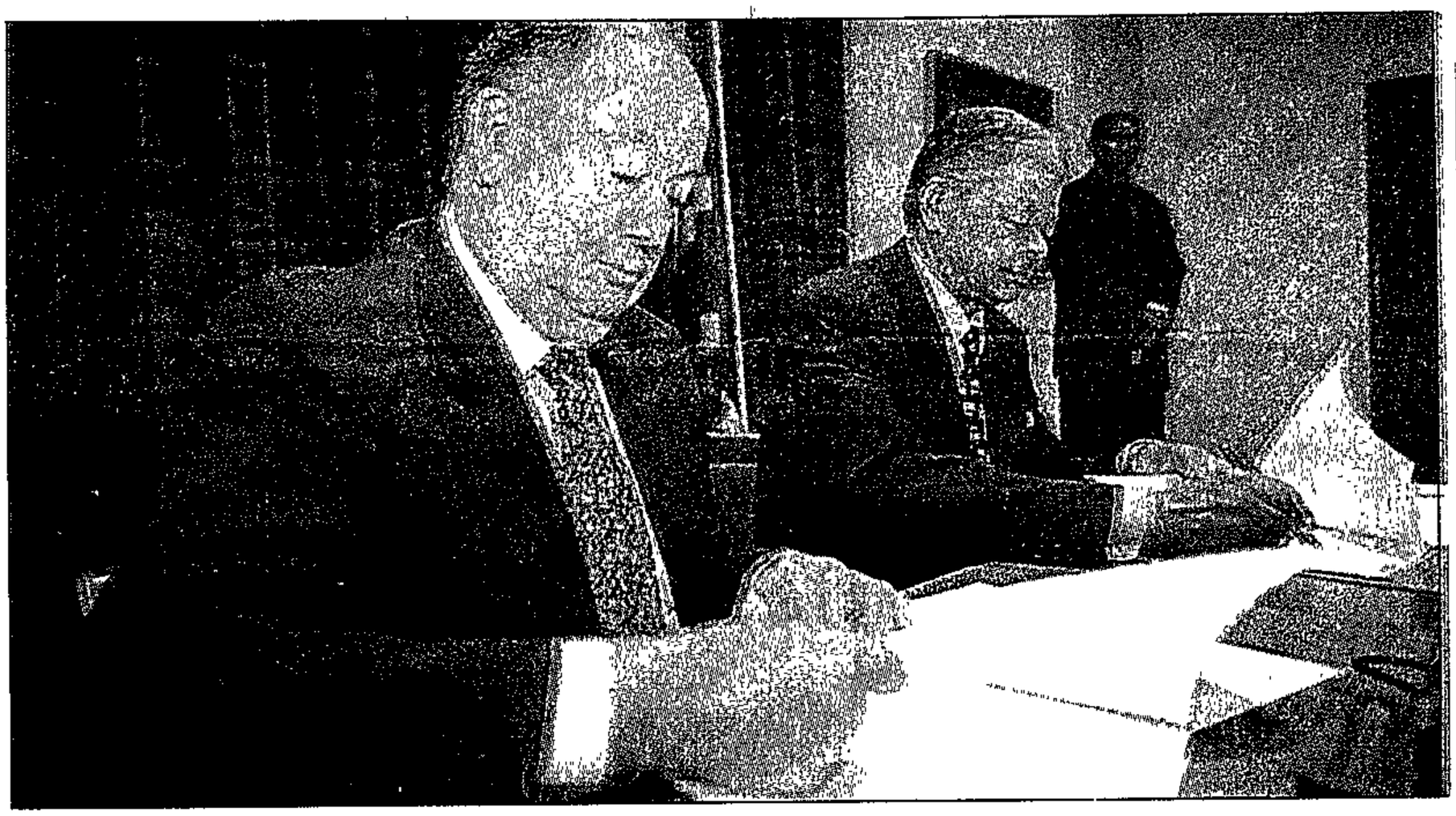
"We won't flee from our hemispheric responsibilities."

The summit, consisting of the 15 EU nations, Latin America and the Caribbean, focused on Mercosur-EU issues on its first day. Talks for the remainder of Monday and yesterday were due to involve all of Latin America, not just its southernmost countries.

The talks follow a period of falling trade between the EU and Latin America. Latin America shipped 13,5 percent of its exports to Europe in 1997, down from 24 percent in 1990.

European goods and services, in turn, comprise 16 percent of Latin American imports, down from 27 percent seven years earlier.

While Mercosur pressed the EU to lower agricultural tariffs and cut subsidies, South American officials said concessions in the talks should be two-sided.



PARTNERS: Western Cape Premier Gerald Morkel and Madeira's President Joao Alberto Jardim sign a co-operation agreement yesterday.

PICTURE: DENZIL MAREGELE

Madeira, W Cape leaders sign trade and tourism deal

(49A) (288) (74)

ZINE GEORGE

PRESIDENT Alberto Joao Jardim of Madeira, who arrived in Cape Town on Monday, has signed a co-operation agreement with Western Cape Premier Gerald Morkel.

According to Morkel, the agreement will lead to "the enhancement of small business, trade and tourism in the region. The 18% unemployment figure in the Western Cape can be brought down through such co-operation."

While no specific projects have been launched, the agreement is aimed at strengthening the trade and tourism ties that have existed since 1988 when Cape Town and Funchul — Madeira's capital — were declared twin cities.

The island of Madeira apparently shares many similarities with the Western Cape. "In both regions tourism is an industry of major importance — so is trade and fishing," explained Morkel.

He speculated that this might be why about 90% of the province's 40 000 South Africans of Portuguese origin come from Madeira.

"It's been years since our people left Portugal and Madeira. South Africa is now their home," said Jardim.

The Madeiran president will visit Port Elizabeth today.

CT 716199

BD 2/7/99

Erwin calls on SA neighbours to industrialise

Patrick Wadula (74) (279A)

TRADE and industry minister Alec Erwin called on SA's neighbours to begin their industrialisation and grow their economies to alleviate the huge trade imbalance.

Speaking at the Mozambique Development Forum '99 organised by Global Pacific & Partners in Johannesburg yesterday, Erwin said it was not possible for SA to achieve a manufacturing economy without the economic development of its neighbours.

African and the Southern African Development Community (SADC) countries accounted for a large proportion of SA's manufacturing exports.

"It is in our interests that our neighbours begin to industrialise and grow," he said. Areas of focus should include agro-processing.

Erwin said with the SA-European Union agreement coming to fruition, and the SADC trade protocol materialising by next year, SA could reduce its tariff levels.

Erwin said the Maputo and Beira corridors were examples in which SA and Mozambique had worked together.

Cross border initiatives were essential for countries like Mozambique. The projects would help uplift the country. Erwin urged SA investors eyeing Mozambique to assist in building the manufacturing and industrial capacity

He said both the government of SA and Mozambique had recently reached an agreement on how to draw up a blueprint for the gas pipeline in Mozambique.

"We think prospects in Mozambique are very considerable. Within a decade we will see a well-developed Mozambique," he said.

This type of work between governments was the only way to get development going in the SADC and the whole of Africa.



Trade and Industry Minister Alec Erwin, at Mozambique Development Forum '99 yesterday, called for an increase in cross-border initiatives between SA and its neighbouring countries to stimulate economic growth in the southern African region.

May's trade surplus on back of Asian recovery (74)

As South Africa seeks to become more internationally competitive, one of the major challenges is to diversify the country's trading base. DAVID JACKSON looks at the key trends in SA's drive to promote an export culture: Pictures: JEREMY GLYN

SOUTH AFRICA's trade surplus soared to R2.2-billion in May — up from R870-million in April — as the rise in exports heralded the recovery in Asian markets.

But the decline in SA's imports underlined the current weakness of the SA economy According to the latest SA Revenue Service statistics, exports to the Asian region were up 20 7% year-on-year for the first five months of 1999.

Exports to all countries rose 8.5% month-on-month to R13 1-billion (including precious metals and stones) and imports declined 2.9% month-on-month to R10.9-billion. The cumulative surplus for the first five months of 1999 is R7.7-billion, compared with R3 65-billion for the same period last year.

The Southern African Customs Union trade balance weakened considerably during 1998 as the emerging markets crisis and the consequent deterioration in commodity prices had an adverse effect on the region's export performance. This was aggravated by accelerating imports on the back of expectations that the depreciation of the rand would translate into price increases.

Industrial Development Corporation economist Theo van Rensburg says although the overall trade surplus has increased more than threefold since 1995, it is still considerably below the R20.5-billion high recorded in 1993. However, this contraction reflects a period of weakening commodity prices — which reached the lowest inflation-adjusted levels in decades

Van Rensburg says import growth was particularly buoyant after the 1994 election — particularly in 1994-1995 — with nominal increases of more than 28% a year

The increased demand for imported capital goods provided the major thrust behind this growth. Surging import demand due to lower tariffs and attempts to address technological backlogs after years of sanctions resulted in increased demand for imported capital equipment

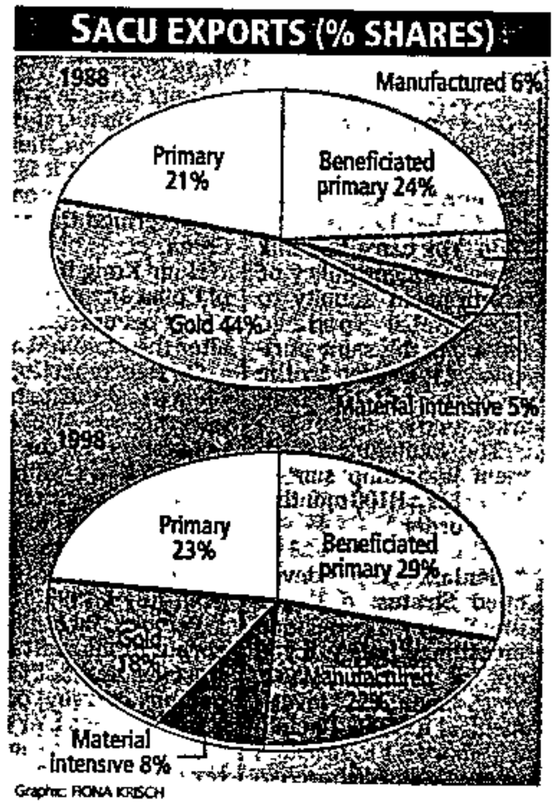
The category's share of the import basket rose from 47% in 1988 to 52% in 1998, while the respective shares of intermediate and consumer goods declined over this period.

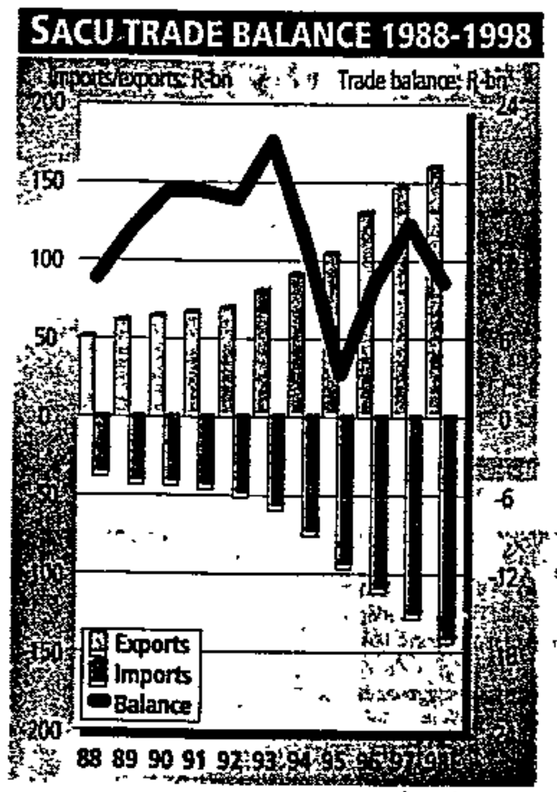
The average annual rate of growth of consumer goods imports declined from 16% between 1990 and1994 to 13% in the subsequent five-year period. This slowdown occurred despite lower tariffs and a strong revival in real private consumption expenditure.

Higher rates of growth of intermediate and capital goods imports in the post-1994 period (15% a year and 18% a year respectively) accompanied a rapid recovery in SA fixed investment, particularly in 1994 and 1995. More recently, buoyant parastatal investment in the transport and telecommunication sectors contributed to strong import demand.

At present, the IDC says, weak demand in SA and a slowdown in fixed investment spending should contribute to lower import growth in 1999 — but the trend is likely to be reversed as business conditions improve from the second half.

Despite signs of a recovery in the exchange rate, the rand's weakness has had a negative effect on the costs of imported petroleum and other industrial products. The price of components used in SA production plants has also increased







The world now wide open to trade with SA (74)

ST (BT) 4/7/99

The opening up of new markets in Africa, Asia and the Middle East offers a potential lifeline for SA exporters — who are favourably placed to exploit the advantages of the rand's low value.

As SA exporters reach out to wider markets, the country continues to record a trade surplus — with rising exports and declining imports reflecting economic forces at home and overseas

SA's imports and exports performance is influenced to a large degree by the state of the domestic business cycle (which determines the level of imports) and the state of the global economy (which affects exports).

First National Bank group economist Dr Cees Bruggemans says special features which boosted imports last year — such as the high level of aircraft imports and the remarkable surge in telecommunications equipment in the public sector — are unlikely to be repeated this year

The extremely dry weather conditions earlier this year could have an adverse effect on the agricultural sector, with farmers already predicting a lower maize harvest. But maize imports, if they occur are not expected to be on a big enough scale to effect the R150-billion plus overall import/export picture, says Bruggemans

He says SA's economy is expected to resume slow growth in the second half of this year — largely as a result of lower interest rate patterns — with brighter prospects for next year But negative growth in the first half of 1999 and the anticipated small growth in the second half of the year is expected to result in minimal growth in imports

On the exports side, Bruggemans says there remains a degree of pessimism because of the fall off in commodity prices. But there are signs of a bottoming out in the world economy, specifically in parts of Southeast Asia, while the US economy is also doing well. A new cyclical recovery can be expected later this year, which bodes well for SA's export potential.

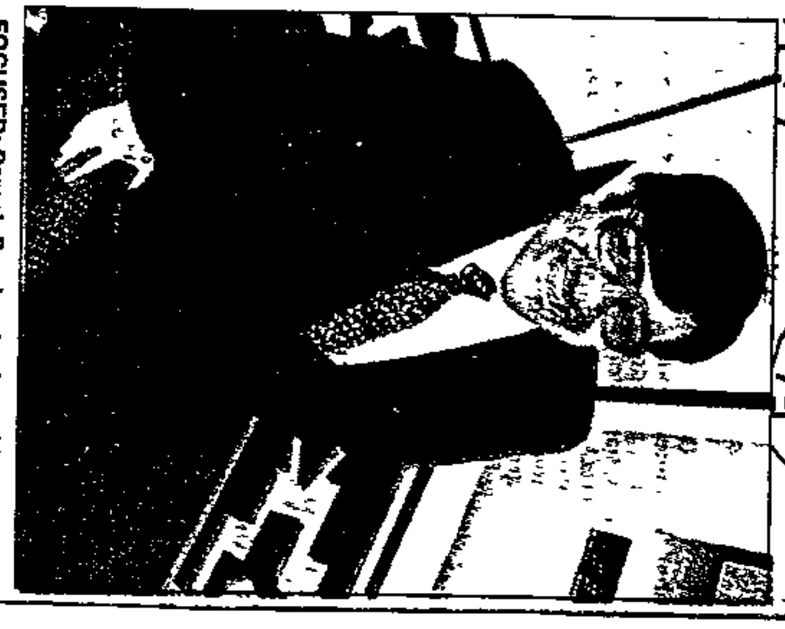
Paresh Pandya, trade and investment analyst with the Mpumalanga Investment Initiative — the province's investment promotion arm — says SA is in a good position to be competitive in developing countries Of the emerging markets, Africa is by far SA's largest, its major trading partners being Zambia, Zimbabwe, Mozambique, Malawi, Angola and the Democratic Republic of Congo

Pandya says SA exporters should specifically focus on countries such as Egypt, Morocco, Tunisia and Nigeria. Since the 1994 election, these countries in particular have been looking to SA as a developing trade partner A number of emerging Middle East markets have also become accessible — Iran included. Although SA traded with some Middle East countries before 1994, this region as a whole should now be targeted aggressively by SA exporters, Pandya says

In Asia, SA's long-established trading partners include Taiwan, Japan and Korea. But India and mainland China are making great strides as major emerging markets. The Chinese are specifically interested in SA as an investment destination.

While many new markets have opened up in Eastern Europe, Pandya says they fall strongly within the orbit of the EU and — at present — are not as accessible to SA exporters.

Education for SA exporters to enable them to tap into these new markets is a key factor "Trading with these new markets calls for a different mindset We're dealing with countries that often have a culturally different background to ours, in terms of how they conduct negotiations and in business ethics If we can overcome these initial hurdles there are huge opportunities in these emerging markets," Pandya says.



FOCUSED: Paresh Pandya, trade and investment analyst with the Mpumalanga Investment Initiative

(74) ST(IT) 4/7/99

SA the first step into rest of Africa

AS South Africa bids to step up its export drive into foreign markets, joint ventures with companies overseas are increasingly becoming a desirable option.

Letitia Schutte, manager: international trade for the Johannesburg Chamber of Commerce & Industry (JCCI), says many companies are using Africa as a teething ground for exports and there has been a major increase in inquiries from SA exporters wishing to do business with Africa.

SA is the gateway to Africa, says Schutte. "It's exceptionally difficult for companies from South America, the US and the Far East to trade directly with Africa. Often they haven't got the patience, time or experience to do so

"South Africans traditionally have traded with Africa and have a very good reputation — in fact, SA companies are taking away market share from France in many of the francophone countries."

China has also emerged as a major exporter of goods to SA and presents potential joint venture opportunities. "If it's more economically viable for a SA company to manufacture a product under licence in China and to have access to Chinese markets in the process, this is something that should be seriously considered," Schutte says.

In the drive to boost competitiveness and production capacity, she says SA companies could follow the lead of the Czech Republic, which is offering companies worldwide capacity on their factory machines. "If machines are standing idle in SA, why should we not offer the spare capacity to our neighbouring countries?"

The introduction of 24-hour production shifts would be another means of increasing competitiveness and utilising spare capacity and would enable SA companies to cover their fixed costs

The recently concluded European Union free trade agreement, which is set to be implemented next year, could open up new markets for SA products. When SA was first granted access to the EU, the expectation was that SA companies would be forced to become more export-orientated

Schutte says if SA companies don't focus on exports as an immediate priority they will not be ready when new and expanded export opportunities open up. "Those companies that don't have an export plan in place now are already too late."



LETITIA SCHUTTE of the JCCI

SA has generalised system of preferences (GSP) agreements in place with countries such as the US, Canada, Japan, Hungary and the EU — to which SA companies already have the opportunity to export goods duty free.

On the imports front, SA companies are still relying to a large degree on imported components, which has also contributed to higher export prices.

SA companies import a substantial amount of raw materials for manufacture. With these imports being paid in US dollars and sterling, the cost of these raw materials increases accordingly.

Schutte says companies need to carefully assess the likely impact of the rand's low exchange rate relative to the dollar and the pound and should build in protection levels

A positive development is that SA manufacturers now have increased access to overseas financing and are able to pay libor rates instead of extremely high SA interest rates

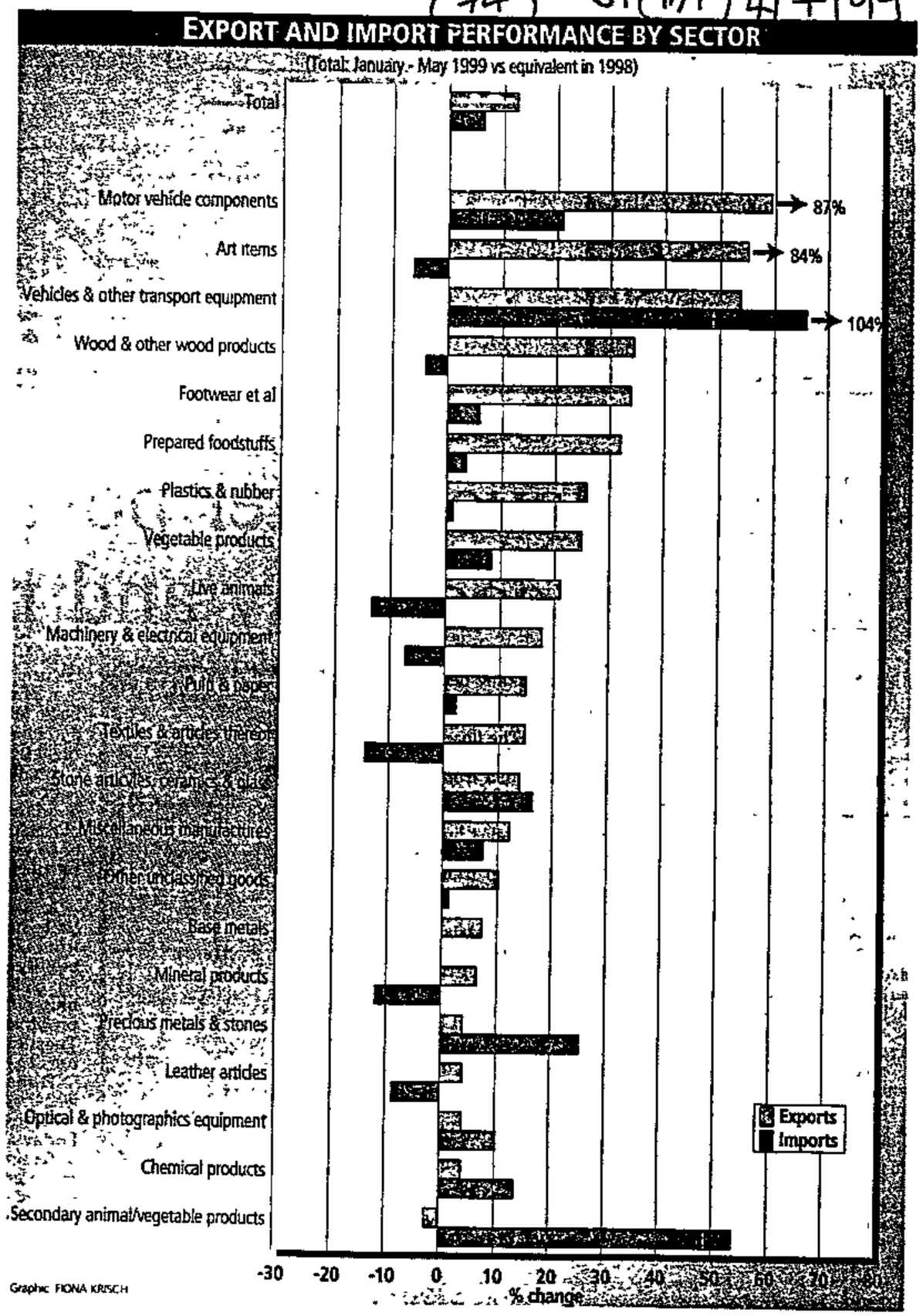
SA manufacturers essentially lack training in dealing with international markets, says Schutte. "We need to train more of our management people in international skills to enable them to become better acquainted with the international market."

The JCCI has been offering an import management training scheme for the past 17 years and its importers' manual is still regarded as the bible for importers. In addition, the JCCI has been running export management courses for the past three years and also launched a manual on exports earlier this year.

During the past five years, the JCCI has hosted more than 300 inward-bound trade delegations. Among these was a successful mission from Australia last November which resulted in multimillion dollar orders being placed.

On average, the JCCI takes six to eight outward-bound delegations of SA manufacturers overseas every year to promote and sell their products in foreign markets.

The emphasis is on new and developing markets, particularly for exporters who have already cut their teeth.



Diversity now key to growth

SA has made notable strides in broadening its manufacturing base. Historically, the strength of the SA economy has been in its extensive gold and mineral deposits, accounting for more than half of total export earnings.

The IDC says that as modern economies have become more interdependent and have started to trade more goods and services (as a ratio of GDP), SA's primary trade and industrial policy objective has also shifted towards the creation of a diversified, export-orientated manufacturing sector which is internationally competitive.

IDC economist Theo van Rensburg says export growth was particularly strong from 1994 to 1997 as international markets opened up to SA producers following changes in the political arena.

But exports have recently come under pressure — not only from contracting East Asian demand but also from weaker global economic conditions and severely depressed commodity prices.

Despite this, considerable headway has been made in diversifying the export basket, as beneficiated primary products replaced gold as the top export-earning category. The share of gold exports in the export basket has been more than halved over the past decade, from 44% in 1988 to just 18% last year. Manufactured goods showed the fastest export growth, with the share of the export basket almost quadrupling to 19% compared with 6% in 1988.

Given that trade and investment are integrally linked, Van Rensburg emphasises that any efforts to increase manufactured exports will have to be accompanied by higher investment levels. "Success in this regard will also depend on the ability of the export sector to confront and embrace the challenges presented by a dynamic, integrated and increasingly competitive global economy," he says.

Nonferrous metal products, iron and steel base metal products and machinery made the strongest contribution to the overall export growth performance between 1994 and 1998. Since 1994, growth in tobacco, transport equipment and electrical machinery export was also particularly vibrant.

Improving prospects for the African continent should contribute to it becoming an even more important trading region. Growth prospects in the Asian region also augur well for exports, as these countries start sourcing production inputs from SA.

SA takes tough line on SADC trade

John Dludlu

SA, WHICH chairs the Southern African Development Community (SADC), has tabled "detailed" proposals on rules of origin to underpin the planned free trade area and is refusing to change them.

SADC trade negotiators meet today in Botswana to try and finalise the bloc's most ambitious deal ahead of next week's ministerial meeting in Botswana.

Mfundo Nkuhlu, the SA chief director for Africa trade relations, said yesterday Pretoria would strengthen its string of bilateral relations if the SADC free trade talks failed to yield desired results.

He said weaker rules, which were apparently preferred by some SADC states, were a recipe for disaster.

At the heart of the dispute is a proposal from the Southern African customs union that seeks to tighten rules of origin governing trade in the SADC. In terms of this plan, SADC members would for example have to agree to "substantial" transformation of raw materials in the clothing and textile sectors.

Tighter rules of origin would help keep jobs in the SADC.

Some SADC members, notably Zimbabwe and Mauritius — both significant players in the textile and clothing sectors — see the union's insistence as a protectionist ploy by SA to protect domestic employment.

A Mauritian official recently warned that SA's insistence on tighter rules of origin would undermine directives of SADC heads of state who signed the document.

Nkuhlu defended the union's position saying the SADC free trade protocol signed in 1996 was always meant to be a framework that would be elaborated during detailed trade negotiations.

Nkuhlu was confident this week's session would result in a breakthrough. Other SADC partners however said a revision of the proposals by SA and its union partners — Lesotho, Namibia, Swaziland and Botswana — was the key to the solution.

Lax rules of origin could easily lead to the proliferation of "fly-by-night" operations that moved around the region chasing incentives.

Nkuhlu said the union's proposal was not unreasonable: it was similar to the rules of origin applied by most SADC countries in trade with the European Union within the Lomé Convention.

Though Nkuhlu stressed the importance of the trading bloc saying the SADC should not be allowed to peter out into insignificance, he said SA would have no choice but to strengthen its bilateral trade accords should the SADC talks fail.

Failure to agree on the SADC trade deal and to negotiate this hurdle, could exacerbate anti-SA feelings in the region. It could also worsen tensions between Pretoria and SADC members who are also members of the Common Market for Eastern and Southern Africa.

How exciting that we are making history

Young whites have a bright future in SA, says Cape Town University vice-chancellor **Mamphele Ramphele**

BD 7/7/99 (74)

TO BE a founder is to be a dreamer. Founders are driven by dreams of what is yet to be. They are able to lift their gaze beyond the now and visible and imagine a different future.

Founders' dreams are not pipe dreams. They are rooted in a realistic assessment of what is possible in a given setting. Founders are also path breakers. The path to their imagined future has to be carved. The carving process is often backbreaking. Often it involves inch by inch slogging.

Founders are not afraid of risks. It is only through being prepared to engage in risk taking that one can depart from the known into the unknown. Risk taking, though, is not to be confused with recklessness. Founders calculate the risks inherent in their chosen path and develop risk management strategies to lower the identified risks. The most successful individuals and institutions worldwide are characterised by good risk management strategies and not risk aversion.

South Africans have a proud history. We are all descendants of founders. It is now being recognised that not only is Africa the cradle of humanity but that southern Africa was most probably home of the human species. South Africans are descendants also of founders over past centuries. All of us except the San and Khoi people are settlers in southern Africa.

This history of SA is a history of how to reconcile the interests of indigenous people with those of settlers. It took us 350 years to work it out. In 1994 we finally achieved a political settlement which put our ugly past behind us. The second democratic election marks the maturity of the political settlement we achieved in 1994. Key to that success is the contribution of visionary leaders who were prepared to take the risk of stretching across the divides to find peace and reconciliation.

We are pioneers in many areas of governance and good public policies. Our national constitution is second to none. Our vision of a nonracial, nonsexist and egalitarian society is inspirational. We have turned our diversity into a source of strength. The richness of our cultural diversity is a comparative advantage yet to be fully tapped.

Educational institutions are not yet drawing sufficiently on this wealth to enhance innovation and promote excellence. So, too, the private sector. Monocultural approaches still characterise much of our institutional practice. For example, monolingualism remains a cocoon trapping many South Africans, especially English speakers. Let us reach into the well of riches waiting to be tapped and build a fusion culture.

Young people in SA need to be reminded how fortunate they are to be members of this society. To be South African is to engage with the making of history on a day to day basis. The most devastating legacy of apartheid is the denial of educational opportunities to so many because of the colour of their skin. We are paying the price of that folly; but we can make a difference. If we follow the founding spirit and refuse to be put off by obstacles, we will succeed.

A legitimate question increasingly being asked by young white South Africans and their parents is whether there is a future for young white people in SA. Anxiety and despondency abound, derived from a sense of uncertainty.

I believe young white men and women must continue to dream. Admittedly their dreams have been tempered by the reality that the playing fields are being levelled so that all South Africans can fairly compete for opportunities. The angst and despondency shown by many young white males in particular derives from the shock of having to compete for opportunities they took so much for granted for so long. Unfortunately there have been real grounds for despair for many young white people.



Mamphele Ramphele ... young white women and men must continue to dream

Some irresponsible employers in the public and private sectors have distorted the intentions of the Employment Equity Act of 1998. They are freezing young people out of jobs instead of searching carefully for the most talented among all people. Levelling the playing fields does not imply levelling down to the lowest common denominator.

SA has enough opportunities for all young people. Young white people with their skills need not fear the future. Those willing to use their skills to build their society have a bright future ahead of them. As a country with the best of modernity available to us, as well as the opportunity to develop the untapped potential of mother Africa, we can only succeed.

A conscious effort must be made to ensure that Africa moves away from the margins of the global economic community, where it has been confined for far too long. It is not going to be taken seriously as a major player until it demonstrates its capacity to influence proceedings at a global level in what is increasingly a knowledge-driven society.

Centres of excellence will play a major role in this challenge, developing the continent's much-needed intellectual capital. Herein lies the challenge for universities and governments. They have to learn to work in partnership to promote social development.

The greatest tribute we can pay our founders is to rededicate ourselves to the vision of a better future. In that rededication must come a commitment to work with others to build that future. The excitement of our daily successes will sustain us.

This is an edited extract of Ramphele's recent address at the Founder's Day celebrations at St Stithians College in Randburg.

Leaders call for end of trade restrictions

Sowetan 7/7/99

(74)

PEACE and investment in human capital were essential for economic growth in southern Africa, delegates to the World Economic Forum's regional summit agreed at the end of a three-day meeting in Durban yesterday.

Government officials and business leaders said the removal of trade barriers and red tape restricting movement between countries, tourism and moral leadership were also imperative if southern Africa was to become an economic giant and able to compete globally.

Speaking to 850 participants at the end of the summit, Klaus Schwab, president and founder of the World Economic Forum, said Africa urgently needed to work against conflict.

"Business leaders have to embrace, support and act on a set of core values and human rights. Enlightened companies have to recivilise globalisation by driving forward the values of a global society.

The Southern African Development Community's executive secretary, Dr Kaire Mabuende, hailed the signing of the Democratic Republic of Congo peace accord on Monday and said the next goal must be peace in Angola.

Nigerian vice president Alhaji Atiku Abubakar called on African leaders to declare the next millennium "one of peace, stability and progress on the African continent".

He said African leaders needed to generate prosperity for their nations and to remove corruption.

"There needs to be an emphasis on decent means to earn a living and the elimination of corruption. We have recognised that corruption has been the source of our problems in Nigeria and we have just sent a strong anti-corruption bill to parliament," he said.

Advocate Dikgang Moseneke, managing director of New Africa Investments Limited, cautioned that dysfunction could occur with rushed economic interventions.

Nonetheless, he said Africa could no longer pass the buck for its own failure – a view shared by President Thabo Mbeki.

Moseneke also urged that far greater attention be paid to "the scourges of Aids and corruption".

Delegates to the summit, including Finance Minister Trevor Manuel, agreed that this was the first of the nine regional summits that has focused on business rather than politics. – *Sapa*

SA-EU TRADE PACT

(74) FM 9/7/99

EURO TRADERS JUST WON'T BUY THE MILK OF HUMAN KINDNESS

SA negotiators may have been 'short-sighted' says EU official

SA is fast finding out it's one thing to sign a free trade pact with the European Union (EU); quite another to achieve compliance.

Food health has emerged as a prime stumbling block for SA trade specialists trying with their EU counterparts to hammer out the practical details needed to implement the bilateral treaty signed in Berlin on March 24

"It makes a mockery of a free trade agreement when we still have to battle with these issues," says Steven Cornelius, deputy DG of Agricultural Resource Management.

He accuses the Europeans of using the health clause of the treaty — known technically as "sanitary and phytosanitary" (SPS) provisions — as a form of protectionism. SPS provisions stipulate stringent health standards for the import of processed animal and plant products — most obviously meat, vegetables and fruit — and are integral to all EU trade pacts, even within and between union members.

"We're told there's a trend toward trade liberalisation around the world, but the whole protectionist debate is just moving to another arena, from tariffs to questions about plant and animal health," he fumes

SA and European Union negotiators spent nearly four years haggling over the free trade deal — almost entirely over tariff reductions and intellectual property rights to products such as port and sherry. Now SA trade specialists are finding that for SA to step up its exports to Europe, slashing customs duties will not be enough, Pretoria will have to start tackling the EU's vast arsenal of nontariff measures

SA's preoccupation with tariffs and lack of attention to nontariff barriers in talks with the EU may have been "short-sighted," say EU officials. Technical norms and standards, such as the SPS issue, are "potential obstacles to trade," admits an EU trade expert. To boost trade flows, SA and the EU should start work on developing "common standards to ensure that our products comply with each other's safety and quality norms", he says

Under SPS provisions, the onus for proof of acceptable health standards usually rests with the producer. But, says Cornelius, developing countries generally don't have the scientific resources to prove compliance, even if they do comply.

"Take milk and cheese; the EU wants us to test for residues, and that would require setting up a major infrastructure that would be enormously expensive," he says.

One option is the negotiation of so-called mutual recognition agreements (MRAs) of the kind that the EU has concluded with the US and is in the process of clinching with Japan These MRAs are designed to ensure quality controls undertaken in one trading partner are accepted automatically in the other country, without the need for further tests

"This could be a useful tool to facilitate EU-SA trade," says the EU official. Others suggest that in addition to development assistance in sectors such as housing and education, SA and other African countries could step up demands for EU technical aid in areas such as quality control

Concern at the EU's high food safety standards is not restricted to SA "Europe's high-quality requirements end up inhibiting trade," says an Asian diplomat, underlining that companies in India, Pakistan and other Asian nations have to keep track of the EU's evolving consumer legislation. Often, they must send their goods to Europe for special quality-control tests.

Rules that allow the 15 EU governments to enact national legislation on subjects related to public health are another complicating factor. "Exporters end up facing a fragmented market in Europe, not a single market," says the Asian diplomat "This means higher costs and more difficulties" Three years ago, for instance, Germany and the Netherlands banned textiles using Azo dyes, in response to fears they can cause cancer France is now planning even tougher Azo-detection standards, prompting fears of further restrictions

African and Asian fish-processing plants are routinely hit by EU restrictions subject to regular inspections by the European Commission's agriculture directorate "For the moment, no African slaughter-houses can comply with our health and safety standards," says an EU farm expert. Imports of beef from Botswana, Zimbabwe, Namibia and Swaziland are allowed in only "under very strict conditions," he stresses.

As the mad cow disease alert three years ago and the latest Belgian dioxin-in-food scare have shown, foreign products are not the only ones hurt by consumers' health concerns. "We are not inventing and using safety norms as protectionist tools," insists an EU official. "The same standards are applied to EU food producers and imports" He points out that in the dioxin crisis, SA and nearly 60 other countries also stopped imports of Belgian farm products, and even some from other European countries

If anything, the EU controls will get stricter. "Belgium's dioxin crisis has shown that food safety standards are not high enough in Europe to deal with the problems we face," says Axel Singhofen of environmental group Greenpeace International. "European consumers are becoming more demanding, both when it comes to food produced in Europe and outside."

Significantly, after consumer complaints about the EU's handling of the mad cow disease crisis, the union's new Treaty of Amsterdam empowers the EU to "ensure a high level of human health protection".

Peter Honey, Johannesburg & Shada Islam, Brussels



Keeping the doctor away *. . . EU strictures could hit SA fruit exports*

Chaos at ports as ship cartels rock SA trade

Consumers set to pay for disorder at harbours and huge shipping hikes, writes AMANDA VERMEULEN

ST (BT) ~~ARG~~ 11/7/99 (74)

CONGESTION at SA's ports — coupled with alleged cartel behaviour by shipping companies — is putting importers and exporters in a stranglehold which could result in pressure on the country's foreign reserves and balance of trade. Liquidations are also looming.

Twelve of the shipping lines which transport goods in and out of SA — over 90% of trade goes through the harbours at Cape Town, Durban, Port Elizabeth, East London and Richards Bay — this week issued Portnet with an ultimatum to resolve the congestion.

They warned that failure to do so would result in deductions from Portnet bills to compensate for costs arising from delays. They also said shipping companies would refuse to pay certain delay-related charges being levied by Portnet.

The problem began last month after the implementation of Portnet's new computer system, Cosmos, at Durban harbour. Poor implementation and staff difficulties in using the system have resulted in containers going missing or sent to the wrong destinations.

Export containers have been returned to Johannesburg after Portnet computers incorrectly labelled them with import status. In addition, container ships which normally have a 24 to 48 hour turnaround in harbours (according to international standards) have been delayed by a week — and sometimes 10 days.

The congestion has forced ships to divert to other harbours, and freight agents, importers and exporters are being burdened with the costs of delayed payment on delivery, re-routing and amendments to documentation. Affected parties are worried about the potential for similar problems when Cosmos is adopted at other ports.

To add to the woes of importers and exporters, the shipping lines appear to be operating cartels without exemption from the competition authorities, particularly on the SA/Far East line.

In June, the shipping companies servicing this line announced they had agreed jointly to raise rates, in some cases by well over 40% — a cost which has to be absorbed by importers and exporters.

Competition Board officials said this week many complaints had been received in which shipping companies were accused of colluding on pricing and running cartels. The shipping companies which operate the SA/Europe line have Competition Board exemption from the cartel prohibition laws but no exemption has been sought or granted on the Far East or US lines.

Board officials said the matter was of grave concern, and once new competition legislation was enacted from September 1, the "matter will be pursued more vigorously". One of the problems facing the current authority in taking action against shipping companies is that present cartel legislation is being challenged by cellular network operator MTN in the Appeal Court.

The board also said it was concerned that the shipping lines appeared to be colluding on the threat of imposing a congestion surcharge on importers and exporters until the situation at Durban was resolved.

> *'Cartels and port congestion are dire for SA's importers and exporters. Importers will pass on increased costs to the consumer'*

Cartel behaviour by shipping lines has drawn international censure. Only last year the European Commission imposed record fines of $298-million on 15 of the world's largest shipping lines, which dominate container trade across the North Atlantic, saying they had abused their dominance of the market and operated a price-fixing cartel.

The consequences of cartel behaviour and port congestion are dire for SA's importers and exporters. Importers will be forced to pass on increased costs and penalties to the consumer, which will have an inflationary effect, analysts say.

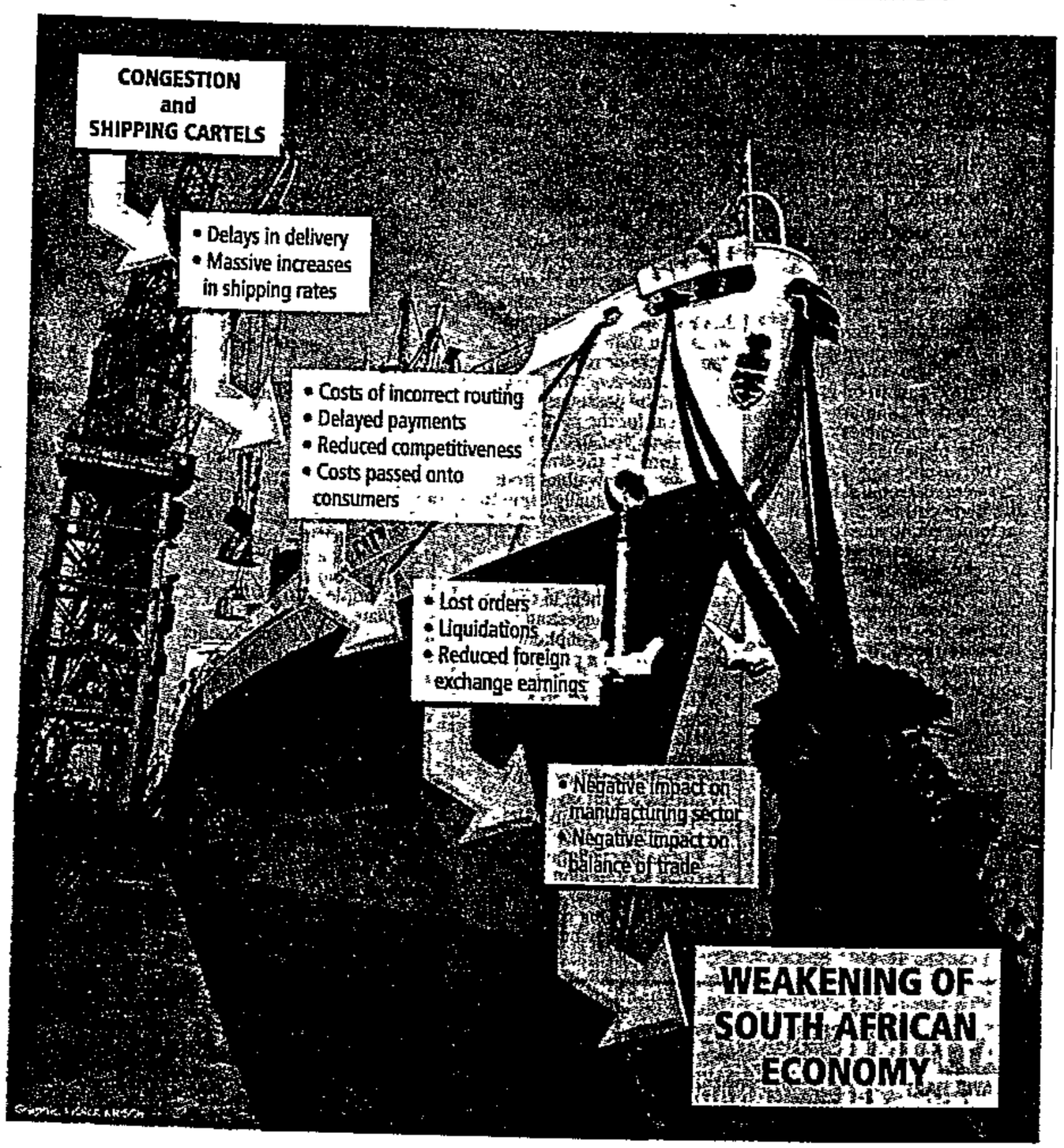
They say the impact on exports could be severe, with additional costs reducing SA's international competitiveness, which in turn will depress the potential to earn foreign exchange.

Econometrix economist Tony Twine says it is worrying that while some elements of the economy are trying to internationalise, others appear to be acting as if they are still in the Dark Ages. "We struggle to be competitive at the best of times, and now even more shackles are imposed."

RMB economist Julia Roy says the additional costs will put pressure on SA's manufacturing sector, which depends on imports, and is crucial to growing foreign earnings from value-added exports. FBC Fidelity economist Mike Schussler says the bottlenecks could disrupt SA's trade balance, and might explain why imports have seemed low in recent trade data. He says the shipping rate hikes are "completely unwarranted".

Portnet GM for eastern ports Jan Jansen says the majority of problems were experienced in the first few weeks, and should be resolved in the next few weeks. He says berthing delays are expected to be 29 hours for the next seven days. He says all Cosmos-related documentation changes will not be invoiced, as agreed with the shipping lines.

However, a spokesman for one of the lines says the shipping companies are having to pay costs arising from delays and congestion, while freight agents say they are still being charged for having to re-route their containers.



Much ado about very little in EU-SA free trade deal

BD 12/7/99 (74)

Fred Ahwireng-Obeng

"FREE trade" is seldom free and fair, yet the new SA government was keen to conclude a deal with the European Union (EU) against all odds.

The impression given is that SA technocrats and politicians do not appreciate the extent of selfishness in international economic relations and may have exaggerated the likely benefits arising from a free trade deal with the more developed EU.

In reality, the initial 1994 commitment to support SA's complex socio-economic transition has capitulated to the more powerful interest group lobbying in the EU.

Consequently, the final accord is likely to confer considerable economic costs on SA.

The deal will see about 90% of trade liberalised on both sides. SA will liberalise its markets to 81% of EU agricultural products and 86% of its industrial sector, and the more powerful EU will do so for 99% and 61% of SA industrial and agricultural products.

It is a fact that trade between the two parties is very unequal, with SA's exports to the EU a mere 1,4% of total EU imports. The EU's exports to SA stood at 44% in 1996.

Most people agree that the free trade deal will bring about cheaper imported goods, but how big the expected price reductions will be, is indeterminate. There will also be a greater variety of goods, although the adjustment cost for SA industry will be heavier than for Europe.

Furthermore, exporters will benefit from greater market opportunities, but heavily subsidised European products like beef, flour and dairy products could destroy local industry if they end up cheaper than local products. In addition, the EU's exclusion of SA products that are competitive in European markets, its insistence that SA should not use the terms "port" and "sherry", as well as its demand for fishing quotas from SA, are likely to have detrimental effects on SA's fragile economy.

The talks were marked by several flaws. The deal undoubtedly ignores the realities of the EU's skewed trade flows with SA and the fact that the SA economy is currently undergoing fundamental restructuring.

Contrary to what it demanded, SA has not been given concessions that would facilitate its socio-economic transition and enable it to play its expected role as a growth pole in the southern African region and a propelling force for an African renaissance.

Ahwireng-Obeng is professor of Economics and director of the Centre for Entrepreneurship at the Wits Business School.

Customs chief 'forced to quit' over scam

BD 12/7/99 (279A) ~~297~~ (74) (197)

John Dludlu and Christof Maletsky

GOVERNMENT has uncovered a scam involving SA and Namibian textile firms' abuse of an export incentive believed to have cost the Southern African Customs Union at least R50m in revenue.

In Namibia, where the duty credit certificate scheme is widely used, speculation is that customs director Samson Kaulinge, the chairman of the interministerial committee set up to vet duty credit certificate applications, has been forced to quit over the scam. More junior officials have also left. However, Finance Minister Nangolo Mbumba has denied that Kaulinge's departure is linked to fraudulent use of the scheme.

The scheme, launched in 1994, was designed to encourage international competitiveness in the clothing and textile industry. Manufacturers may, on the basis of export performance, claim rebates of up to 30% of the value of exports to noncustoms union members The scheme, to be phased out by 2002, also allows manufacturers to diversify their range in the domestic market.

Kerryn House, a director for clothing and textiles at the SA trade and industry department, confirmed that investigators discovered discrepancies between the value and volume of exports and duty credit certificates.

In one case, a small Namibian firm claimed credit for exports amounting to more than SA's total textile exports.

However, House stressed that the bulk of abuse was found in Namibia. In SA the discrepancies were minimal because of strict monitoring by customs.

House said it was difficult to quantify the scale of the abuse, but government sources suggested it amounted to about R50m, translating into a loss of import revenue for the customs union's revenue pool.

The investigating committee found that most import duty rebates awarded to Namibian clothing companies were given irregularly. It recommended to the finance minister that Kaulinge be charged with misconduct, government officials said in Windhoek. Though most abuse involved inflating export figures, benefits from certificates received under dubious circumstances in Namibia were shared with SA firms.

SA sources say it is still possible to take action against government officials who colluded with the private sector.

The trade and industry department's Mfundo Nkuhlu said workshops had been held with Namibia's authorities to try to minimise incentive abuse.

IN BRIEF

Trade talks with Zimbabwe

THE trade and industry department would issue a statement on Monday on the outcome of talks in Bulawayo between Trade and Industry Minister Alec Erwin and his Zimbabwean counterpart Nathan Shamuyarira, a SA diplomat said last night.

Shamuyarira was forced by the illness of a relative to fly back to Harare early, curtailing talks.

Erwin told the annual congress of the Confederation of Zimbabwe Industries that the future of the region did not lie in protection but in trade.

An imbalance in trade between the two countries sees SA exports of Z$13bn a year to Zimbabwe, while it imports only Z$3bn worth of goods from its northern neighbour. — Michael Hartnack.

(74) 10/7 BD

US trade act still in doubt

BD 19/7/99 (74)

Uncertain reception awaits proposed law to expand Africa's trade preferences

Simon Barber

WASHINGTON — Expanded US trade preferences for African textiles, clothing and other goods not already exempt from tariffs, endorsed by the House of Representatives on Friday, still face an uncertain future in the Senate.

Despite heavy White House lobbying, the Africa Growth and Opportunity Act received just one more vote in the House than it did last year, when the Senate let it die. The final tally was 234 to 163, with 37 members not voting.

Although the Africa bill is one of several trade measures approved by the Senate finance committee which majority leader Trent Lott has said he was interested in passing this year, it remains unclear when and in what form the upper chamber will take up the measure.

Opponents from textile producing states in the 100-member Senate, unlike their colleagues in the House, have the power to filibuster. Under the Senate's rules, it will take a 60-vote majority just to let the bill be debated.

The bill was backed in the House by a 136-to-63 majority of Republicans, while Democrats divided 99 against and 98 for. The Congressional Black Caucus split, with 20 voting for the bill and 14 siding with Jesse Jackson Jnr, who tried to act as a spoiler of behalf of protectionist organised labour.

The House Republican leadership barred Jackson from introducing his alternative "Hope" bill. This sought to impose quotas, which currently apply only to textile and clothing from Mauritius and Kenya, on all of Africa. It would also have denied expanded trade benefits to products of African factories if majority-owned by US or other non-African investors.

A major aim of the growth bill is to stimulate investment in reforming African economies by opening the US market to goods made on their soil. Some fear this will result in exploitation. Without "Hope", said Jackson ally Congressman Maxine Waters, Africa would be "raped" by the same multinational corporations that resisted disinvesting from apartheid SA.

Jackson was allowed to offer one amendment to the growth bill. This would have required the US Overseas Private Investment Corporation (Opic) to give black Americans and other minorities 70% of the loan guarantees it is providing to help capitalise private equity funds for investment in African projects. The proposal was rejected on a voice vote.

Two of the Africa funds Opic is backing with loan guarantees — the $120m New Africa Opportunity Fund, and a new, not yet capitalised $350m infrastructure fund — are being managed by a black American company, the Sloan Financial Group.

The House threw out a motion, by Georgia Congressman Sanford Bishop, also of the black caucus, which would have denied benefits not only to African textiles but also to clothing unless made with US thread and fabric.

The version of the bill adopted by the Senate finance committee contains a similar provision. If, as is likely, this remains in the bill the Senate passes, there will have to be a compromise between House and Senate, perhaps limiting benefits to clothing made of African fabric.

Comment: Page 9

Trade aid gets thumbs down from business

BD 19/7/99 (74)

Government's export marketing assistance is 'too complicated'

Patrick Wadula

GOVERNMENT's export marketing assistance programme and the services provided by the international divisions of banks have not had a positive effect on exports from SA, a recent survey shows.

The survey, conducted by the Johannesburg Chamber of Commerce and Industry, says 50% of exporters — out of the 66% who had used the services offered by the government programme — were not impressed with the facility.

Many found the system to be too complicated.

Similarly, the service provided by the international divisions of banks was rated poorly by most of those who had used it.

The survey says SA exports fell in the first quarter of this year, when compared to the same period last year.

While the collapse of the Asian markets contributed to this fall, respondents identified spiralling costs as the primary obstacle to their ability to compete in international markets.

Labour costs were seen as a huge contributing factor to the fall, followed closely by the cost of imported inputs and transport.

Respondents said labour and transport costs were threatening export competitiveness and that if strikes were called, they would compound the difficulties and further damage the prospects for recovery for the rest of this year.

Other factors affecting exports were the delays at local ports, such as the congestion at the busy Durban Harbour that followed the introduction of Portnet's new computer system.

The survey says exporters will have to deal with increased costs as documents will have to be amended and shipments rerouted. This may result in the cancellation of orders because of late delivery.

Many respondents referred to knowledge of markets and the availability of skilled staff as critical factors needed to boost export levels.

Marius de Jager, the chamber's CEO, said exports now formed an integral part of manufacturers' output, unlike in previous years when export markets were only sought when there was a slump in the local economy.

The survey also found that a large number of small businesses were involved in exporting.

"It is clear that exporting is an important factor in the strategy of the small business sector. Of the 38% of companies that achieved an increase in export orders in the first quarter of this year, the percentage exported was up by about 44% compared to last year," De Jager said.

This was attributed mainly to new markets, expanding market share and new products.

ANALYSIS

US opens doors for textile trade

(197) (74) CT 20/7/99

RICH MKHONDO

A new era of trade beckons between the US and sub-Saharan Africa with new legislation

UNITED STATES lawmakers have approved a far-ranging American economic initiative for South Africa and 47 other sub-Saharan African nations that offers enhanced trade benefits in exchange for the adoption of free-market practices.

The House of Representatives' approval of the Africa Growth and Opportunity Act (AGOA) by a 234-163 vote on Friday night to grant sub-Saharan African nations duty-free access to the US market provided the fabrics have been assembled from US-made textiles, brings closer a trade bill which would extend sweeping trade preferences. African-made textiles currently face import taxes of 15 to 25%.

"This will open a new era for US relations with sub-Saharan Africa," said Republican Congressman Bill Archer, who heads the House Ways and Means Committee.

After the vote, Charlene Barshefsky, the US trade representative, said in a statement that the House had taken "a vital step toward promoting further economic growth and reform in Africa".

The bill does not affect foreign aid to African countries. For the Africa bill to become law, it must be ratified first by the House and then the Senate. At the moment there is competition by both supporters of the Senate and House bill. So far prospects for a Senate passage are unclear, even though its version of the bill is more restrictive. It would require, for example, that African nations use American raw materials in the manufacture of their textile exports to the United States.

But Senator Richard Lugar is hopeful. "The US policy has virtually ignored Africa," said the Republican from Indiana who is the Senate's main sponsor of the measure. "This bill encourages a transition from aid to trade for sub-Saharan countries committed to economic and political reform."

The bill has languished on Capital Hill for almost three years. Last year it was passed by the House, but it stalled in the face of opposition from US textile interests in the Senate.

The House version would eliminate quotas on textiles for several African states while continuing a no-quota policy for other African nations. In addition, it would establish a US-African Economic Forum, as well as a US-sub-Saharan Africa Free Trade Area.

The bill would extend duty-free treatment to many African-made goods for 10 years and substantially increase the number of products which would qualify for duty-free treatment.

It also provides hundreds of millions of dollars in new money for the government's Export-Import Bank and the Overseas Private Investment Corporation for investment guarantees and credits for US companies doing business in Africa.

The Senate version of the Africa bill is less extensive than the House version, making it unpopular among members of President Bill Clinton's Democratic Party. However, its strength lies in its extension of duty and quota-free preferences to the 48 sub-Saharan African nations. But the bill's chances are hampered because it is not strongly supported by the group it is intended to help — textile and apparel manufacturers. The textile industry says it fears China would use the African countries to illegally trans-ship apparel goods.

The Senate version is also incorporated into broader trade legislation that includes a Caribbean Basin Initiative, backed by Senator Trent Lott of Mississippi, the majority leader.

Any differences between the House and Senate versions would then have to be reconciled before the legislation was sent to the president to be signed into law. However, when seriators and congressmen tried to reconcile their differences last year, protectionism, the power of the textile lobby and unions, election-year manoeuvres and party political point-scoring and bickering relegated the Africa bill to an omnibus legislation, consisting of a bundle of several other worldwide trade liberalisation measures such as Fast Track, Caribbean Basin Initiative, Generalised System of Preferences, Shipbuilding, Mongolia Bill and Wool Tariff. The merger created a new omnibus bill, the Trade and Tariff Act of 1998, which incorporated a revised version of the Africa bill.

When congress adjourned last October till January this year all unpassed or unfinished legislation died with the end of the congressional term. This year, like other bills waiting passage by the powerful Senate, the Africa bill has been reintroduced and must go through the entire process once again, including this week's passage by the House of Representatives and the Senate.

If passed by the Senate, the Africa bill would be the first significant free-trade legislation since the North American Free Trade Agreement in 1994.

Trade remains a divisive issue for both parties, Republicans and Democrats. Business groups generally favour free trade. So do farm organisations, although some individual farmers are opposed, particularly those who think they have been hurt by imported wheat from Canada. The main opposition comes from labour unions, which fear that low-paid workers overseas will get American jobs.

Supporters of the Africa bill say it represents a modest trade-oriented approach to development that will supplement traditional forms of assistance and expand African markets for US business. And they said its adoption would enhance prospects for security and peace in the region.

Opponents argue that, by eliminating quotas and cutting duties on certain textile exports, the bill would set the stage for customs fraud as Asian manufacturers increasingly trans-ship their products through African intermediaries. In addition they expressed concern about the impact on the domestic US textile industry and on US workers.

Value of US-SA trade is still dropping, but SA's surplus up

BD 22/7/99 (74)

Simon Barber

WASHINGTON — The overall value of US-SA trade continued to fall in May, leaving the first five months of the year 13% down on the comparable period last year, while SA's new trade surplus with the US kept rising to reach $142,8m.

According to the US commerce department, trade with sub-Saharan Africa was 18% down on last year, reflecting a 22% drop in the volume of US oil imports from the region. Africa is not growing as a market for US goods either, with shipments down 15,2% in value.

Up to May, the customs value of SA exports to the US, at $1,19bn, was 4,5% lower than a year ago, in part reflecting lower commodity prices and goods priced more competitively in dollar terms.

However, SA's largest single export to the US, platinum sponge, was down 21% by volume, falling to 16,9 tons. The value of platinum group metals went to $380m from $417m, cushioned by increased sales of palladium and rhodium.

The value of SA iron and steel to the US was hurt as much by falling prices as by US antidumping actions, falling from $201m to $169m.

Shipments of cold rolled steel, principally an Iscor product worth $25m as of May last year, fell to $12m this year and faces a likely 17% dumping duty in November. The impact of antidumping and countervailing duties on Columbus Stainless last year was evident in stainless steel plate. US imports to May were valued at $9,9m, compared with $29,4m a year ago.

A dramatic reduction in shipments of seamless steel pipe to $688 000 from $5m came too late to save Iscor from an antidumping suit. But SA was not targeted in the dumping cases against hot-rolled steel, and exports to the US rose from $5,5m to $18,2m.

An unusual 3,9 ton shipment of gold bullion in March boosted SA's exports to the US by $36m. The volume was more than double all US imports of SA bullion between 1994 and last year.

Meanwhile, US exports to SA, skewed upward in the latter half of last year by a major airliner deal, continued to sag across the board. Government efforts to protect the SA poultry industry appeared to be paying off, as imports of US chicken fell to $6,1m as of May from $18m a year ago.

Also striking was the sharp fall in imports of US telephone switching gear, to $14m from $34,8m.

Total trade between the US and sub-Saharan Africa was worth $7,2bn in the first five months, down from $8,5bn a year ago. The US exported goods valued at $2,1bn to the region. Imports from it fell 16% to $5,1bn.

Angola moved ahead of Nigeria as the US's number one African supplier of high quality crude oil, shipping 57,3-million barrels. Nigeria posted 53,5-million barrels. Both were down on last year.

(279A)

Employers, unions unite on SA tariffs

(184) (197)

Reneé Grawitzky (74)

CLOTHING and textile employers and labour have joined forces to put pressure on government to review bilateral agreements with southern African countries and to look at tariff restructuring ahead of the World Trade Organisation talks in November.

The joint initiative was agreed to at a meeting this week between the SA Clothing and Textile Workers Union, the Clothing Federation of SA and the Textile Federation of SA.

It comes against a background of rising job losses and a growing crisis in the clothing and textile industries, as customs is ineffective in stemming illegal imports.

Employers and labour say they are frustrated by the way the industry's plight is disregarded by government. Since 1996 more than 20 000 jobs have been lost in the clothing industry alone.

The parties agreed to submit a joint memorandum to Trade and Industry Minister Alec Erwin and Finance Minister Trevor Manuel, asking them to hold an urgent meeting to discuss government's trade policy and retrenchments in the two industries.

Both the union and employer bodies believe that before a Southern African Development Community (SADC) free trade agreement is concluded, safeguards should be put in place such as adequate customs control, common external tariffs and the withdrawal of preferential trade agreements.

Zimbabwe sugar exports hurt SA's regional sales

(3 SUGAR (74) (279A)

Nicola Jenvey

DURBAN — Zimbabwean sugar sales into the five-nation Southern African Customs Union are hitting SA sales following the bilateral agreement reached last year, SA Sugar Association chairman Don MacLeod said yesterday.

Addressing the annual meeting, he said local sugar sales have come under pressure from an embattled economy and higher Zimbabwean exports to the customs union, particularly since there was evidence of illegal imports.

This was despite the local industry achieving a record 2,6-million tons of sugar for the 1998-99 season.

Not giving figures, MacLeod said "considerable efforts" were being made to stem the flow and limit the negative effect of these activities on SA's sales. The customs union includes SA, Swaziland, Namibia, Lesotho and Botswana.

During the season SA exported a record 1,4-million tons of sugar to 28 countries. Raw sugar was mainly exported to Far East markets and the Middle East. Major refined sugar markets were East Africa, Iran and Mauritius.

MacLeod said the 1999-2000 season would be "a difficult one" for the industry given the low world prices, a static local market and less favourable summer growing conditions. The smaller crop, estimated at 2,4-million tons, will mean lower incomes for both the growing and milling sectors.

MacLeod said the policy document drawn up by the trade and industry department indicated that it supported the continuation of a tariff and single export marketing channel "as long as the world sugar market remained significantly distorted".

The tariffs and trade board is reviewing the current tariff and formula. "It is important to the industry that their decision provides enough protection from dumping by sugar exporting countries as a result of (the) current low world sugar prices," he said.

Industry analysts have said the board may want to change the highly protected industry's structure and reduce barriers.

MacLeod reiterated the importance of a sugar protocol in the 14-nation Southern African Development Community (SADC) where a free trade agreement was being negotiated.

He said until US and Europe Union "sugar regimes" were dismantled, the community should continue to benefit from preferential trade agreements under the Lomé Convention and an SADC sugar protocol should be in place.

(74)
(279A)

Sacob slams Govt over free trade deal

Sowetan 28/7/99

Sowetan Business Reporter and ECN

THE South African Chamber of Business has criticised the Government's plan to enter into a free trade agreement with neighbouring countries before certain "fundamentals" are in place.

In a statement Sacob chief executive Kevin Wakeford said his organisation recognised and supported the importance of economic integration with other Southern African Development Community (SADC) countries.

However, he said, they questioned the "soundness" of ratifying a free trade agreement without effective customs and border control systems vital to contain potential abuse and fraud. Sacob said the process had largely been politically driven.

Wakeford said many problems were already being experienced within the existing South African Customs Union (Sacu).

Sacu is made up of Botswana, Swaziland, Lesotho, Namibia and South Africa.

He said defects in the systems were demonstrated by South Africa's "apparent inability" to upgrade and strengthen its own border control systems and to ensure that the present Sacu agreement was honoured.

Wakeford said there were several areas of concern which required attention. These included the enforcement of rules of origin and product standards and the establishment of dispute settlement mechanisms to deal with irregularities.

Wakeford also criticised the low levels of cooperation with Sacu partners when dealing with sensitive imports and the central reporting of import permits.

Wakeford said Sacob would present a memorandum to government laying out the concerns of business and the need to strengthen the enforcement of the free trade area.

He said unless the Government grasped the "seriousness" of the potentially negative effects of a premature free trade agreement, South Africa's "already brittle" business fabric could be undermined.

Development strategy draws on global trends

(74) BD 30/7/99

Linda Ensor

CAPE TOWN — The trade and industry department is involved in talks with the SA Revenue Service to establish its own offices at ports of exit in time for the implementation of the trade agreement with the European Union (EU) on January 1.

Willem Smalberger, deputy director of foreign trade relations (EU desk), said a "mutual conformity" agreement, which would allow SA products to be tested for European specifications in SA instead of at high cost in the EU, was also on the cards.

Speaking at the launch of the Blaauwberg municipality's framework document for an economic development strategy, Smalberger said having department offices at ports of exit would ensure that certificates of origin — required by exporters in terms of the agreement — could be immediately authorised with all other export documents.

The department was also planning on having a system of accredited exporters who would be able to certify their own documents, subject to verification by a departmental inspectorate.

Smalberger urged businessmen to carefully study and take advantage of the opportunities offered by the EU-SA trade agreement. Companies should commission someone in the firm to examine how the agreement, particularly its rules of origin, applied to them. Structural adjustments and the development of new product lines might be necessary.

The department was keen that all exporters had a copy of the document, which was likely to be signed and published in the next few months. It would also be posted on the department's website.

Western Cape economic affairs and tourism MEC Hennie Bester gave a broad outline of the provincial draft economic strategy which will be circulated to stakeholders shortly for comment. The drafters had taken global developments as their point of departure and devised strategies to ensure that the Western Cape participated in them.

The emphasis would be on developing the Western Cape as a learning region. Resources would be channelled into creating a highly skilled workforce, fostering a world-class university education and creating a low-cost environment to attract multinational investment.

The economic blueprint of Blaauwberg is one of the six for metropolitan areas in the Western Cape, focused on tourism promotion and enhancing the region's attractiveness for investment.

Tourists are expected to be drawn by the Ratanga Junction theme park at Century City, which will also house the largest shopping and office mall in Africa. Industry is the main sector in the region and the strategy document proposed establishing a standing work group for industrial promotion.

Emphasis would also be placed on private-public sector partnerships, development of small, medium and microenterprises, reducing bureaucratic red tape, improving public transport links and black economic empowerment.

Erwin takes on US on dumping (189) (74)

JOHN FRASER

Johannesburg – Alec Erwin, the minister of trade and industry, lodged a tough protest with Washington this week over persistent anti-dumping suits against South African steel exporters.

He raised the issue in a video conference with Charlene Barshefsky, his US counterpart, in the context of the new Trade and Investment Framework Agreement between Pretoria and Washington. CT (BR) 30/7/99

Erwin said US anti-dumping actions had created a climate of uncertainty for South African steel exporters. He warned that firms were not going to invest time and effort in seeking export markets in the US because of the ever-present threat of anti-dumping measures.

South African trade officials said measures such as last year's anti-dumping duties by the US on Columbus Steel would effectively exclude South African exporters from the US market.

"We are deeply concerned about the spate of anti-dumping duties," said Tshediso Matona, the director for bilateral trade in the department of trade and industry.

"A long-term solution needs to be found to this problem.

"We don't think that repeated use of anti-dumping is a productive strategy; it acts against trade and affects bilateral relations."

Discussions between officials from Washington and Pretoria ranged over a number of flashpoints in US-South Africa trade, including the row over drug patents.

The US insists that new South African medical legislation must not breach Pretoria's international obligations regarding drug patents and intellectual property.

WTO faces backlash

Poor countries now want to call the shots after being subjected to years of trade agreements they were never party to. Feature writer **Claire Keeton** explains why

(74) Sowetan 2/8/99

A GLOBAL campaign to oppose expanded powers for the World Trade Organisation (WTO) when its member governments hold their "millennium round" of talks later this year is gaining momentum in South Africa.

The campaign has most support among civil society organisations in developing countries, which see the WTO as promoting the interests of transnational corporations at the expense of their people and the environment.

More than 800 organisations worldwide are lobbying to ensure that the WTO's Third Ministerial Conference in Seattle in November and December does not perpetuate this problem, but instead reviews existing agreements and decision-making structures.

Today members of civil society in South Africa – from environmental, labour, religious and non-government organisations to universities – will submit their recommendations for the Seattle talks to the Department of Trade and Industry.

The department's deputy director for multilateral trade relations, Francis Moloi, said the Government was currently working on a "negotiated mandate" for South Africa to present to the WTO.

"We will hold a national consensus symposium from August 24 to 26 to negotiate our objectives and mandate (for Seattle)," he said.

Moloi said all sectors of civil society would be invited to attend and put forward their priorities for the millennium round of talks.

He said that the Government did not formally submit any proposals for the Seattle agenda before the deadline of July 31. All 134 member countries had the opportunity to put items on the agenda.

A senior researcher at the Institute for Global Dialogue (IGD), Kato Lambrechts, said leading WTO members (the European Union, United States and Japan) have already indicated they would support a new round of negotiations in Seattle.

But this is exactly what many civil society organisations worldwide are opposed to – the launching of any new issues. Instead, Lambrechts said at a seminar hosted by the IGD in Johannesburg last week, they were campaigning for the millennium talks "to review, repair and reform the existing WTO agreements".

Third World Network, a foreign civil society organisation, identifies the problem with existing agreements as follows: "The Uruguay Round Agreements (from 1986 to 1994, which led to the establishment of the WTO) have functioned principally to prise open markets for the benefit of transnational corporations at the expense of national economies; workers, farmers and other people; and the environment."



Minister of Trade and Industry Alec Erwin.

However, the WTO would challenge the view that it was controlled by transnational corporations.

Moloi said: "The WTO secretariat will say this is a misconception and that it is a member-driven organisation of sovereign governments that have signed an agreement The members themselves agree on the rules and procedures."

Yet he conceded: "I would not dispute that the countries who appear to be setting the agenda and the pace in the WTO are the developed countries."

Moloi explained that for powerful lobby groups in developed countries, like the US, this was precisely the flaw of the WTO – that it was a closed club of governments which excluded them from having a seat; they want "civil society" representation.

Participants at the IGD seminar, organised by the Campaign Against Neoliberalism in South Africa (Cansa) and the Group for Environmental Monitoring, were unanimous that they opposed the WTO as an institution.

They disagreed with the assumption underlying the WTO – that increased free trade and competition would raise global welfare, with benefits "trickling down" to the poor.

On the contrary, participants saw the WTO as allowing transnationals to operate to the detriment of the social and environmental concerns of individual countries.

WTO decision-making was seen to be weighted against poorer countries which lack the financial or human resources to follow all negotiations at its Geneva headquarters, or to enforce measures against developed countries which contravene the rules.

They expressed concern that the WTO, like the World Bank and International Monetary Fund, impacted negatively on many developing countries.

"These negative impacts are a strong reason to call for the closure of the WTO," said Cansa chairman George Dor. "But the (South African) Government is participating in the Seattle round, therefore we have to make recommendations to it about what demands it should make there."

Dor said these recommendations would contribute to the debate around South Africa's mandate to the WTO over the next few months.

At the top of this list is the call for no new negotiations, in particular negotiations around investment, competition policy and government procurement This will prevent a controversial initiative on investment from resurfacing.

Promoted by the industrial countries, the Multilateral Agreement on Investment – which would allow transnationals to invest on their terms in any country of their choice – was blocked last year by a wave of international opposition.

Another recommendation for the Government to take to Seattle is that the WTO reviews all its agreements, assessing both their negative and positive impact on countries

"A process should be launched to review, repair and reform the existing WTO agreements; its decision-making system; participation in the WTO; and WTO accountability towards citizens and parliaments," Lambrechts suggested.

In addition it was recommended that industrial countries should be forced to lift offensive measures against developing countries and implement those which were appropriate.

These recommendations are in line with those of the international campaign to review the role of the WTO, which could have a significant impact on the Seattle talks.

SA exports unscathed by Comesa

(74) (74A)

BONTLE HEADBUSH

Johannesburg – South Africa was not threatened by the free trade agreement the Common Market for Eastern and Southern Africa (Comesa) proposed to implement in October 2000, the department of trade and industry said yesterday.

Marina Meyer, the department's deputy trade director of African trade relations, said the bloc's tariffs on South African exports would remain unchanged and would not have a negative effect on the country.

"Despite the tariffs imposed on South African exports, we still trade more with the Comesa countries than they do with each other and we have preferential bilateral agreements with almost all of them," said Meyer.

She said South Africa had opted to become a member of the Southern African Development Community (SADC) because of the established political economy in the structure, and because it would provide a more manageable free trade area.

The move towards a regional free trade area would position the region to attract foreign investors. SADC expected its trade protocol to be ratified in time for implementation on January 1.

A source said of Comesa's desire for South Africa to join its trading bloc: "We are most likely to see an enlargement of the existing SADC structure, instead of South Africa joining Comesa."

CT(BR) 3/8/99

Lobby groups challenge WTO trade rules

(74) BD 3/8/99

John Dludlu

SA-BASED nongovernmental groups plan to call for major revisions of multilateral trade agreements, as governments prepare for another round of trade liberalisation talks.

Kato Lambrechts, a senior researcher at the Institute for Global Dialogue, says that because of the capacity constraints facing developing nations, the pressure is on for the next round of World Trade Organisation (WTO) talks to exclude the so-called "new issues". These include linkages between trade and the environment, investment rules, state procurement as well as competition policies.

Developed countries are pushing for these issues to be included in the WTO's next round of discussions.

Lobby groups held a workshop last week to solicit the views of churches, labour and civil groups on the position that SA should adopt, as part of preparations for the WTO meeting in the US in December.

Only a few developing countries can afford to maintain a presence at the WTO's headquarters in Geneva. Only five southern African countries are represented, a factor which limits participation in WTO activities.

WTO agreements that do not benefit developing countries now include the textile arrangement, the agricultural deal and trade-related intellectual property rights.

Non-governmental groups say proposals by developed countries to tighten the intellectual property rights accord in a way that would restrict access to affordable drugs and medicines by developing countries should be resisted.

Lambrechts said a letter detailing the groups' proposals would be dispatched to SA government negotiators.

BD 7/8/99

EU may soften the effects of trade deal on SA neighbours

Prof Malema (279A) (74)

GABORONE — The European Commission has signalled strongly that it might provide fiscal support to SA's neighbours to cushion them against the effects of the recently concluded free trade deal with Pretoria.

Robert Collingwood, head of the European Union (EU) mission in Botswana, said: "Although we have not received any proposals from the (four customs union) countries, we do not want to exclude anything. The support package might involve direct contribution to the treasury".

As members of the Southern African Customs Union, Botswana, Lesotho, Namibia and Swaziland stand to lose revenue from the reduction of the union's tariff on EU imports as part of the EU-SA trade deal. This is the clearest signal yet that the EU might be prepared to provide direct budget support to these countries. Revenue losses have been estimated at between R200m to R3,5bn a year.

Countries that will be hard hit are Lesotho and Swaziland where as much as 50% of revenue is derived from the customs revenue pool.

Apart from having first claim to the pool, SA's partners in the union receive compensation for some of the negative effects of being in the union.

Collingwood said means of mitigating the impact of the EU-SA trade agreement on the four countries were due to be thrashed out in Lesotho next month.

"The purpose of the meeting is to look at the possible support packages for the ... countries because they are bound to be affected by the EU-SA agreement," Collingwood said.

The move comes amid growing concern that the EU-SA deal might see EU imports finding their way into the neighbouring states.

This concern has been raised constantly in the context of disagreements over the rules that are to govern the proposed free trade area within the Southern African Development Community (SADC).

Pretoria is using the concerns over the EU-SA deal to justify its insistence on tougher rules of origin for the SADC pact.

SA officials say tighter rules will lessen the prospects of EU imports entering SADC markets.

The customs union states say they are afraid of intensified competition for their own products both in the regional and the European markets. They are concerned about the possible diversion of foreign direct investment in favour of SA.

"While the SA-EU agreement is expected to have long-term effects on the whole region, the fear is it could have negative economic effects in the short-term," said Botswana's Commerce and Industry Minister George Kgoroba.

However, Collingwood said the bloc's support package meeting, which will take place in Maseru around September 15, will look at all possible options which will mitigate the situation.

India takes SA to WTO over antidumping laws

BD 6/8/99

(74)

John Dludlu

SA has been hauled before the World Trade Organisation's (WTO's) dispute settlement mechanism, in a rare case of pitting a developing country against a developed one.

However, Pretoria sought last night to play down the case — at a "consultation" stage — saying it would not develop into a fullscale dispute.

The latest WTO records show that India is challenging SA's antidumping laws. The WTO is one of a handful of international organisations that treats SA as a developed country, despite its overwhelming third world features.

India is challenging a 1997 decision by SA's Board on Tariffs and Trade, the antidumping authority, to slap duties on certain pharmaceutical products — namely 250mg ampicillin and amoxycillin — from India.

At the core of the case is the interpretation of the WTO's antidumping agreement.

This is the first time since SA's laws were brought into line with the WTO provisions some years ago that the legislation has been challenged.

Leora Blumberg, the deputy chairman of the board, last night said the case had nothing to do with the quality of SA's antidumping laws.

"We have had constructive consultations with India (on this)," she said. The two parties had agreed to exchange further information. She was optimistic that the case would not develop into a fullscale dispute.

If India is not satisfied with the outcome of the talks, it could seek the establishment of a WTO panel, the next stage of WTO's dispute resolution system. It is unclear why India, which could have resolved the matter on a bilateral basis, chose the WTO route.

Though the WTO's rules-based trading system, particularly its dispute settlement mechanism, has the effect of preventing the souring of relations among its members, disputes can sometimes escalate tension among trading partners.

India contends the board's definition and methodology of calculating dumping margins is inconsistent with Pretoria's WTO obligations. The WTO report reads in part: "India further contends that the determination of injury was not based on positive evidence and did not include an evaluation of all relevant factors and indices having a bearing on the state of the industry, which led to erroneous determination of material injury suffered by the petitioner."

Crucially, the Indian authorities are also claiming that the antidumping investigation was not objective and did not take into account "India's special situation as a developing country".

Despite its several threats to file complaints at the WTO, SA — which has resorted to the antidumping measure in the past — has yet to do so.

Government has threatened to challenge the US antidumping actions against SA's steel producers.

(2791) (74)

SA urges states to improve the climate in trade

John Dludlu BD 10/8/99

SA HAS urged its neighbours in southern Africa to stop being obsessed with market access and to begin improving the region's investment climate.

Mfundo Nkuhlu, a director at the trade and industry department, said last week that SA was still concerned at the continuing divergence of the region's economies. This trend manifested itself in the differentials of macroeconomic indicators, which were undermining efforts to attract investment.

He warned that this could undermine the gains of trade liberalisation. "Once a market opens up, it is presumed that ought to drive higher levels of production because there is a larger market. But higher outputs will be driven by higher levels of investments and if the cost of capital is prohibitive you are not going to realise that," he said in an interview.

Research studies indicated that in spite of agreement among policy makers on the desirability of macroeconomic convergence, only a few members of the 14-nation Southern African Development Community (SADC) had shown this trend. The two SADC industrialised economies, Zimbabwe and SA, were no exception.

It cost banks about 50% to borrow from Zimbabwe's central bank, while their SA counterparts could get the funds for far less than 20%.

Nkuhlu's remarks followed criticism by some African countries, notably Kenya and Zimbabwe, that SA's trade regime was protectionist. The two countries threatened retaliatory action to deal with the perceived reluctance by Pretoria to open up its markets.

The statements came weeks after fresh concessions were extended to Zimbabwe. SA realigned the preferential quota in line with Zimbabwe's wishes to supply certain lines. Nkuhlu said trade integration policies SA was considering implementing included improving logistical linkages and efficiencies; and the diversification and costs of energy sources.

Erwin agrees to end dumping inquiry

ROY COKAYNE (74)

Pretoria – Alec Erwin, the trade and industry minister, had approved a recommendation by the Board on Tariffs and Trade to end an investigation into the alleged dumping of steel bolts and nuts by certain countries, the government said on Friday.

The board announced on July 24 last year that it intended to investigate the alleged dumping of bolts and nuts originating or imported from Australia, Hong Kong, China, Malaysia, Spain, Taiwan and Zimbabwe.

This move followed a petition lodged by the South African Fasteners Manufacturers' Association (Safma).

Safma alleged the dumped imports could cause material injury to the industry.

The board said the investigation should be terminated against Hong Kong (in respect of bolts only), Saudi Arabia, Spain and Zimbabwe. It said import volumes from these countries to the Southern African Customs Union (SACU) were, individually, less than 3 percent and, collectively, less than 7 percent of the total import of bolts and nuts into SACU, and were thus negligible in accordance with the World Trade Organisation agreement.

The board recommended ending the investigation against Hong Kong in respect of nuts because no bolt and nut manufacturing facility existed in the Chinese province.

CT (BR) 10/8/99

Govt pledges tariff reform after 2002

BD 11/8/99 (74) (279A)

John Dludlu
and Reneé Grawitzky

GOVERNMENT pledged yesterday to carry out a comprehensive review of tariff reforms, but said this would only be done after 2002.

This is in spite of calls for a review of the present policy measure by labour unions. Labour has blamed tariff cuts job losses.

Government has also been criticised for hastening tariff reduction as part of its commitment to the World Trade Organisation (WTO).

The National Economic, Development and Labour Council said yesterday Trade and Industry Minister Alec Erwin indicated to Nedlac there would be a "comprehensive process of research and dialogue to consider tariff reform for the next 10-year period after 2002".

Chez Milani, the general secretary of the Federation of Unions of SA (Fedusa), said labour's concerns in relation to government's programme oftariff reform was clear — job losses were a direct consequence of this process.

Milani said those losing jobs were not being absorbed as anticipated by government. He said if government was to continue with tariff reform below the levels agreed in the WTO requirements, job losses had to be absorbed.

Erwin addressed an occasional policy session of business and labour representatives yesterday.

Labour's perception from the meeting was government did not intend making drastic change to its current policy on tariff reform.

Milani said Erwin was adamant the current programme should be concluded, or it would send mixed signals to foreign investors. However, in the next phase adjustments could be considered.

Interestingly, labour has also raised the proposed tariff liberalisation programme as part of SA's offer to the planned free trade area within the Southern African Development Community (SADC).

A labour representative said yesterday labour was worried government's offer, which suggested a faster opening of SA's markets to fellow SADC members, appeared to lack industrial strategy. "We cannot give our support to something we know nothing about ...", said the union representative.

However, he pointed out this stance did not mean labour's commitment to the SADC should be questioned.

The WTO: trusted but seldom loved

(74) BD 12/8/99

Economic progress and wealth creation, not regulation, are what clean up the environment and minimise pollution, argues **Jack Kemp**

There is an international movement hard at work to concentrate the power over economic decision-making — public, private, and across national boundaries — in a "global elite" that is unaccountable to the popular will of any nation

This "third-way movement" is trying to create a centralised new economic order while hiding behind the facade of pro-labour and pro-environment rhetoric.

We cannot let them succeed.

Trade policy is high on the third way agenda and the movement is focusing on the World Trade Organisation s (WTO's) ministerial summit in Seattle in November Interest groups are mobilising to use the meeting to dramatise their protectionist and "big government environmentalism" agenda

Public Citizen and Global Trade Watch two US lobby groups, tell their ardent followers that "international environmental NGOs (nongovernmental organisations) are planning to get accredited and then find seats near the table to speak truth to power" Unfortunately, power is already speaking many of the "truths" that these more radical elements in the environmental movement are trying to foist on the world trading system.

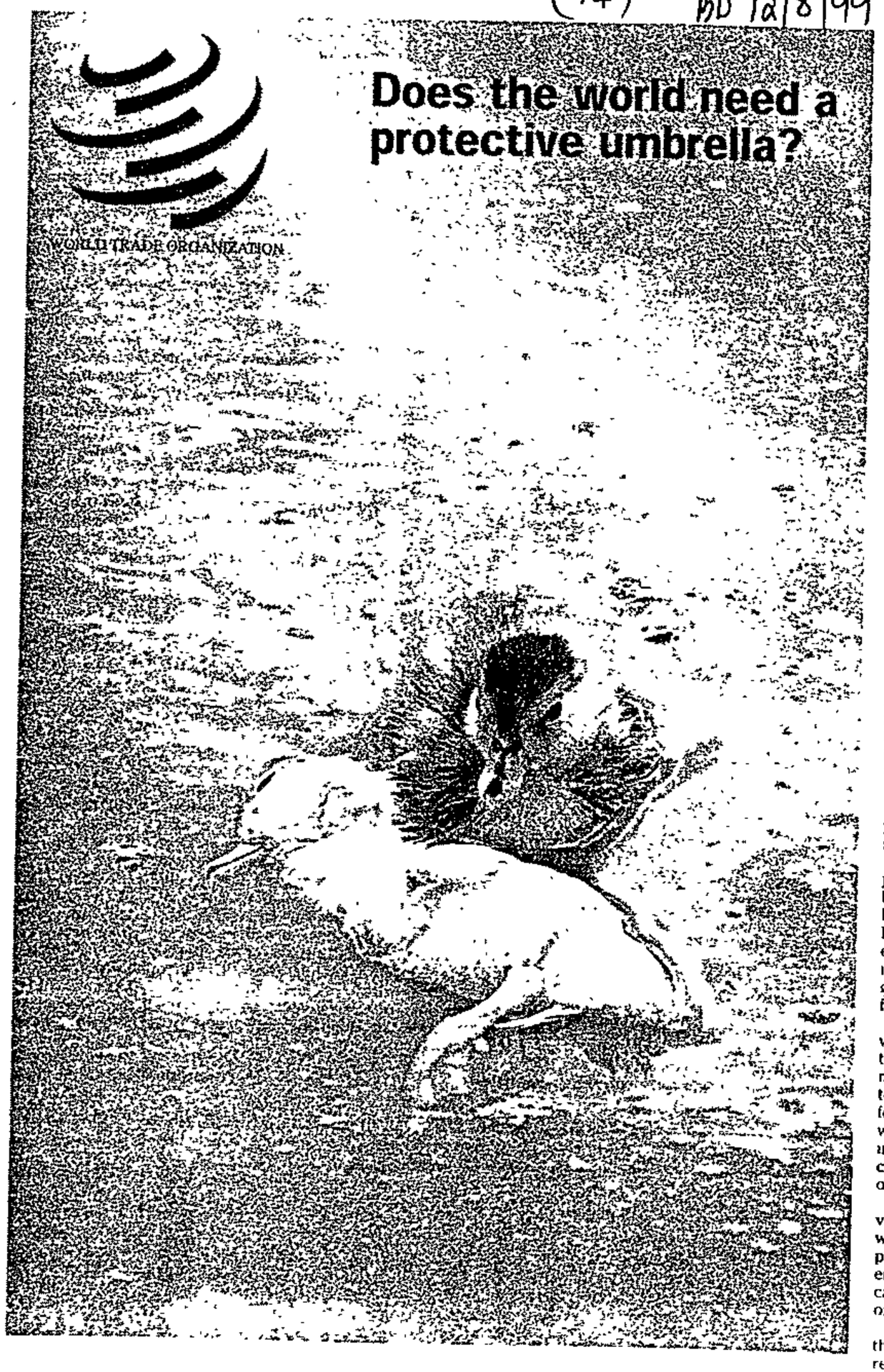
Unless policy makers including the WTO, hold their ground in favour of free trade our global trading system will be captured by third way forces that will regulate the life out of the world economy

The evidence for this is all around us Earlier this year, the WTO opened the door for countries to build trade barriers based on their own domestic environmental policies

In the "shrimp-turtle case" the US sought to bar imports of shrimp harvested in a way that it did not like but that was acceptable to the country of origin (Thailand)

The US government's opinion was that the harvesting practices posed a small threat of ensnaring sea turtles

While nations can disagree on how to conserve and protect



Developing nations still need protection from the market jungle, writes **John Dludlu**

FOR decades, the world's trading nations have tried to create a global trading system based on generally accepted rules. These efforts finally paid off in 1995 with the establishment of the World Trade Organisation (WTO) to succeed the General Agreement on Tariffs and Trade (Gatt).

Apart from governing a significant portion of trade in services, industrial tariffs, state subsidies, antidumping and technical standards, the WTO has recently scored additional successes with agreements in such key areas as financial services, telecommunications and information technology.

Now, various interest groups are calling on the WTO to look into nontraditional issues such as investment, competition law, environmental standards, the social clause or labour standards and the use of the Internet

From a privileged position former US legislator Jack Kemp argues strongly against moves to over-regulate

Kemp is not alone in this view. At their inaugural meeting, WTO ministers shied away from a detailed, let alone positive, response to these calls for new issues to be included in the rule book.

Take for example the issue of labour standards — that is, the proposed link between labour standards and trade.

Instead of embracing the subject, they said that though members were committed to core labour standards — including a ban on child labour, rights of workers to strike and collective bargaining — the International Labour Organisation (ILO) was the best forum for these.

Interestingly, Kemp's view would find a lot of supporters from the developing world However, most poor countries are reluctant to discuss new issues because of fear of assuming new obligations when many are still struggling to implement their existing WTO commitments which were agreed on in several rounds of Gatt talks.

Kemp's and the WTO ministers' view would be sensible in an ideal world — where the ILO can be expected to handle labour matters, environmental standards can be located into a separate international organisation and so forth.

Ours is not an ideal world though The WTO ministers should rethink their position and respond

poor — are treated as equals.

If anyone needs reminding, the "underwear case" is one In this now famous case, a WTO panel ruled that US restrictions on cotton and man-made fibre underwear from Costa Rico were unjustified.

This WTO finding against a powerful economy, emphasised the equality principle.

Although the developing world, mostly Africa, did not participate actively in the design and construction of the WTO, thanks to resource constraints, it is remarkable that most have fully embraced its rules-based trading system. We see this in that about 80% of the WTO's membership is drawn from the developing world.

However, part of their reluctance to agreeing to the inclusion of the new issues in the WTO is related to fears of how environmental and labour standards can be used as nontariff barriers to trade. These are legitimate fears.

For example, in the short-term, countries that derive their competitive advantage from the exploitation of workers — banning them from joining unions and from engaging in strikes — may lose this edge if they agreed to the ILO core labour standards

However, it could never be in anyone's long-term interest to base a nation's competitiveness on the abuse of its human capital.

Due to its consensus method of arriving at decisions, the WTO has the potential to be a forum where developing countries' concerns can be meaningfully addressed.

The danger of having a range of multilateral agreements lies in the time it would take to agree to rules and the resource demands it will impose on developing countries

Under such circumstances, it is very easy for the talks to be dominated by powerful lobbyists from the developed countries.

The challenge should be to harness the faith of the developing world in the rules-based system so that it advances the cause of growth and development in the developing world.

Part of doing so entails strengthening the capacity of the developing world to participate actively in the WTO negotiations.

This could begin by helping the developing nations understand the meaning and implications of environmental and labour standards before engaging in negotiations

Kemp's other concerns relate to

economic order while hiding behind the facade of pro-labour and pro-environment rhetoric.

We cannot let them succeed.

Trade policy is high on the third way agenda and the movement is focusing on the World Trade Organisation's (WTO's) ministerial summit in Seattle in November. Interest groups are mobilising to use the meeting to dramatise their protectionist and "big government environmentalism" agenda.

Public Citizen and Global Trade Watch, two US lobby groups, tell their ardent followers that "international environmental NGOs (nongovernmental organisations) are planning to get accredited and then find seats near the table to speak truth to power" Unfortunately, power is already speaking many of the "truths" that these more radical elements in the environmental movement are trying to foist on the world trading system.

Unless policy makers, including the WTO, hold their ground in favour of free trade, our global trading system will be captured by third way forces that will regulate the life out of the world economy

The evidence for this is all around us Earlier this year, the WTO opened the door for countries to build trade barriers based on their own domestic environmental policies

In the "shrimp-turtle case", the US sought to bar imports of shrimp harvested in a way that it did not like but that was acceptable to the country of origin (Thailand).

The US government's opinion was that the harvesting practices posed a small threat of ensnaring sea turtles.

While nations can disagree on how to conserve and protect wildlife, it is not normal practice to use trade barriers to impose one country's priorities on another.

In the shrimp-turtle case, the WTO ruled against the US on procedural grounds but left the door wide open to allow these kinds of "conservation measures" to interfere with trade.

That is a slippery slope we should not be starting down.

The environmental NGOs — well-funded, aggressive advocacy groups — are always eager to push a "green" version of managed trade. That is, free trade is fine so long as its rules can be deployed to advance global green restrictions on growth. That makes trade just another powerful regulatory device, rather than the engine of worldwide growth.

Other green barriers to free trade are popping up all over.

Japan is proposing a differential tax on vehicles based on their fuel efficiency, which will put US vehicles at a disadvantage. The European Commission may freeze out US-produced, genetically modified maize, based on very preliminary evidence that its pollen may indirectly harm butterflies Hormone-treated beef has been the subject of endless controversy between the US and Europe.



Why does all this matter?

First, any interference with free trade and open markets is anti-environment to begin with

Economic progress and wealth creation are what clean up the environment and minimise pollution, as any comparison of first world and developing country ecosystems demonstrates

On a more fundamental level entangling the rules of free trade with each nation's individual vision of what constitutes green regulatory and tax policy is asking for trouble. Trade among nations creates enough controversy on its own, linked as it is to domestic issues of labour, investment and economic development We cannot burden the trading system with so much regulatory freight that it will collapse in on itself

Finally, trying to use the WTO or any other global forum affecting trade, to impose extreme forms of green regulation on the world is harmful to the environmental movement itself

Just as the US system of federalism allows states to experiment with novel approaches to governance, regulation, and social policy, so should our institutions of global co-operation encourage diverse and innovative approaches to economic development and regulatory policy

That means, at a minimum, letting each country learn from its mistakes before exporting them untested, to the rest of the globe

Competition in ideas is as important as competition in goods and services and it would be ironic indeed if the apparatus of free trade were used to throttle that kind of competition before it had a chance to begin

The WTO needs to stick to its basic mission So far, its pronouncements have been consistent with its need to remain focused on trade and the rules of trade

The WTO has resisted the integration of a multitude of freestanding bilateral and multilateral environmental accords with its own trade charter But it is showing signs of drifting toward the green trade agenda as with the turtle-shrimp case

The business community needs to stand up and be counted as turning trade into an instrument of global economic regulation will destroy jobs and stifle innovation

We cannot afford to let the trading system become like the US tax code which is overwhelmingly used for social and industrial policy rather than for the core purpose of raising revenue

If nations let the WTO or any other body entrusted with global regulation, dictate their internal tax, environmental or agricultural policies they will be heading towards world government not democracy and not capitalism

'Green barriers to free trade are popping up all over.'

In trade, as in taxation, regulation and every other policy area affecting day-to-day economic decisions, there is no third way There is only a right way, which values freedom and opportunity, and a wrong way which encourages statism and bureaucracy

— Jack Kemp is a fellow of the Competitive Enterprise Institute and a former legislator in the US House of Representatives

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Kemp s and the WTO ministers' view would be sensible in an ideal world — where the ILO can be expected to handle labour matters, environmental standards can be located into a separate international organisation and so forth

Ours is not an ideal world, though The WTO ministers should rethink their position and respond favourably to calls to include the new issues in its rule book

It seems logical that the WTO takes on these issues because it represents a forum where the weaker sectors of the world trading community can find protection

Besides there can be no doubt that these environmental, children's and human rights issues are global concerns

It follows then that the solution has to be global in nature too

Just as it is important to bring all trading nations, particularly China, into the international rules-based system the WTO has come to represent, it is crucial these global concerns are addressed by the same universal system

It is not difficult to see why some people insist on the WTO being the appropriate forum to deal with these issues.

Unlike the Bretton Woods institutions the World Bank and the International Monetary Fund, which control (rather poorly) the architecture of the international financial system, the WTO does not have a credibility gap to deal with

In its very short history, it has managed to gain the confidence of the developing world. This is due, in part, to it being a organisation that is controlled by its members, where all states — both rich and

WTO's membership is drawn from the developing world

However part of their reluctance to agreeing to the inclusion of the new issues in the WTO is related to fears of how environmental and labour standards can be used as nontariff barriers to trade These are legitimate fears

For example, in the short-term countries that derive their competitive advantage from the exploitation of workers — banning them from joining unions and from engaging in strikes — may lose this edge if they agreed to the ILO core labour standards

However, it could never be in anyone's long-term interest to base a nation's competitiveness on the abuse of its human capital

Due to the consensus method of arriving at decisions, the WTO has the potential to be a forum where developing countries' concerns can be meaningfully addressed

The danger of having a range of multilateral agreements lies in the time it would take to agree to rules and the resource demands it will impose on developing countries

Under such circumstances it is very easy for the talks to be dominated by powerful lobbyists from the developed countries

The challenge should be to harness the faith of the developing world in the rules-based system so that it advances the cause of growth and development in the developing world

Part of doing so entails strengthening the capacity of the developing world to participate actively in the WTO negotiations

This could begin by helping the developing nations understand the meaning and implications of environmental and labour standards before engaging in negotiations

Kemp's other concerns relate to the dispute settlement system He uses the "shrimp-turtle case" as a sign of how the WTO is moving in the wrong direction

The system has its imperfections but remains sound in principle The costs of hiring lawyers remains prohibitively expensive

Ways have to be found of assisting developing countries with trade lawyers' fees

As in the national sphere, the challenge is for the world's rich to ensure that justice belongs to all Not only those who can afford it

Free standing bilateral and multilateral agreements with informal linkages to the WTO will not make the world a better place If anything, they will exacerbate the north-south split and further marginalise the developing world from global trade

Without a credible body to enforce rules, free standing agreements on labour standards and the environment will be used by the rich nations as a nontariff barrier to stop exports from developing countries entering their markets

Contrary to Kemp s view it is better to have a global government to enforce agreed rules and protect every trading nation, particularly the weaker ones, rather than have a system of capitalism where the world market becomes a jungle

SA accused of breaking rules to help its exporters

ET(MR)18/8/99 (74)

ROBERT OTANI

Nairobi – South African companies exporting goods to members of the Common Market for Eastern and Southern Africa (Comesa) were receiving export assistance from their government in contravention of World Trade Organisation (WTO) regulations, according to an article in yesterday's issue of the East African Standard, a Kenyan daily newspaper.

Direct export subsidies are forbidden under WTO rules. But many governments often use other means to achieve the same effect, including refunds on input tariffs, subsidised credit or assistance towards research and development costs.

The report quoted a document published by South Africa's trade and industry department detailing the country's commitment to maintaining its edge in the Southern African Development Community and Comesa by boosting exports and attracting foreign direct investment.

The document, titled Financial Assistance Schemes: Providing Support Measures for Exporters into the 21st Century, reportedly details a programme that virtually guarantees lower production costs for small and medium enterprises with annual turnover above R15 million and a total asset value below R5 million.

The policy encourages companies to take advantage of liberal tax laws and establish distribution and manufacturing chains in other African countries. There were also investment guarantees to "protect South African entrepreneurs investing in approved foreign businesses and countries against loss of their investment due to political reasons".

Kenya's manufacturers and the business community have been griping over what they call South Africa's unfair trade practices and the trade imbalance between the two countries.

Griffiths Memela, South Africa's high commissioner to Kenya, defended his country and called for dialogue to resolve the issue. – Independent Foreign Service

Two trade deals affect economy

Wyndham Hartley (74) (279A)

19/8/99 BD

CAPE TOWN — Parliament's trade and industry committee should brace itself for two issues which will significantly affect the economy, chairman Rob Davies said after being unanimously re-elected yesterday.

Davies said these issues were the two trade deals which the trade and industry department had spent considerable time negotiating — the Southern African Development Community (SADC) trade protocol and the trade and co-operation agreement with the European Union (EU).

Bringing his new committee up to speed, Davies said the SADC protocol had been approved by the cabinet committee for economic affairs and was now before the full cabinet.

If and when it was approved by the cabinet, it would be forwarded to the committees of Parliament for consideration, approval and ratification.

He said that if the SADC protocol was to be implemented by its target date of January next year, it would have to complete its process through Parliament this year.

He said the signing process for the trade agreement would proceed next month.

There were issues contained in the agreement which required EU members to change legislation and this would take years, but the rest of the agreement would be dealt with as an agreement with the European community.

Davies said three bills — The Industrial Development Amendment Bill, the Import and Export Control Amendment Bill and the Gambling Matters Amendment Bill — would come before the committee this year as priorities of the department.



the spotlight at unions congress

BD 19/8/99 (93)

Renee Grawitzky

Govt aims to explain trade opportunities

New horizons beckon for business, thanks to accords with EU, SADC

(74)(279A)

Wyndham Hartley

CAPE TOWN — Both of SA's economically vital trade accords — with the European Union (EU) and the Southern African Development Community (SADC) — are set for implementation on January 1 and government is preparing a campaign to inform business of resulting opportunities

Trade and Industry Minister Alec Erwin told Parliament's new trade committee yesterday the European Council's final approval of the EU trade agreement 10 days ago was a major development and nothing now stood in the way of the January 1 target date He said SA would also go ahead on January 1 with the implementation of part one of its SADC protocol offer

Erwin said if the negotiators in SADC talks got bogged down, then the full ministers' meeting could meet again in November to try to break any logjams The ministers last met to discuss the protocol on Monday this week in Maputo before the SADC leaders' summit

Parliament will have to ratify the EU accord before January if implementation is to take place, he said

He told the MPs that the SADC agreement was in a way more complicated than that with the EU agreement, as there were so many overlapping agreements and vastly different products in the region.

The cabinet had agreed to the first part of SA's offer being implemented on January 1 and as a result all SA products with tariffs of between 0%-17% would be reduced to 0% from that date if agreement had been reached on rules of origin

MPs also heard that an opening round of talks have been held with Mercosur, the South American common market, which could potentially lead to another trade agreement

There are also continuing talks with the US on how to facilitate trade

Erwin also flagged the next round of World Trade Organisation talks scheduled for Seattle in the US in December as of great importance for developing countries. He said SA had some strong views on what should be discussed and its proposals would be made at the Geneva talks next month, at which ambassadors would decide on the Seattle agenda.

The regulatory framework applying to industries was also under review Significant legislative changes were on the way, and were likely to affect the companies and securities acts and legislation on insolvency and liquidation, Erwin said.

BD 20/8/99 Comment: Page 17

Erwin ready to fight it out at WTO

CT(BR) 20/8/99 (74)

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town – South Africa was in a combative mood as it prepared for the next round of the World Trade Organisation's (WTO) negotiations at the end of the year. Alec Erwin, the trade and industry minister, said yesterday.

He wanted to target the uncompetitive "grandfather" industries in Europe and North America which, largely because of subsidies prevented competitive producers such as South Africa entering those markets

The steel and agricultural sectors had been most affected. Erwin told the portfolio committee on trade and industry during a briefing on his department's programme this year.

"We say the structural adjustment must begin in the north and not the south because if we can allow a reduction in the steel output in Europe and the US, it means that South Africa is much more efficient and production and steel capacity of all types can be fully utilised," Erwin said

He would meet members of business and labour next week to finalise the government's WTO stand. This would be forwarded to the WTO headquarters in Geneva by mid-September The ambassadors there would then negotiate an agreement for the WTO's Seattle meeting at year- end

"What is agreed is that agricultural negotiations must start and that the final negotiations around trade and services should be completed," he said.

"We are saying the US and Europe are now abusing that subsidies agreement," Erwin said.

"This is really unfair and wrong because they use government intervention to establish their industries and protect their industries But when efficient operators such as South African steel mills cut into their market without any dumping, they take countervailing action because the Industrial Development Corporation (IDC) is involved We do not subsidise the IDC."

ST(BT) 22/8/99 (74)

SA 'using unfair trade practices' in Africa

EXPORT POLICY

By FRED MUDHAI
in Nairobi

SOUTH Africa is flouting World Trade Organisation rules in its export policy to SADC and Comesa markets, a Kenyan business newspaper said this week.

The Financial Standard, part of the East African Standard, said it had confirmed claims by manufacturers and politicians that SA was subsidising its exports and bringing foreign direct investment into the country.

A document by SA's Trade and Industry department details assistance schemes available to specific manufacturing sectors. The Kenya Association of Manufacturers (KAM) says Kenya's industries are losing billions in potential business a result of the schemes.

SA's High Commissioner to Kenya, Griffith Memela, has called for dialogue, denying claims of "dumping". KAM chairman Chris Kirubi says there seems to be a campaign by SA to reduce the power of Comesa in favour of SADC.

Most contentious is SA's subsidy and tax rebate to exporters, while imports could attract tariffs of 20% to 72%.



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SA records trade surplus with US

(74 col)

BD 23/8/99

Simon Barber

WASHINGTON — SA recorded a $77,8m trade surplus with the US in June, the sixth month in a row that SA's exports to the US have outstripped imports, according to the commerce department.

For the first half of this year, SA's surplus was $332m, including US "domestic exports" — goods made or finished in the US and then shipped to SA.

The string of monthly SA surpluses, which would have extended back to last November but for the $376m purchase of three aircraft by SA Airways late last year, is unprecedented.

US officials see low SA growth and the weakness of the rand as the chief factors. However, concerns persist that US suppliers may be losing out to European and other competitors and that this could be exacerbated by the EU-SA free trade agreement.

This is why the US Export-Import Bank is seeking co-operation from SA banks to enable SA firms to buy US capital goods using rand loans.

US domestic exports to SA averaged $191m a month in the first half of this year, compared with $272m over the same period last year.

Admittedly, the latter number was skewed by another $163m aircraft delivery recorded in June 1998. But even excluding that exceptional item, monthly US exports were on average $54m — 28% — lower in the first half than a year ago.

SA imports of many specific US product categories are falling from historic highs recorded last year after several years of steady growth.

In the telecommunications sector, SA purchases of fixed-line equipment grew, with little interruption, from $8,9m in 1992 to $78,8m last year, but this year's first-half figure of $15,9m is 62% down on the same period last year.

This pattern was evident throughout the sector, with sudden plunges in SA investment in US cellphone transmission equipment, private branch exchanges and the like, off 60 to 80% so far this year.

Likewise, SA imports of US parts for heavy construction, mine and drilling equipment, which reached an all time high of $121m last year, were 28% off last year's pace, at $44,2m for the first half. The same pattern was evident in imports of US computing equipment, off 11% so far this year.

The SA surplus, though good news for the balance of payments, did not imply a boom in exports to the US, which were down 3% in the first six months to $1,46bn from $1,52bn at the same point last year, measured by US imports for consumption.

US imports of SA iron and steel were down 19,3% to $192m, in part reflecting US anti-dumping actions which are hammering Iscor's cold-rolled products and Columbus' stainless plate. In categories of steel — hot rolled, for example — where SA has not been targeted but other countries have, SA sales were up.

US imports of SA platinum group metals, unusually high last year, were off 7,4% in the first half from $525m to $486m, reflecting volume rather than unit price declines.

There were strong signs that SA fruit is finding space in US supermarkets. Some $13,3m worth of SA grapes entered the US between February 15 and March 30, up from $9,2m last year.

Overall US imports of SA fruit continued to grow, reaching $31,7m in the first half. SA wine exports to the US remained negligible at $3,2m.

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Businessmen 'need to see new EU trade rules'

(74)

JOHN FRASER

Johannesburg – The government has been urged to publish the fine print of the March free trade agreement (FTA) between South Africa and the European Union (EU), which is due to kick in from January 1 next year

The appeal came from Riaan de Lange, a senior manager for customs and international trade at Deloitte & Touche. He warned that South African businessmen may lose out if they did not get access to the information

"The devil's in the detail," he warned. "Without (the final details of the agreement) companies will find it difficult to assess the opportunities and the problems the deal will bring"

He added that it was important for companies to know which were the 15 EU states, the six countries which were expected to join in the next few years, and the EU's overseas territories.

De Lange added that companies could not rely on a broad brush analysis of the FTA "The EU is South Africa's largest trading partner and you must ask yourself if you know your product description and what'll be happening in five years If in five years you are going to be able to export without paying any more duty, you need to start planning now"

He said companies needed to know when their inputs would benefit from lower South African tariffs under the EU deal, so that they could ensure the savings to their suppliers were passed on

De Lange insisted that the FTA was not just about tariff liberalisation, there was a very important rules of origin element to it as well

Unless firms used genuine South African content or sourced their supplies from other African, Caribbean and Pacific (ACP) states, they may fall foul of these technical rules

"Just because you buy your inputs from a South African firm doesn't mean they came from South Africa originally," de Lange said "You may fall short of the minimum percentage of South African content that you require.

"The rules of origin process states that there must be a certain value added You have to get this right"

He also warned that even if tariff barriers were brought down, there would still be other obstacles to trade

De Lange said the FTA with the EU may be the first of several deals An agreement with the Southern African Development Community was looming, the government was talking to Mercosur, the South American bloc, and the US was likely to seek a deal with South Africa

SA 'committed to easing' regional trade restrictions

(74) (279A)

By Mongwadi Madiseng and Reuters

SOUTH Africa remains committed to unilaterally easing restrictions on trade with other countries in the South African Development Community (SADC) to accelerate economic growth in the region.

SADC trade relations director Sifiso Ngwenya said it remained, however, South Africa's intention to ultimately conclude a trade accord with the region by January next year And that could include agreement on a time frame within which to phase out tariffs.

In terms of such an agreement South Africa could phase out its tariffs over five years, while SADC countries would be given eight years to do the same.

Speaking at the SADC summit in Maputo last week, Trade and Industry Minister Alec Erwin said, "Independently, South Africa is committed to full phase-down of certain tariffs by the end of the year, together with the Southern Africa Customs Union (Sacu)"

Both South Africa, together with its Sacu partners that include Botswana, Lesotho, Swaziland and Namibia, will cut their tariffs to zero in January on goods currently pegged at up to 17 percent

The second phase of tariffs currently set between 17 and 25 percent will be phased out at the end of year three, with the remainder cancelled after five years

According to Ngwenya South Africa's trade balance with other countries in the region is currently standing at a ratio of six to one "What we are busy trying to do is to increase our purchase rate from the region in order to develop their economies"

He said it was not South Africa's long-term objective for the ratio to remain at that level.

On trade agreements affecting both sides he said: "We are involved in trade negotiations aimed at creating free trade areas, marketing of goods without tariffs."

Ngwenya added that most imports from the region were mainly textile related products whilst exports from South Africa were derived chemical products and car parts.

Sowetan 24/8/99

Deloitte & Touche director warns of strain on government

Anti-dumping fever 'has hit South Africa the hardest'

(74)

ET (BR) 27/8/99

JOHN FRASER

Johannesburg – South Africa had become the most vigorous new user of anti-dumping procedures, Duane Newman, the associate director of customs and international trade at Deloitte & Touche, said yesterday.

Figures compiled by the international tax experts showed that in the six years between January 1993 and December 1998, South Africa initiated 129 anti-dumping actions, the fourth highest number in the world.

The European Union led the pack with 184 actions, followed by Australia (151) and the US (153).

"South Africa is on the World Trade Organisation's watch list as the most active new user of the anti-dumping mechanism," said Newman. "That means we are using it a lot more than any other newcomer to the WTO."

He explained that South Africa's culture of protectionism dated back to the apartheid era: "Ten years ago, South Africa was characterised by extremely high tariff barriers and a lot of protection for manufacturing industry.

"With the Gatt (General Agreement on Tariffs and Trade) accord of 1994, we are pledged to bring duties down by at least a third by the end of this year – and the government has decided to accelerate that."

This stripping away of protective tariffs had resulted in a lot of job losses, particularly in the motor industry, textiles and steel sectors.

"The only way in which South African businesses can now protect themselves against imports is by seeking anti-dumping duties," Newman said. "These are ... permissible within the WTO framework.

"If you look at the size of the South African economy relative to the US, Europe and Australia ... in relative terms we are the most active user of anti-dumping measures."

Newman warned, however, that problems loomed for the Board on Tariffs and Trade, which rules on anti-dumping complaints.

"There are no regulations on how they do their investigations (though) it has been on the agenda for the last five years," he complained.

It was possible to challenge an anti-dumping ruling in the courts, even though judges did not have the power to overturn such a ruling. A high court case involving an anti-dumping application on roller bearings was likely to be the first of many. It was now at the appeal stage.

"If all anti-dumping disputes in the future result in court action, the resources of the government would be severely stretched," Newman said. "There are strains already because there are so many petitions."

He warned that South African anti-dumping procedures were often triggered too late. Because of the lengthy procedures, firms could go bust while they waited for a ruling.

Trade ministers agree to WTO challenge

BD 6/9/99 (74) (279A)

Moses Mlangeni

SOUTHERN African trade ministers, including SA's Alec Erwin, agreed in Cape Town last week to challenge developed countries to undergo "far reaching" structural adjustments if Africa's development issues were to be addressed decisively

"Such restructuring requires reducing a range of protective and support measures to inefficient 'grandfather' industries and sectors in industrial economies," the ministers said

This call formed part of their agreed negotiating objectives ahead of the third World Trade Organisation (WTO) ministerial conference in Seattle in November.

The ministers also agreed the new negotiations must be based on a balanced agenda accommodating the concerns and interests of the regions' member states.

Other African states are to be informed about the region's common objectives in a meeting of African trade ministers scheduled for later this month.

Member states of the Southern African Development Community (SADC), the ministers said, possessed comparative advantages in various areas, but required the WTO to relocate production and investment to the region.

"Structural adjustment in the developed world would boost production and trade in SADC and other developing countries.

"It would also promote industrialisation and development, enhance South-South trade and provide an impetus to a new round of global economic growth", the ministers said.

SADC ministers said the multilateral trade negotiations presented a significant opportunity to integrate the regional economy into the global trading system in a more sustainable and beneficial manner.

Africa blooms for exports

BD 6/9/99 (74)

SA's has seen a massive 335% increase since the lifting of sanctions

Justin Palmer

AFRICA is a growing export market for SA, Johan Theron, the exhibition director of the SA International Exhibition (Saitex) said recently.

SA's exports to the rest of Africa totalled R20bn last year, a whopping 335% increase since trade sanctions were lifted in 1992.

Saitex is to be held at Nasrec in Johannesburg from October 19 to 23.

"What is really significant about these figures is the type of export trade we have with the rest of the continent.

"We don't export to any other region of the world with a weighting like this: toward beneficiated and fully manufactured articles.

"This is exactly the pattern that is needed to kick-start our manufacturing capacity," Theron said.

He said export growth at 3% slowed down slightly last year, compared with previous years. But the trend remained positive.

According to research company Whitehouse & Associates, the slow growth last year was largely due to the difficult economic climate in Zimbabwe, which is SA's major trading partner in Africa.

Zimbabwean government officials say the SA government is showing a greater willingness to co-operate since President Thabo Mbeki took over from Nelson Mandela.

To this end, Mbeki met Zimbabwean President Robert Mugabe in Pretoria last week with the aim of broadening economic ties between the two countries.

Apart from looking at the possibility of bringing in a stronger investment dimension to trade between SA and Zimbabwe, the meeting also scrutinised the balance of trade.



Saitex exhibition director Johan Theron ... export trend is positive

Liz Whitehouse of Whitehouse & Associates said the imbalance was such that SA had an overall trade surplus with Africa of 5:1.

Theron said having the terms of trade heavily skewed in SA's favour was detrimental to the country.

"Trade has to be a two-way thing and SA's trading partners have to succeed for us to succeed," he said, noting that SA imports from the rest of the continent declined by 15% to R3,6bn last year.

"This kind of decline is a concern. The good news is that negotiations are in process for the creation of a SA Development Community (SADC) free-trade area which would mean lower duties on goods and would make SADC imports more competitive," said Theron.

The majority of exports from SA into Africa are to members of the development community. Eight of the country's top 15 trading partners in Africa come from the region.

Theron said the free-trade agreement could be in operation by early next year.

In a recent article titled "Partner or Hegemon? — South Africa in Africa", authors Fred Ahwireng-Obeng and Patrick McGowan posed the question whether SA was becoming a domineering force in the region.

They said the new SA should work in partnership with its neighbours focusing on the mutually beneficial development of the region.

They also argued that SA could not "endure as an island of prosperity in a regional sea of misery".

They contend that the implementation of a free trade area within SADC would shift the polarisation from between SA and its northern neighbours to one between SADC and its northern neighbours.

EU TRADE ACCORD

Silent partner is the wrong role for business

(74) ET(BR) 8/9/99

JOHN FRASER

South Africa has not signed a secret trade deal with the European Union (EU), but those attending last week's seminar on the new EU-SA accord might be forgiven for concluding that it had.

The message that emerged from the gathering last week of negotiators, business leaders, academics and trade gurus was that few people really know exactly what this accord is all about.

The deal was compared, with some suspicious sexual imagery, to a marriage. While it is a noble tradition in some cultures for two people to enter wedlock with neither partner knowing much about their new spouse, applying the same principle to a legally binding international trade accord is rather risky.

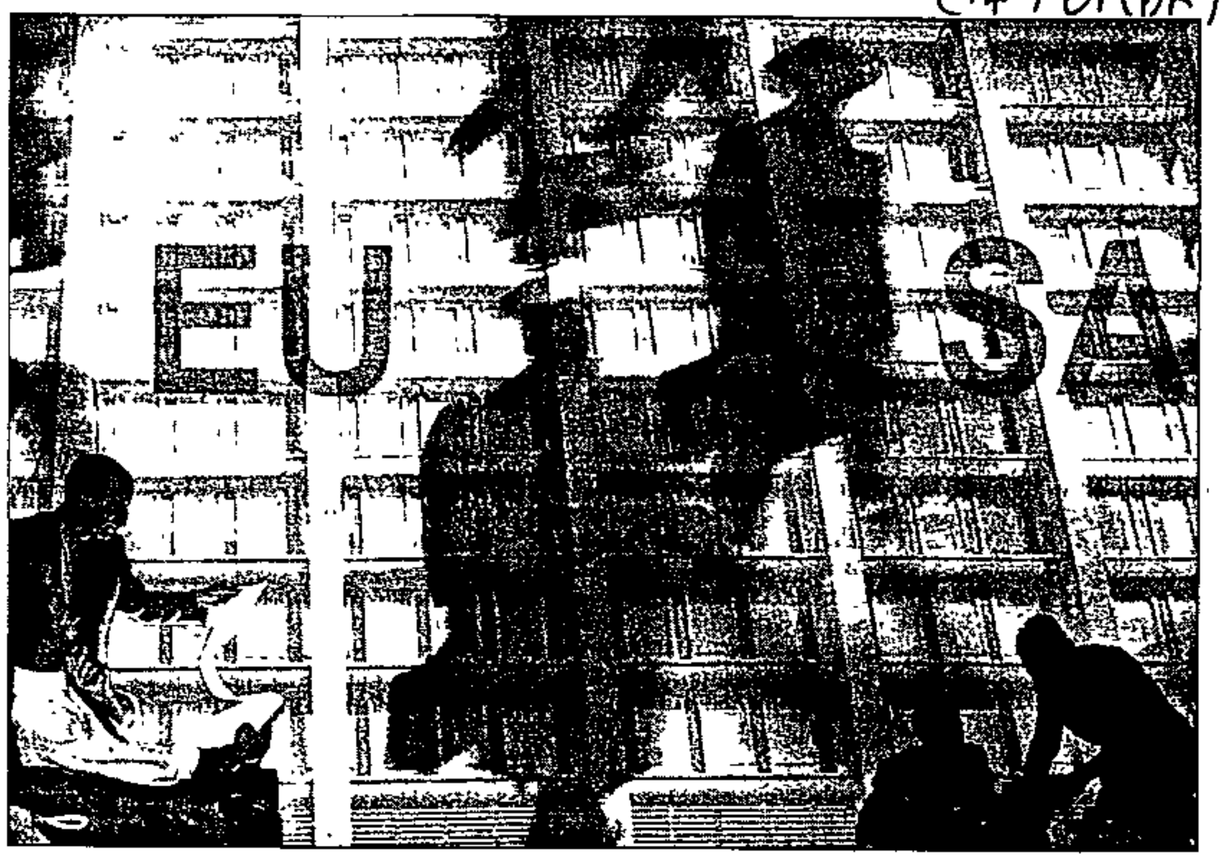
Philip Lowe, the EU's chief negotiator, was in an unusually indiscreet mood when he revealed that it had been his strategy during the negotiations to try to pull the wool over the eyes of some European industries.

He confessed that if these sectors had really known what was going on, they might have stirred up enough pressure to block the deal, at least temporarily.

There was a strong feeling among the South African business delegates that Pretoria was also doing too little, too late, to inform the business community about the details and implications of the accord.

Neil van Heerden, the head of the South Africa Foundation, is a former diplomat who launched the negotiations with the EU before he escaped Brussels for Johannesburg, leaving his successor, Elias Links, to see the process through to the bitter end.

Van Heerden made it clear that he believed the deal was a good one, he congratulated the government on securing it. However, he also



suggested that business needed more information about the accord.

Even if a firm has no interest or opportunity in the EU market, it cannot afford to turn a blind eye to such an agreement with the world's largest trading bloc and South Africa's largest trading partner.

For the new trade pact does not just open up Europe's market, it also obliges South Africa to bring its own tariffs tumbling down, albeit at a slower pace than the Europeans agreed to.

One encouraging announcement is that the department of trade and industry will publish the full text of the agreement next month, once it is formally signed. Meanwhile, it is planning a series of meetings with business to give much-needed advice on the devilish details.

Kevin Wakeford, the chief executive of the South African Chamber of Business, suggested that this accord could have far wider significance than at first seemed evident.

He spoke of a "potential European/African alliance" targeting markets in South America, the Indian subcontinent, China and southeast Asia. He suggested that Europe could provide the investment and Africa the natural resources, developing markets and human capital.

In a leap of imagination that credited the EU with a greater lack of self-interest than had traditionally been the case, Wakeford said: "Africa needs to be in a position to persuade European industrialists and manufacturers to reposition their production capacities on our continent.

"This is a critical link in the chain to initiate and drive a north-south or vertical production and trading alliance."

Lowe advised African businessmen to bring their input to negotiations before the final deals were done. He explained that the EU was trying to shape a successor accord to the Lomé Convention, the EU's current main trade and aid agreement, which covers 71 developing nations, including South Africa and its neighbours.

While the South African government had effective mechanisms for consulting its own industry, the same did not seem to be true of the rest of the continent, Lowe said. "There is a lack of a business voice in discussions on development."

While non-governmental organisations and academics were bending ears in Brussels, the voice of business from the developing world was absent. "They don't tell us what kind of trade they want to see," he said.

A clearer business voice from the developing nations is going to become a lot more important as the EU steps up negotiations on the successor to the Lomé Convention, and as the global trading community launches a new round of negotiations at the World Trade Organisation (WTO) ministerial conference in Seattle in November.

South Africa has a critical role to play in this process.

Links may not have won the best deal in his negotiations with the Europeans, but others engaged in similar battles have been stampeding to his door, hoping for hints on how to deal with the Eurocrats.

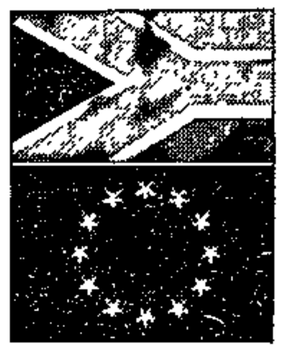
Business shouldn't be fooled by Lowe's self-effacing charm. EU trade negotiators were described during last week's conference of the EU-SA accord as ruthless, highly skilled and frighteningly competent.

Latin American states, in particular, want to pick the brains of the South African team to find out how best to maximise the returns and limit the damage in their own EU negotiations. South Africa's expertise will also be invaluable in the Lomé renegotiations and the new WTO trade round.

The newly installed European Commission has promised that it would champion the case of the developing nations in Seattle.

It may have trouble delivering on this promise once the French farmers, to name just one vested interest, wake up to the new potential threat to their markets.

EU-SA relations grow



Tough negotiations have characterised the relationship between these two trading partners. But they have been worth it. Dr Greg Mills explains why

Sowetan 8/9/99

NEARLY four years after the European Union (EU) made its initial trade offer, the EU-SA Trade, Development and Cooperation Agreement (EUTDCA) looks set to be signed on October 11.

During this time there have been more than 20 negotiating rounds, two EU development commissioners, three directors-general of development, two South African ambassadors to the EU, and two EU representatives here.

Two questions arise about the agreement: first, is it a good deal for South Africa? Second, looking forwards, what should this country do to take full advantage?

Though it is almost irrelevant at this point, the answer to the first question is simply that this was an inevitable step, in which both parties compromised more than they would have liked to.

Contrary to the popular impression of raw, unskilled South African negotiators being taken to the cleaners by their crafty EU professional counterparts, one senior EU Commission official has observed that the South African team was instead "the hardest and meanest bunch of bastards we have ever dealt with".

If that is reassuring, the fact that this was a process involving two very unequal trading entities is not.

The EU is South Africa's largest trading partner with R5,5 billion worth of imports originating from and R4,1 billion worth of exports destined for Europe. The EU is one of the three greatest traders in the world today along with the United States and Japan, accounting for some 40 percent of global imports and exports.

Though South Africa is a major player in sub-Saharan Africa, the sub-continent represents just one percent of world economic output. The R48 trillion EU economy sells one-third of South Africa's imports, but the R1 380 billion South Africa economy exports just one percent of the EU's requirements.

But this should not obscure the fact that there is strong evidence to suggest, first, that the more economies trade the more they grow (which South Africa desperately needs); and, second, that greater access to the EU market affords South Africa this opportunity, particularly if it can make the necessary shift from a commodity-based to a manufactured-goods export profile.

Studies show that developing countries with open economies grew by 4,5 percent annually in the 1970s and 1980s; but those with closed economies expanded only by 0,7 percent.

And the EU's import requirements have flip-flopped from a 75/25 percent commodity/manufactured goods split in the 1950s to the reverse today. The increasingly liberal global trading terrain suggests that South Africa was unlikely to have got a better deal.

It may not be "fair" in the context of South Africa's developmental challenges, but it was the best that Pretoria was likely to squeeze out of Brussels which, in spite of social market sentiments at home, remains less generous abroad.

Indeed, the contemporary trend is towards regionalism as a stepping stone to greater world economic integration, serving to gear both regions and their constituent economies up to greater global competitiveness.

The US has entered into three regional Free Trade Areas (FTAs), one of which is with a developing country partner, in this case Mexico through the North American Free Trade Agreement.

The EU has signed 33 FTAs, 16 of which are in force. Two out of these 16 FTAs have been signed with developing country partners.

"EU is SA's biggest trading partner with R5,5 billion worth of imports"

But what does this say for the challenges now facing South Africa?

The trade aspect of the agreement essentially allows for the creation of a SA-EU FTA on an asymmetrical basis: applying to 95 percent of goods going from South Africa to the EU, and 86 percent in the other direction.

EU access to South Africa will be phased in over 12 years, and South Africa access to European markets over ten. This could mean another one percent in GDP growth for South Africa.

Although some argue that South Africa will be competing with comparatively efficient but costly EU economies and this agreement offers a stepping stone to this country's competitiveness on a world stage – which will eventually occur under World Trade Organisation precepts anyway – the challenges to the Government, labour and industry should not be disregarded.

First, the opportunities for greater access to the EU market will be there only for those who can take advantage of them This requires a better understanding of the procedures and necessary documentation

A series of workshops in this country with EU support are planned to explain this process though there is a need, too, for improved dialogue between European and local businesses.

As Philip Lowe, the EU's director-general of development argued last week at a conference at the South African Institute of International Affairs on Assessing the EU-SA Agreement: "South African businesses need to get in, do market research and get distribution going."

Second, the benefits presuppose an increase in the level of external investment in South Africa as a result of the symbolism of the agreement – that South Africa wants to be considered as an equal partner rather than a recipient of aid as is the case with many other African states through the LomTheta Convention.

Third, the playing field is not level between South Africa and its European counterparts and never will be. The scale of operations mean, in one area for example, that European-based companies can influence South African business transactions (such as mergers and acquisitions) to a much greater extent than vice versa.

Fourth, the rules of origin stipulations place stress on effective South Africa and Southern African customs services.

Finally, this has implications for the competitiveness of the local industry and related challenges for productivity and labour regimes. Any changes necessary will have to be achieved against a difficult domestic environment of high expectations in South Africa, where the enduring legacy of apartheid serves to penalise and hamper competitiveness.

Paradoxically, this is set against an environment where the EU can, and does, subsidise key market sectors (notably agriculture), as South Africa moves to tighten up on its fiscal regime.

The agreement has been characterised as a window of opportunity for South Africa, particularly since it should move quickly to establish itself in EU markets prior to the inevitable expansion of the 15-member EU and the conclusion of similar EU agreements with other parties such as Mercosur and Mexico.

As South Africa's ambassador to the EU Dr Eltie Links has put it "time is of the essence". However, it is also a leap of faith by the Government on behalf of industry and its citizens.

(The author is national director of the South African Institute of International Affairs.)

Africa trade boost on cards

(74) 13/9/99

Simon Barber

But US Senate is expected to gut bill's advantages on clothing, textiles

WASHINGTON — The US Senate will, by the end of the month, consider new trade preferences to promote investment in SA and other "reforming" African countries, a senior congressional staff member told Washington trade lobbyists in a briefing on Friday.

The aide, who did not wish to be identified, said Senate finance committee chairman William Roth regarded Senate passage of the Africa Growth and Opportunity Act, passed by the House of Representatives in July, as a top priority this year. He said that Senate majority leader Trent Lott, the top Republican in the upper chamber, had agreed to schedule a vote.

However, the staffer, a key adviser to the Senate's Republican leadership on trade issues, expected the Senate would gut the House-passed provision, which removes duties and quotas from African clothing and textiles, by restricting benefits solely to African apparel made from US cloth. The approach has been endorsed by Roth, whose state, Delaware, is home to Du Pont, a big producer of synthetic fabric.

Disingenuously, in the view of many who attended the briefing, the aide argued that investment in the African clothing sector would still be boosted if African-based manufacturers had to use American fabric to qualify for US preferences. He reasoned that shipping costs were now so low that African firms would not be disadvantaged by having to source fabric from the US.

The predicted Senate language would severely curtail the value of the growth act to SA, which could, with improvements in productivity and quality, become a major supplier of textiles to African apparel makers.

Lobbyists who favour the bill as adopted by the House are hopeful that, even if the Senate adopts a US fabric-only rule for African apparel, a compromise can be worked out when delegates from the two chambers meet to settle differences between their versions.

There is already support for a deal that would provide preferences to African-made clothing made from African as well as US cloth — and which would, in theory, be very much to SA's advantage.

But a number of African countries are unhappy with this proposal, since they would prefer to source cloth from the Far East, and not have to rely on material from SA and Mauritius, the continent's two major textile producers at this stage. Their cloth is not popular with US clothing importers, who are more interested in African-sewn apparel made from Asian fabric.

Demands that African clothing receive US benefits — whatever the source of the fabric and despite being backed by a majority in the House — could stiffen Senate resistance to any deal by further raising the spectre of Africa becoming a backdoor for Chinese textiles to flood into the US duty- and quota-free, via sweatshops hastily established on the continent.

The Senate is expected to consider the growth act, which President Bill Clinton has said he is anxious to sign once it has been approved by both chambers, as part of a package.

This would include extending benefits enjoyed by Mexico to Caribbean countries; reauthorisation of the US generalised system of preferences, which exempts duties on goods from developing countries and whose scope would be enlarged under the growth act; and funding to assist US workers hurt by reduced barriers.

SA wants export subsidies eliminated

(74) BD 16/9/99

Director-general says the developed world spent $273bn last year supporting its agricultural sectors

Wyndham Hartley

CAPE TOWN — SA will use the next round of World Trade Organisation (WTO) talks in Seattle in November to express its desire for the total elimination of all export subsidies to the agricultural producers of the developed world.

SA will also call for all subsidies to cease in three years.

In a briefing to the National Assembly's agriculture committee, agriculture director-general Bongi Njobe said that while the previous round of WTO negotiations in Uruguay had brought some transparency to world trade in agricultural products, huge inequities still remained.

She said the developed world spent $273bn last year supporting its agricultural sectors.

SA's objective in Seattle will be to "achieve a substantial improvement of market opportunities for all SA products with export potential, to improve fair trading conditions on agricultural products imported or exported and to ensure that SA's rural development objectives are accommodated within the allowable range of WTO disciplines".

SA would also call for an immediate discontinuation of the provision allowing for the accumulation of unused export subsidies. It would also call for the elimination of any subsidisation as part of export credits. Export credits and subsidies allow developed countries to land agricultural products in developing countries at prices substantially lower than the producer price.

SA would also argue for special and differential treatment for WTO members which were developing countries and that these should remain a part of the agriculture negotiations.

"SA should approach the negotiations from a developing country perspective as far as the provision of appropriate supports for its developing agricultural sector is concerned," Njobe said.

The negotiating position would build on that taken by the Cairns group of agricultural producers, whose objective is "to put trade in agricultural goods on the same basis as trade in other goods and establish a fair and market-oriented agricultural trading system".

Njobe said agricultural issues were set to dominate the "millenial round" of WTO negotiations in Seattle.

She said there was an international trend towards smaller government and lower levels of support to farmers.

The Uruguay Round, which introduced agriculture for the first time to international trade talks, was an enormous achievement and now it was better to built on it rather than scrap it and start again.

Developing countries, the committee was told, were suspicious that there would be greater access to their own markets by developed countries, including by dumping and other ways in which their own sectors are disadvantaged by trade. They found it difficult to believe that developed countries were really interested in a fair system.

Environmental sensitivity key in development

Linda Ensor

CAPE TOWN — Environmental sensitivity would be the overriding principle in guiding development in the Western Cape, finance and development planning MEC Leon Markovitz said in a policy speech in the provincial legislature yesterday.

However, Markovitz stressed this should not be regarded as a blow against development but was meant to ensure that development projects had to proceed through the environmental litmus-test with great sensitivity.

"To ensure sustainable development and to identify ecologically sensitive areas in our forward planning, we have embarked on a number of initiatives

Tale of two worlds apart

(74) BD 16/9/99

SA has to focus on existing issues at WTO talks, writes **Katishi Masemola**

THE global economy reflects "two worlds"— the world of the rich and industrialised countries of the north and the poorer, less developed world of the south.

This reality is acknowledged by commentators, analysts, economists and politicians across political and ideological spectrums

Some believe that in order to reduce the gap between these two worlds, globalisation must be allowed to flourish and the World Trade Organisation (WTO) should be strengthened to successfully administer and propel the process of integration of national economies into a global village.

So, although there is sufficient consensus that the global economy reflects two worlds, there are different views as to whether globalisation is an appropriate mechanism to reduce the gap between these worlds

Globalisation may not reduce the gap between the rich north and the poor south.

The argument that the Uruguay Round has been beneficial to the north and detrimental to the south will be countered by arguments that globalisation will benefit developing countries in the coming WTO negotiations, known as the millennium round

For some, globalisation is nothing but "imperialism" — a process in which multinational corporations seek more markets and increased profit. For others, globalisation offers opportunity for concrete development by the countries of the south

It is the above two premises that will characterise the millennium round

With the above picture in mind, it is hoped that SA, Africa and the developing world will call for a strong development character to be reflected in all agreements emerging from this WTO round.

It is therefore necessary for SA to, along with other developing countries, push for this round to be a discussion only of existing issues — with the exception of the agricultural agreement negotiations

The uncompetitive nature of advanced countries in the agricultural sphere provides an avenue for the developing world to pursue an aggressive development agenda.

If an agricultural agreement was to emerge in which the north effectively relinquishes agriculture — by removing tariffs and quotas and withdrawing export subsidies and other forms of domestic support to their agricultural sector — some aspects of "imperialistic drive" will have been halted and the development agenda would have begun to be pursued in this WTO round

If SA and other developing countries do not succeed in limiting the agenda, they will have to opt for a developmental principle that contains critical aspects of non-reciprocity and asymmetry

Firstly, this must mean that the developing world is not expected to reciprocate in reducing tariffs and quotas at the same pace and to the same level as developed countries. Secondly, this means that developing countries may retain subsidies or support to their domestic sectors. Obviously this will differ from issue to issue in either form, content or application.

The so-called new issues are generally considered sensitive to the developing world while they are seen as urgent by the developed world.

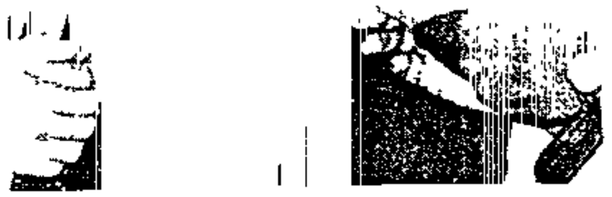
These range from agreements to be negotiated on investments, government procurement, services, competition policy, intellectual property rights and so on.

If strong developmental clauses are to be excluded on the envisaged agreements regarding all the above issues, this will leave developing countries worse off from this millennium round. Developed countries would have succeeded in opening markets for their multinational corporations

To pick up but one example: If there was to be an agreement on government procurement, Lesotho would not have the public or private sector capacity to bid and to buy a telecommunications company in the US while a modest company, by US standards, may buy any state company in Lesotho.

Therefore the millennium round is the crossroads at which the world will either give impetus to imperialism from the north or accept an aggressive development programme from the south.

□ *Masemola is the Food and Allied Workers' Union economics co-ordinator.*



/ith the institution's chairman, Sam Mkhabela, and maste
report in Pretoria on Friday.

Early ratification of free trade deal with EU 'a must'

BD 20/9/99 (74)

Wyndham Hartley

CAPE TOWN — The soonest possible implementation of SA's free trade and co-operation agreement with the European Union (EU) was vitally important to allow local exporters to take advantage of the deal, says trade and industry chief director for foreign trade relations Bahle Sibisi

Sibisi, briefing three parliamentary committees last Friday, appealed for Parliament's help in getting the deal ratified so that it could be implemented by January 1. He said once the implementation date had kicked in, concessions would begin to be lost as the tariff elimination deadlines were reached The agreement will be formally signed on October 11

Rob Davies, chairman of the National Assembly's trade and industry committee, promised there would be public hearings on the free trade agreement's contents so that all sectors of SA's economy would have a chance to comment on the deal before ratification

He said that an opportunity had also been created for the committees to comment on the deal before its signing For this reason a draft document had been prepared for circulation early this week to all political parties before parliamentarians agreed on their preliminary comment

In response to questions Sibisi said a study, sponsored by the EU, had been done to determine the effect of the accord on SA partners in the customs union and it was concluded that Botswana, Namibia, Swaziland and Lesotho would be affected to the same extent as they were contributing towards SA's economy.

He said the customs union was expected to accede to the accord; approval was needed before it came into effect but "we have indications they will approve"

The exact effect on the Southern African Development Community (SADC) had not been determined, partly because of the need to accurately measure export and manufacturing sectors in the regions' economies.

Sibisi said favourable conditions for SADC nations would be ensured by the SADC trade protocol also being negotiated at the moment and which officials also want to implement on January 1

Nare Construction ready for rebirth

Sibonelo Radebe

SA keen to ratify trade deal

Sowetan 20/9/99 (74)

SOUTH Africa is eager for the comprehensive free trade deal with the European Union (EU) – due to be formally signed early next month – to be ratified with all speed.

This sentiment was expressed by the Department of Trade and Industries chief trade negotiator Bahle Sibisi last week, while addressing members of Parliament's trade, economic affairs and foreign policy committees.

"South Africa has backloaded most of its tariff concessions whereas the EU concessions happen at the beginning," Sibisi said

This means a delay in ratification would erode the benefits to South Africa and introduce a risk that the deal could be dragged into other multilateral talks, like the new World Trade Organisation (WTO) negotiations

The trade deal, struck in March after a compromise on South Africa's use of the terms "port" and "sherry", will liberalise 90 percent of trade with the 15-nation EU

At the end of 10 years, 95 percent of the EU's imports from South Africa will be fully liberalised Two years later, 86 percent of the country's imports from the union will have followed the suit.

Sibisi noted that the EU was South Africa's most important trading partner, currently accounting for 41 percent of the country's imports and exports.

He said the most significant concessions won by South Africa in nearly four years of negotiations with the EU had been in agriculture, where the initial EU position had been to exclude the entire sector from the talks

"Overall we think the agreement made significant progress in agriculture, although not as much as we'd have liked," Sibisi said

He said South Africa and the Cairns group would make the ending of northern hemisphere protectionism on farm products a key plank in their approach to the WTO talks that are due to kick off in November – *Reuters*

US, SA bury medicines law hatchet

BD 20/9/99 (74) (183)

Issue will be set aside from trade agenda, but SA's implementation of law will be scrutinised

Simon Barber

WASHINGTON — The US and SA governments have agreed to paper over their differences on SA legislation which the US believes would give the health minister broad authority to violate internationally agreed principles of patent protection in the name of procuring AIDS drugs and other medicines at reduced prices.

The verbal understanding, announced on Friday, does not mean the issue is dead.

In a carefully negotiated statement, US trade representative Charlene Barshefsky said the US "very much appreciates SA's assurance that, as it moves vigorously forward to bring improved health care to its citizens, it will do so in a manner consistent with international commitments and that fully protects intellectual property rights"

This assurance "will enable us to set aside this issue from our bilateral trade agenda". She avoided saying it had already done so, implying that her office would be watching closely how SA implemented its medicines law.

The one immediate concession Barshefsky did grant was an undertaking that duty-free treatment granted to several SA products last year — but then withheld chiefly to the detriment of US importers — would be restored as soon as Congress made it possible by reauthorising the lapsed US generalised system of preferences.

Barshefsky did not promise to remove SA from the watchlist of countries deemed to be providing inadequate protection for intellectual property rights. US concerns about patent and copyright protection in SA are not limited to medicines but include complaints that government has not taken sufficient steps to crack down on the use of pirated computer software.

At the core of the dispute is section 15c of the 1997 SA Medicines and Related Substances Amendments Act. Its status as law remains unclear, but it appears to give the health minister unrestricted authority to ignore the patent law passed the same year to fulfil SA's obligations as a party to the World Trade Organisation (WTO) treaty on trade-related aspects of intellectual property, commonly known as TRIPS.

Section 15c would allow the minister to procure patented medicines from sources not authorised by the patent-holder and to license the manufacture of patented drugs by third parties without negotiating adequate compensation with, or granting the right of appeal to, the patent owner.

TRIPS's position on parallel imports and compulsory licensing is subject to interpretation In addition, it has been US policy to unilaterally oppose these expedients and to demand that countries provide a higher standard of patent protection (TRIPS-plus) than called for in the treaty

While the trade representative's office, under pressure from Vice-President Al Gore, has expressed a willingness to demand less than TRIPS-plus in SA's case, citing the AIDS "pandemic" and "social needs" as a reason for lenience, the interpretation question remains unresolved.

In her statement, Barshefsky said both sides had "reaffirmed . . their commitment" to TRIPS. Left unstated was whether they read the treaty the same way and were still committed to the same thing Differences could still arise, requiring WTO arbitration.

Trade and Industry Minister Alec Erwin has made clear that if the US has gripes with SA on trade matters, it should present them to the WTO rather that threaten unilateral sanctions.

It is the US's hope that a fight in the WTO on interpretation be avoided, since the outcome would be uncertain. The trade representative's office would prefer that drug multinationals find a way of accommodating SA's needs.

\ hailed the drug companies' recent suspension of their litigation against section 15c.

Ending differences: Page 3

World Bank economist slates 'two-faced' powers

BD 22/9/99 (74)

GENEVA — World Bank chief economist Joseph Stiglitz, formerly a senior US official, hit out yesterday at the big powers' "hypocrisy" in their dealings with developing countries over trade liberalisation.

Speaking at a conference in Geneva, he argued that the next round of global trade negotiations should aim at producing a package deal in a "single undertaking", partly to reduce the influence of single-issue lobbies in the major economies.

Poorer nations are wary of fresh efforts to persuade them to open their markets wider for goods and services, largely because of the "seeming hypocrisy exercised by those in developed countries", Stiglitz said.

"Nowhere is this hypocrisy greater than in the invocation of dumping and countervailing duties," said the economist, who in the early 1990s was a member of the White House Council of Economic Advisers and is now the Bank's vice-president.

The US and European Union frequently use World Trade Organisation (WTO) accords to justify actions against alleged dumping — exporting goods at below their production cost — or to apply special duties to make up for what they say are unfair subsidies by exporting countries, often Third World or former communist-ruled nations.

A recent example, Stiglitz said, was the US decision to use national anti-dumping laws against steel from Brazil, Russia and other countries at the behest of US manufacturers.

"Governments of developing countries are often lectured by the big powers on how they should exercise political will to bring about market reforms at home," he said. But the same powers justified what were essentially protectionist measures — like EU agricultural subsidies — by referring to their own domestic political pressures, Stiglitz said. "This again is the hypocrisy I am talking about."

Poorer states, and especially the world's 48 least developed countries, have complained that they gained little from the previous negotiations, the 1986-93 Uruguay Round.

They argue that while they agreed to major tariff cuts on industrial goods and to ease access to their home markets for foreign service providers, the US and the EU had failed to reciprocate on textiles and farm produce. — Reuter.

UK motor industry looks for SA trade

(74) BD 22/9/99

Stan Maphologela

AS GLOBALISATION gains momentum, the UK-based Society of Motor Manufacturers and Traders is sending a high-powered business and trade delegation to SA next week.

Representatives from 18 automotive companies in Britain will be coming to the country intent on developing their business with SA.

The aim of the visit is to strengthen UK trade relations with SA, a move that could lead to trade agreements and increasing investment opportunities.

UK companies hope the visit will result in tangible business deals and ventures that will translate into long-term and concrete business associations.

A team will take part in various workshops, to which personalities from the SA industry will be invited.

The workshops are organised by the UK's department of trade and industry and the UK consulates in SA, and will take place in Port Elizabeth and Johannesburg next week.

Cluster developments, logistics, licensing agreements and the financing of joint ventures are among the topics that the workshops will encompass and which are strategic to the SA automotive industry.

The society's mission manager, Roger Hambrook, says some of the mission participants have been to SA before but others will be visiting for the first time.

"Some will seek local importers and distributors and others will explore opportunities for joint ventures, technology transfer or other investments. We are looking forward to meeting as many friends and colleagues as possible in the SA automotive industry," he said.

The UK enjoys a strong position in the global automotive sector, having recovered from a difficult situation in the 1970s.

Currently, the UK has more than 40 producers of cars, vans, trucks and buses. It also has about 7 000 suppliers of automotive components.

The industry employs almost 800 000 people, including about 330 000 in actual vehicle and component production and manufacturing activities.

The industry has a turnover of more than £40bn, equivalent to 5,5% of the UK's gross domestic product. Exports from the UK last year amounted to £19bn.

The stable macro-economic fundamentals in SA have placed it in much demand.

Next month, the Botswana Export Development and Investment Authority (Bedia), a trading arm of the Botswana government, is also sending a trade mission to SA.

The mission will be headed by Bedia CE Chand Bhadain and other officials of the authority, together with 20 to 25 leading businessmen from Botswana.

The main objective of the mission will be to expose the various opportunities in Botswana to businessmen in KwaZulu-Natal and to promote business between the two neighbouring countries.

Free trade deal for southern Africa on the cards

■ Deal by end of 1999 on SADC duty-free area ■ Eight years to eliminate tariffs ■ SA will lose R150-m revenue

(74) (279A) ARG 23/09/99

CHARLES PHAHLANE
PARLIAMENTARY BUREAU

The beginning of the new millennium could herald free trade in southern Africa, with a trade protocol signed by the end of this year, Parliament has heard.

The Department of Trade and Industry (DTI) said yesterday negotiations were nearing completion on a trade protocol that would create a duty-free area in the South African Development Community (SADC) in eight years.

A final meeting to ratify the protocol would be held next month, followed by ministerial meeting to iron out outstanding issues. Parliament would then ratify the protocol before implementing it next January.

The trade protocol would be achieved through the elimination of tariff and non-tariff trade barriers subject to general exceptions. The protocol would not lead to a substantial loss to South Africa, as imports from the region were 2%, or R2,2-billion, of total imports. South Africa sent R15,6-billion, 11%, of its exports to the region.

It had been estimated that South Africa would lose up to R150-million in revenue from the removal of SADC tariffs. South Africa, with the South African Customs Union (Sacu) would remove tariffs on 69% of its goods on January 1. A further 28% of tariffs would be removed over five years. Another 3% was classified as "sensitive". This included the sugar industry, meaning it would not be liberalised.

The non-tariff barriers included "rules of origin", that is goods imported in the region on a duty-free basis should originate from the SADC countries. The other barrier was that of quality assurance.

Sifiso Ngwenya, DTI director for South African trade relations in the SADC, said a memorandum of understanding setting out the framework for co-operation in raising standards in the region would be signed by the SADC council of ministers in January.

Areas of disagreement included product-specific rules of origin for clothing, textiles and footwear. There were also differentiated tariff offers from non-Sacu SADC countries. There was one offer for South Africa and another for Sacu members Botswana, Lesotho, Namibia and Lesotho (BNLS) and Mozambique. It was felt that the BNLS countries did not have economies comparable with South Africa's in strength. Therefore they would be unfairly prejudiced if they were to open up their economies faster than other regional countries that had comparable economies.

South Africa would not experience a flood of goods in the short to medium term because of the low levels of imports from the region, structural constraints to expanding output and SADC imports constituting only 0,25% of domestic consumption, Mr Ngwenya said.

Unions want labour to be in trade talks

BD 4|10|99 (74)

Xolani Xundu

THE country's three main trade unions have called on government to involve organised labour in trade negotiations.

The Congress of SA Trade Unions (Cosatu), the Federation of Unions of SA (Fedusa) and the National Council of Trade Unions (Nactu) made this call through Cosatu general secretary Zwelinzima Vavi at a National Economic, Development and Labour Council (Nedlac) meeting on Saturday.

Vavi said labour's involvement in trade negotiations relating to the European Union and the Southern African Development Community (SADC) trade protocol had been either nonexistent or inadequate. This was despite union members being victims of job losses.

"We propose that we be actively involved in formulating trade policy in the so-called millennial round of negotiations in the World Trade Organisation and in building a strong social pillar in SADC through the policies we pursue," said Vavi. SADC offered a chance to set out "truly" regional developmental policies, instead of building the region around a "narrow" trade and capital market liberalisation programme.

"We should simultaneously tackle issues of trade, labour rights, social policies, investment, upward convergence of living standards and promotion of democracy in SADC countries."

One element of this approach was to ensure the whole region grew its employment and output. Jobs should not be increased in one country by shedding them in another.

Labour Minister Membathisi Mdladlana said despite successes in implementing agreements reached at Nedlac last year, SA still faced massive unemployment and poverty. "The growth of formal sector employment is far too slow and the investment that we need to underpin such growth has fallen in recent times." The reason was that social partners had not secured the right mix of incentives or policy promotion to see the job expansion SA needed.

Deputy President Jacob Zuma said the gold price had shown there were areas of common interest between employers, unions and government. If properly handled, joint action could "help to tilt massive international forces in ways never before imagined".

TRADE TARIFFS

Manufacturers seek to muzzle the wolves Pretoria wants to run with

(74) CT(PR) 5/10/99

JOHN FRASER



When it comes to protection against HIV, the government is keen to advocate the use of condoms. Yet the business community is finding it a lot more difficult to convince Pretoria of the need for protection in trade.

Many South African industries are in trouble, and cheap imports are a strong contributing factor However, while industry is seeking more help, the government appears determined not only to maintain the pace of tariff reduction, but to accelerate it.

New free trade accords will come into effect from the new year, both with the European Union and within the Southern African Development Community While there will be some safeguards for the most vulnerable groups, the net effect will be even less protection for South African industry

Some local industrialists are deeply worried. "We do need some form of protection, we are not strong enough to be thrown to the wolves of the world," says Warren Clewlow, the non-executive chairman of Barlow, the industrial corporation

"The crisis of higher and higher unemployment is a major issue, and we have got to tackle this urgently and boldly

"I am not suggesting we should return to the high tariff walls of the past. But in agriculture, textiles and certain other industries we should put up a sufficiently high tariff wall so that investors are prepared to invest "

Clewlow believes such protection should not be open ended, but should be implemented for a given period, during which these vulnerable industries must be shielded from the full force of free competition.

"If it means I have to pay an extra rand for a pair of locally produced underpants rather than a swishy imported job, then so be it."

He says any increased tariff regime should be closely monitored to ensure that the firms benefiting from it do not abuse the help they are given.

Gerrit Pretorius, the chief executive officer of Reunert, the industrial and electronics holding company, is another influential industrialist who favours more protectionism, but of a more subtle nature

"One of the problems we suffer from in South Africa is a relatively small local base," he says "This is being eroded by the day, and I believe that unless there is an informal protection for local industry, it will be very difficult to stop the process of deindustrialisation.

"If the current trend continues, manufacturing industry in South Africa will disappear "

Pretorius claims that South Africa already employs fewer people in manufacturing now than it did in 1979

He accepts that it may not be practical to erect a new wall of tariffs around South African manufacturing, but he suggests there are other means of protecting local firms, by playing the industrialised nations at their own devious game.

"You can't have formal trade barriers, but informal trade barriers are very much the norm in the industrialised world," he says "The Germans, the French, the Americans – they all have formidable barriers. Normally it's through the standards and specifications you have to meet."

Pretorius cites the example of New Zealand, which preceded South Africa on the path to trade liberalisation.

He says the Kiwis are now paying the price in terms of zero economic growth, as their manufacturers battle to survive in the face of cheap imports.

"Personally, I have given up talking to the government; they don't seem to listen," he says. "We need to bring in a few expert civil servants from France and Germany – the real red tape manufacturers."

The government cannot but be aware of the mounting chorus of calls for extra help, but there is no sign that a change of trade strategy is in sight.

Danie Jordaan, the chairman of the Board on Tariffs and Trade, says that in some key sectors tariffs are still high. "On manufactured products in South Africa, tariffs are still quite significant, and are sufficient to support the domestic manufacturers," he says.

But clothing tariffs will remain at 60 percent, following a fall of 6 percent in September. Similarly, although tariffs on fabrics fell by 3 percent last month, they will still remain at 30 percent. Tariffs on other manufactured products range from 25 percent up to about 50 percent.

Jordaan disagrees that much of the blame for the problems facing South African industry should be placed on tumbling tariffs. He points instead to lax customs controls, which effectively lead to smuggled imports on which no tariffs are paid.

He says the current phase-out schedule on tariffs was negotiated with both business and labour, as the government is sensitive to the concerns of industry.

Even so, the government does have some room for manoeuvre It could perfectly legally increase some tariffs without falling foul of international agreements.

Nonetheless, there is no doubt South Africa will face pressure to agree to further tariff reductions in the new Millennium Round of the World Trade Organisation, which will be launched at a ministerial meeting in Seattle in November.

Just as a lack of protection can be fatal in an HIV-ridden population, there is a real risk that under-protected industries could suffer a similar fate if South Africa is over-hasty in stampeding down the path towards free trade.

Influential MP calls for ratification of trade deal

BD 6/10/99 (74)

John Dludlu

AN INFLUENTIAL European parliamentarian called yesterday on her colleagues in the European Union legislature to ratify the EU-SA trade, development and co-operation agreement as the deal appeared to face new hurdles.

Separately, SA and European diplomats sought to play down renewed worries that the present differences on the wines and spirits agreement could scupper the formal signing ceremony scheduled for Monday.

A spokesman for the Finnish embassy said preparations for the visit to SA by President Martti Ahtisaari, who holds the EU's presidency, were proceeding normally.

In Strasbourg, the seat of the EU legislature, Glenys Kinnock, the British Labour Party MP in the EU parliament, led debate on the agreement between SA and the EU ahead of today's vote.

Kinnock, who chairs the parliament's development committee, called on her colleagues "to lead by example" in ratifying the deal. "It should also inform national parliaments of the importance of this particular agreement and urge them to ratify swiftly," she said.

Although the key trade concessions will come into effect next January, the entire deal has to be endorsed by the 15 EU parliaments. She said the "general consensus" was that it was a good agreement. It was of highest importance to SA's future economic development and that of its neighbours.

Bahle Sibisi, chief director for foreign trade relations at SA's trade department, sought to play down the fact that the negotiators had missed the end-September deadline to conclude wines and spirits talks. There was no basis to think that the entire deal would not be signed on Monday, Sibisi said, expressing the hope negotiators would be able to agree on a "mutually acceptable" wines and spirits accord.

There was also no foundation for talk that SA was no longer committed to the deal as had been suggested by some diplomatic sources, Sibisi said.

EU representatives meet today to discuss the wines and spirits accord, which is linked to trade concessions.

Thrills, chills and … customs union

It is not as glitzy as a pact with the EU, but the rickety old accord will be rewritten, writes **John Dludlu**

THERE are many reasons why the Southern African Customs Union is not a headline-grabber like the Southern African Development Community (SADC).

What is more, for sheer excitement it hardly matches the twists and turns in the trade, development and co-operation accord between SA and the European Union (EU)

Perhaps one reason for the apparent lack of interest is the fact that the five-nation trading arrangement carries colonial and apartheid baggage. Unlike the SADC or the SA-EU pact, it belongs to the past

Like many institutions of the previous era, it operated, until recently, in an undemocratic fashion Apartheid SA, its custodian, took decisions with little consultation with Botswana, Swaziland, Lesotho and Namibia — the other signatories to this longstanding arrangement.

As a customs union, the pact represents a deeper form of economic integration members have a common external tariff system and pool income from excise and import duties before sharing it in a complex formula

Under the terms of this formula, SA's neighbours have first claim to the spoils and receive compensation for the price-raising effects of being in the union with SA (its administrator) and for the unequal distribution of industrial investment in the subregion

Cosmetic changes have been made through the years. But it was Trevor Manuel, then SA's trade and industry minister, who in 1994 launched the process to democratise the running of the institution, modernise it and reshape its operations.

However, efforts to negotiate a new accord that would be run jointly by all members have failed. Five years on, a democratic arrangement is just an ideal. The old structure grinds on with members still whinging about the same old problems.

SA, which subsidises its neighbours, feels it cannot afford to do so in future. The neighbours, as always, are not getting nearly enough and are clamouring for democracy.

Trade and Industry Minister Alec Erwin and finance ministers from the subregion launched a fresh bid to inject impetus into the stalled process in October last year and set a target date of April for a new accord This was missed and the process has slumped back into lethargy.

However, the stuttering process, its frustrations and uncertainties are starting to raise eyebrows among the subregion's taxpayers The Swazi finance minister, for example, is expected to be asked for an update in the legislature on the process.

The customs union is important to all its members Swaziland and Lesotho derive half of their income from the union's pool, while Botswana and Namibia are less reliant on this source.

SA does not rely on trade taxes for budgeting purposes. But the SA taxpayer has to care because of the subsidy portion of the revenue-sharing formula. The situation is becoming critical — with the general fall in the level of tariffs, the size of the pool shrinks It has been maintained at respectable levels mostly by a rise in the excise duty component, say those familiar with the union.

As things stand, the formula, especially the subsidy component, guarantees payments to SA's partners More importantly, delays remove the urgency of carrying out fiscal reforms, such as the introduction of value-added taxes, to reduce reliance on trade taxes

Every year that passes without a new accord means that SA will continue to be accused — rightly or wrongly — of not wanting to relinquish control.

One of the key problems facing negotiators has been finding an acceptable institutional framework — one that is affordable and does not paralyse decision making — that will underpin a new agreement A considerable degree of work has been done in this regard by officials from the member countries

The other difficulty is finding a new and equitable revenue-sharing formula that will not throw government finances into disarray

Before the last official meeting (in March this year), signs were that the new formula would exclude excise duties from the common pool

This function will be given to national governments. Understandably, this proposal, which would have given fiscal discretion to the neighbouring states, had enjoyed wider backing

However, SA officials are now having a rethink In a proposal yet to be endorsed by ministers, they feel the exclusion of excise duties will be an administrative nightmare Although Swaziland is known to have conceded this fact, it is unclear if reformists Namibia and Botswana — which have better administrative capacity — will support Pretoria's fresh thinking

Thankfully, politicians, who are in a better position to make concessions, have realised the importance of having an alternative agreement soon. It is understood they met briefly in Washington last week

But a ministerial meeting, which might just catapult the customs union into headlines, may be held before Christmas. For it to be useful, they should set a new deadline and commit themselves to negotiations if need be.



EU states want written guarantee from Erwin

JOHN FRASER

Johannesburg – Alec Erwin, the trade and industry minister, has been warned by a cluster of European Union (EU) states that Monday's signing ceremony for a Free Trade Area (FTA) between the EU and South Africa would be scuppered unless he gives written guarantees that South Africa will stick to its terms.

The new agreement was due to be formally endorsed by both sides at a signing ceremony on Monday at the Union Buildings in Pretoria, to be attended by President Thabo Mbeki and Finnish President Martti Ahtisaari.

Under the agreement, South Africa undertook to phase out the use of the terms "port" and "sherry" on the labels of fortified wines after 12 years.

"Half a dozen EU governments, led by the Spanish, the Portuguese and the French, are furious that South Africa is trying to roll back from that agreement," said a senior EU source after a meeting of the 15 European ambassadors in Brussels last night.

"They are distressed that South Africa has been suggesting that it may not honour the agreement on port and sherry – a suggestion which has emerged in technical negotiations on wines and spirits.

"So the European Commission and the Finnish government, which holds the EU presidency, are asking Erwin for a written assurance.

"If not, the signing will not happen."

South Africa is also under pressure to give up the use of further terms on its wine and spirits labels.

Erwin has already been contacted about the EU's unease. He has given a verbal undertaking that South Africa is committed to the Berlin accord, which broke a tough deadlock over the port and sherry issue.

However, this is not enough for some EU nations.

"The South Africans have given us a negative impression, and this has to change if the signing is to go ahead," said the Brussels source.

> *'South Africa has suggested it may not honour the deal on port and sherry'*

In another development, EU governments and officials have been urged to match their words with actions in shielding South Africa's most vulnerable neighbours from the impact of the new SA-EU free trade area agreement, which comes into force from January.

The accord will have a dramatic impact on the Southern African Customs Union (SACU) free trade area, as South Africa's neighbours in this bloc derive much of their income from import tariffs, which are due to come down.

The European Parliament yesterday adopted a report by Glenys Kinnock, a British Labour European MP, which backs the new EU-SA accord.

The report notes the importance of tariff revenue to South Africa's SACU partners – Botswana, Lesotho, Namibia and Swaziland

Kinnock warned that a cut in revenue from this source would mean reductions in spending in these four states "on health, education and social services"

She demanded that "a formal statement which provides reassurance to the region should be issued as soon as possible"

Odds on an EU-SA accord improve

DD 7/10/99 (74)

Vote isolates those member states still wishing to block the deal

John Dludlu and Sapa

PROSPECTS of implementing the European Union-SA trade, development and co-operation agreement received a boost yesterday when the European parliament voted overwhelmingly in its favour.

The approval was welcomed by SA government and political party officials. About 430 EU MPs voted in favour of the deal, with 72 voting against and 23 abstaining.

The move clearly isolates a fringe of EU member states which still wants to block the deal, claiming that SA is no longer showing interest, say EU parliamentary sources. However, the deal, due for signing on Monday, faced one more hurdle last night — EU member states which could still block it if parallel wines and spirits talks were not finalised.

Coreper, the body of EU ambassadors, met yesterday to decide whether the deal could still be signed even without finality on the wines and spirits accord. Talks to finalise parallel talks on the wines and spirits accord are due to resume in Brussels today.

Observers said yesterday some member states could still make a bid for more concessions from SA negotiators, but doubted if any would risk the political embarrassment that would come with the obstacle. Glenys Kinnock, the British Labour Party MP, said it was a pity the sourness relating to fresh differences on wines and spirits had once more crept into the process.

While reluctant to contemplate the prospect of the signing being scuttled, Kinnock, a member of the development committee, warned that it would be "appalling" and "unforgivable for any EU member state to impede this agreement".

The ratification by the EU legislature deviates from the norm — as a rule ratification follows signing. Bahle Sibisi, chief director for foreign trade relations at the trade department, welcomed the endorsement of the deal, saying it underscored the European parliament's continuing support for a mutually beneficial accord.

Democratic Party trade spokesman Nigel Bruce said the deal was "substantially to our mutual benefit" and that it would be churlish to make too much of the "pedestrian" negotiation process that led up to it.

In a bid to allay the fears that continued differences on the wines and spirits negotiations might hold up the signing of the deal, Poul Nielson, the European Commissioner for development, said this eventuality should not affect the entire deal.

However, the parts that were linked to wines and spirits, such as promised tariff concessions for SA wines and financial support in exchange of SA dropping the names port and sherry, would not come into effect if the parallel talks were not finalised.

However, he was optimistic today's talks would succeed.

EU sends official to rescue trade deal

(74) ED 8/10/99

John Dludlu

Europe concerned Pretoria will renege on port, sherry agreement

IN A last ditch effort to rescue the threatened signing of the trade, development and co-operation accord between the European Union and SA, the EU is expected to send a top official to SA today, according to a senior Brussels source

Philip Lowe, director-general for development at the European Commission, the EU's executive, was due to fly to SA last night for talks with SA authorities today

This follows the concerns of at least five EU members — Spain, Portugal, France, Italy and Greece — about the validity of the wines and spirits accord, an agreement parallel to the overall deal

These countries are concerned that Pretoria, which clinched a political compromise on the use of port and sherry, would renege on this understanding

It is understood that one of Lowe's objectives would be to get an undertaking that would allay the fears of the EU member states, thereby saving the formal signing of the deal on Monday

He would seek an assurance that the March compromise, chiefly on port and sherry, would hold This, the EU officials said, was very serious Protection for "traditional expressions", demanded by EU states, did not necessarily have to be agreed by Monday, though this was desirable, he said

The March compromise provided for the dropping of the names port and sherry after a transitional period in SA In exchange, SA wine producers would be given financial assistance and 32-million litres of SA wines would enter the EU at reduced duty rates

Bahle Sibisi, the trade and industry department's chief director for foreign trade relations, said last night that as far as SA was concerned the arrangement reached in March, including the port and sherry issue, still stood "If there is concern or new issues, they will have to be raised at ministerial level "

Veronika Wand-Danielson, Lowe's spokesman, said it was the commission's understanding that the March agreement would be adhered to The commission was engaged in a "bridge-building" exercise to address the concerns of member states, on the one hand, and SA on the other

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Business in Africa

SA-EU TRADE

FM 8/10/99 (74)

AFRICANS AND ASIANS VOICE UNEASE AS SA PICKS UP THE PEN

Trade pact could harm SA neighbours and disrupt world trade

With SA and the European Union (EU) due to sign their first trade and co-operation agreement in Pretoria on October 11, international development analysts say the accord may harm the economies of SA's immediate neighbours, alter Europe's relations with the African, Caribbean & Pacific (ACP) region and even disrupt global trade

Botswana, Lesotho, Namibia and Swaziland, the BLNS nations which participate in the SA Customs Union (Sacu), have already voiced strong concerns about the effect of the accord on their economies

They are especially worried about the likely fall in fiscal revenues as Sacu tariffs on EU imports decline, and about increased competition from imported European goods, mainly EU-subsidised farm products Having been excluded from the SA-EU negotiations, the BLNS are demanding the EU address their concerns as soon as possible

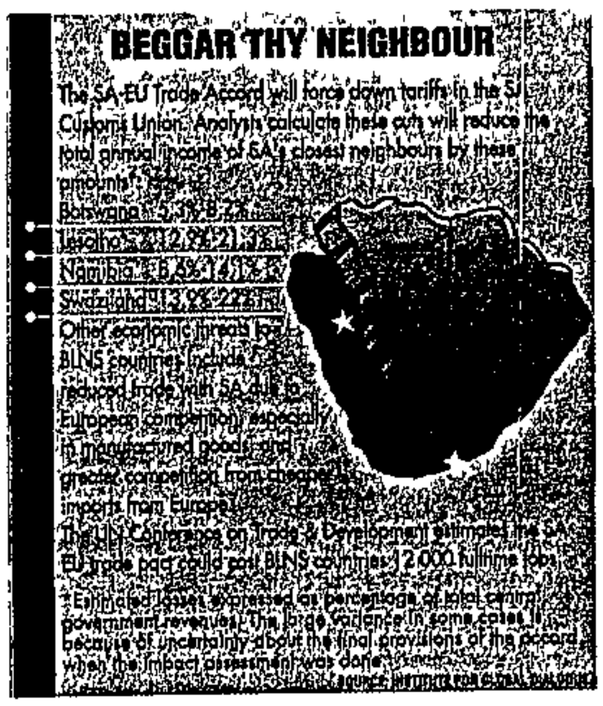
ACP diplomats in Brussels say they are convinced the SA-EU agreement will become a model for Europe's future relations with other African nations The EU is moving to jettison the current system of nonreciprocal EU trade preferences included in the EU-ACP Lomé Convention in favour of new, reciprocal trading arrangements based on the deal with Pretoria.

"The SA-EU agreement is an indication of what Brussels wants to conclude with ACP countries," says the group's deputy secretary-general, Carl Greenidge "It would not be consistent for the EU to secure different agreements with the ACP group and SA "

Further afield, several members of the Geneva-based World Trade Organisation (WTO), including Japan, China, South Korea and India, have voiced unease at the increase in bilateral free trade treaties the EU is signing with countries outside its neighbourhood and sphere of influence Their concerns arise not only from the SA-EU deal, but also from the EU's agreements with north African nations, central and eastern European states and countries in Latin America

EU and SA officials are adamant that they have been careful to keep in mind the wider regional concerns of SA's neighbours Products such as sugar, beef and textiles, which are produced in southern African nations and are especially vulnerable to EU competition, are either excluded from liberalisation or will be freed towards the end of the 12-year transition period leading to the creation of an SA-EU free trade area, say SA diplomats

Meanwhile, EU officials insist that the decline in consumer prices in BLNS that will be prompted by decreasing Sacu tariffs will encourage foreign investors to set up shop there and give the region's consumers and businesses access to a larger variety of cheaper European goods



The view in BLNS is different, however, says Paul Goodison, researcher for a European nongovernmental agency which has been working with Lesotho's Ministry of Trade, Industry & Marketing to evaluate the regional impact of the SA-EU deal

"We are being told that the agreement will benefit the BLNS states But this is far from clear, given that these countries have different structures and different levels of development compared to SA," he warns

Independent analysts such as Goodison worry that while SA is strong enough to cope with increased competition from European imports — and SA exporters will be able to benefit from reduced tariffs on EU markets — the fragile BLNS economies may not be able to handle the sudden arrival of cheaper EU imports Given their limited industrial production base, BLNS exports to the EU — already duty-free under the Lomé Convention — are unlikely to rise Also, BLNS goods produced for the Sacu market will come into competition with EU exports As Sacu tariffs fall, the Customs revenues paid to BLNS governments from Sacu's common revenue pool will drop (see table)

BLNS are demanding action to protect economic sectors threatened by EU imports, especially of subsidised farm products The four countries may also press for direct representation on the SA-EU co-operation council that will manage the agreement, says Goodison The key problem, he argues, is that though the SA-EU agreement has "fundamentally transformed" the basis of BLNS relations with Europe, creating a de facto EU-Sacu free trade area, the four countries were never properly consulted This, he says, violates the EU-ACP treaty, which provides for prompt consultations in cases where the interests of any ACP state are affected by EU measures

Having watched the SA-EU negotiations from the sidelines for the past four years, ACP diplomats now face EU demands for the negotiation of so-called Regional Economic Partnership Agreements, based on the notion of a reciprocal lowering of tariffs which is a cornerstone of the SA-EU pact

"ACP countries are worried," says Brussels-based development analyst Eileen Sudworth "If the SA deal is the best an African Goliath can achieve, then what kind of agreement will countries that do not have SA's leverage be able to obtain from the EU?"

WTO officials stress that as the agency prepares to launch a new trade liberalisation round at the WTO's meeting in Seattle in early December, many countries are beginning to voice concerns about the proliferation of bilateral free trade agreements, many negotiated by the EU, which they believe will have repercussions on global trade In a show of disapproval, India, China, Japan and South Korea are delaying WTO adoption of up to 73 free trade accords, many of them signed by the EU **Shada Islam, Brussels**

LATEST ROW *caused by last minute threats from five EU states*

EU-SA free trade accord signing on a knife-edge

(74) ART 9/10/99

JOHN FRASER

Johannesburg – Relations between the EU and South Africa gravitated between tragedy and farce yesterday, as frantic efforts were made to salvage Monday's signing of the historic EU-SA Free Trade Area Accord.

Invitations were circulated yesterday to the ceremony at Union Buildings, to be attended by President Thabo Mbeki and his Finnish counterpart, Martti Ahtisaari. Finland holds the EU presidency for the rest of this year.

But even as the guests arrived, EU and SA negotiators, diplomats and ministers were involved in a series of contacts – right up to presidential level. A compromise over the issue of port and sherry, put together by EU and South African diplomats in Pretoria, was under consideration at a meeting of the 15 EU ambassadors in Brussels at the time of going to press.

The latest row was caused by last minute threats from five EU states – led by France – who are demanding that SA must sign up to Europe's interpretation of the March EU-SA accord on the naming of port and sherry.

The EU insists this deal means that these terms will be phased out for SA fortified wines within 12 years, while SA officials believe they might have an escape hatch if there is a broader multilateral trade deal which enshrines SA's rights to continue to use these terms indefinitely.

For good measure, the Europeans were also asking for a series of further concession from SA on the naming of other wines and spirits – all by Monday morning.

"I think it will all be sorted out – too much is at stake," said a European diplomatic source in Brussels.

"However, we have asked SA Trade and Industry Minister Alec Erwin for a written guarantee that he accepts our demands, and so far, he hasn't agreed to this."

The situation verged on the farcical yesterday when it emerged that Philip Lowe, the EU's director of development, had tried to fly to SA on Thursday to sort out the mess.

"But his flight was turned back, and he ended up back in Brussels instead," said an EU official. The Finns made it clear last night that unless there was a diplomatic solution to the last minute row, the signing would not go ahead.

"President Ahtisaari will not be flying to South Africa unless there is a last minute compromise," said a Finnish diplomat.

European Union ambassadors were meeting in Brussels last night, to decide whether or not there was the prospect of a deal. If not, the signing on Monday will be put off – and the planned renaissance in EU-SA relations will have been badly scuppered.



LAST MINUTE *Maserame Maloi prepares for Monday's signing ceremony*

PHOTOGRAPH: AFP

Trade accord signing in turmoil

CT (BR) 11/10/99 (74)

JOHN FRASER

Johannesburg – Tense and hostile negotiations were continuing between the European Union (EU) and South African officials last night over the naming of South African port and sherry in a frantic bid to prevent the postponement of today's signing ceremony for the new EU-South Africa free trade area accord

Both sides agreed in March in Berlin that South Africa would phase out after 12 years the use of the terms port and sherry on the labels of its fortified wines.

However, South Africa believes this agreement will become invalid if there is a subsequent international trade deal on liquor labels, and is refusing EU demands to sign what it sees as a suicide note on behalf of the local port and sherry industry

South Africa is also resisting EU demands for additional concessions relating to the labelling of wines and spirits

This resistance to Brussels caused fury among France Spain, Portugal, Italy, and Greece and led them to threaten a boycott of the signing, which is scheduled to be staged in Pretoria today in the presence of President Thabo Mbeki and Finnish President Martti Ahtisaari

A postponement would be an embarrassment for both sides, but the announcement yesterday that Ahtisaari had already decided to stay away suggested that even if the signing went ahead, EU South African relations had reached new levels of mutual mistrust and suspicion

Results of the hastily convened weekend negotiations in South Africa will be reported to EU ambassadors and foreign ministers meeting in Luxembourg this morning A decision on whether the lunchtime signing will go ahead may have to await the outcome of that meeting.

Poul Nielson, the European development commissioner, headed the EU team in yesterday's discussions with Alec Erwin, the trade and industry minister

"We're experiencing some real frustration with the same five countries that have persistently had problems with the agricultural side, so they have raised questions as to whether we can go ahead with the port and sherry agreement," Erwin said on SABC TV

"We have indicated in the strongest possible terms that we take some exception to being questioned on this matter"

Hitch resolved, so EU trade deal will be signed

(74)

Luxembourg – The European Union and South Africa resolved a last-minute hitch in a free-trade deal today, paving the way for an historic accord to be signed at a ceremony in Pretoria.

South African Trade and Industry Minister Alec Erwin earlier said the deal was under threat after five EU members, led by Spain and Portugal, threatened to block the ceremony unless they won guarantees over a separate wine and spirits agreement

But an EU diplomat told Reuters that ambassadors from the 15-nation bloc, meeting in Luxembourg, had resolved differences over the use of the terms "port" and "sherry".

The pact, designed to liberalise around 90% of the R120-billion annual trade between the EU and South Africa, is due to take effect from January 1, 2000 ARG 11/10/99

The trade deal was formally agreed in March and was due to be signed today by Finnish President Martti Ahtisaari and South African President Thabo Mbeki.

Mr Ahtisaari, however, cancelled his trip as cracks began to appear in the deal and the ceremony was called into doubt. A senior Finnish foreign ministry official will now attend.

Spain and Portugal, backed by France, Greece and Italy, last week raised concerns over South Africa's use of "port" and "sherry" for their fortified wines

EU officials said in March that South Africa had agreed to phase out the use of "port" and "sherry" on their exports over five to eight years, and over 12 years on the domestic market – Reuters

EU, SA in late bid to save accord

(74)

Two sides battle to find a compromise that the EU will be able to table and decide on today

BD 11/10/99

John Dludlu and Stephen Laufer

SA AND top European Union (EU) officials wrangled late into the night yesterday in a bid to save the threatened signing of the EU-SA trade, development and co-operation accord.

Poul Nielson, the EU commissioner responsible for relations with SA, flew straight into talks yesterday with Trade and Industry Minister Alec Erwin to resolve the differences on the parallel wines and spirits accord which was threatening to scupper the entire deal.

This was after the process suffered a double blow First, Finnish President Martti Ahtisaari, also EU president, called off his visit to SA on Friday Then EU members rejected a compromise proposal which, one diplomat said, contained a weaker guarantee to address EU concerns.

The two sides were battling to agree on a compromise that will be tabled to EU members this morning for a decision on whether or not to sign the deal this afternoon. The outcome of last night's talks would be discussed today by EU members, first by Coreper, the ambassadors' grouping, and then the ministers at 10am.

"It is only then (after Coreper) that we can say whether we have a deal or not," a Finnish diplomat said last night.

Progress appeared to emerge at least on one issue — the March accord on SA's use of the names port and sherry for its fortified wines.

An EU diplomat said SA was prepared to "reconfirm" its commitment to the March understanding. Although the March compromise commits SA to phasing out the wine names in all export markets in five years, it says after 12 years the names used in the SA domestic market will be "jointly agreed". It is the latter section that has been the bone of contention and, to a lesser extent, disagreement on "traditional names". Five EU states expressed reservations about SA's commitment to keeping its side of the March pact.

Erwin's officials said he was "annoyed" by suggestions that SA would consider backtracking on the March compromise. He had made his feelings known to his counterparts.

Slow progress was recorded on the issue of "traditional expressions", the list of names for which the EU is seeking wider intellectual protection.

As a matter of principle, the SA side is refusing to recognise the phrase "traditional expression" which exists only in the EU. "The minister told EU ambassadors (at the weekend) that the EU position is unrealistic", the diplomat said.

SA believes the subject has to be discussed on a multilateral platform such as the World Trade Organisation.

By late last night, the EU was hoping it could at least get SA to agree to a text pledging to revisit the issue in a bilateral context later. The EU side was hoping the new compromise should set a new deadline — the end of this month — for conclusion of the wines and spirits talks. EU diplomats sounded optimistic, pointing out the determination by both sides to find a solution.

If the deal is signed today, including a pledge for provisional application, then its provisions for SA will be implemented from January. This fast-track route will allow SA to enjoy the benefits while each of the 15 EU national legislatures ratify it.

Sweden's demand: Page 8

Finally, it's a deal

Despite French objections, trade agreement is pushed through

(74) Sowetan 12/10/99

SOUTH Africa and the European Union swept aside 11th-hour French objections yesterday and signed the long-awaited free trade agreement that will phase out tariffs on about 90 percent of business between the two trading partners.

Trade and Industry Minister Alec Erwin and Danish EU commissioner Poul Nielson shared a champagne toast after signing the accord in the presence of journalists and diplomats in Pretoria yesterday afternoon.

The final go-ahead came in Luxembourg at a meeting of EU ambassadors who accepted a joint statement by Erwin and Nielson.

Not all is cut and dried, however. The EU and South Africa have agreed to "keep talking" about the convention that South Africa will apply in using traditional European names such as "port", "sherry" and "Grand Cru".

A French diplomat said in Luxembourg minutes before the signing was to have taken place that Paris had "placed a reserve" on the conclusion of the deal because it was not satisfied with the naming compromise.

"There was a French reserve, but it has been lifted," a South African official said as the ceremony began.

Spanish secretary for foreign affairs Ramon de Miguel told a news conference in Luxembourg that Spain and Portugal considered that the agreement, that Nielson had reached with Erwin on Sunday, preserved both the spirit and the letter of the EU agreement.

Erwin welcomed the deal, which took four years to thrash out and which economists say will encourage crucial long-term investment and growth in the entire Southern African region.

"We are very pleased. It is an extremely important agreement that has been signed. It is a very broad deal covering all the issues at stake in the world trading system," Erwin told reporters after the signing.

South African President Thabo Mbeki welcomed the breakthrough, but lashed out at the attitude of the rich world towards the poor. "What has raised the question of whether the agreement can be signed today or not, is the reality that the developed countries of the north have lost all sense of the noble idea of human solidarity," Mbeki said, chiding EU vested interests.

"What seems to predominate is the question in its narrowest and its most naked meaning: What's in it for me? And all this with absolutely no apology and no sense of shame," he said.

Former President Nelson Mandela – who left office without the promised free trade deal with Europe – remained silent yesterday after the deal was sealed.

Mandela had been promised a generous deal by the Europeans during his five-year-term as the country's first democratic president, but was repeatedly disappointed as negotiations dragged on. – *Reuters*

● **Key elements of the EU deal – page 2.**

The EU deal (74) what it means

Sowetan 12/10/99

THE following are the salient points of the far-reaching trade agreement signed yesterday between South Africa and the European Union, to take effect on January 1 2000.

The agreement has three components:

- A free trade agreement;
- Three cooperation agreements in science and technology, fisheries and wines and spirits; and,
- South Africa's partial accession to the Lome Convention, a cooperation agreement between the EU and 71 African, Caribbean and Pacific countries.

Under the free trade agreement, the EU will fully liberalise 95 percent of imports from South Africa by the end of a 10-year transitional period. In return, South Africa will liberalise 86 percent of European imports over a 12-year period.

The bulk of the EU liberalisation will be finished between 2000 and 2002. South Africa's tariff cuts will be focused in the second half of the transitional period, 2006 to 2012.

South Africa has identified several sectors as "sensitive" meaning that they will remain protected for a number of years. These include motor cars, textiles and clothing, red meat, sugar, winter grains and dairy products.

Agricultural issues, especially an EU policy that makes provision for export subsidies for European farm exports, proved contentious. In the end, 27 percent of South Africa's agricultural products were completely excluded from the deal.

On wine and spirits, key constituencies in Europe want South Africa to phase out the use of the names "port" and "sherry" over 10 years. Discussions on this thorny issue will continue.

Loose ends a thorny issue in 11th-hour SA-EU trade deal

(74) ARG 12/10/99

CAPE BUSINESS



Ed West

Furious negotiations between European and South African trade delegates were necessary to save the free trade deal between South Africa and the European Union yesterday.

Officials were still arguing late on Sunday night after four years of negotiations

The deal, effective from January 1, aims to make it easier for local and European exporters to trade in the two respective markets by lowering import tariffs, which are government duties charged on imported products.

Exports amounting to 90% of the R124-billion two-way trade between the European Union and South Africa are expected to be liberalised.

For the man in the street, this agreement means lower prices.

For instance, European television, audio and household appliance imports to South Africa should cost 15% less in dollar terms after the agreement is implemented

The deal was finalised in March, and with much fanfare. The world was told that all that was left to do was for heads of state to ratify it, after some loose ends in the agreement had been tied up

The major "loose end" related to Western Cape farmers and companies which have become major exporters of port and sherry.

Four European Union countries, including Spain and Portugal, want South Africa to stop using the names port and sherry, claiming these brand names belong to them because port and sherry originated in their countries.

It is the same sort of thinking which prohibits South African sparkling wines from being labelled champagne, because the drink was first produced in the French region of Champagne.

When the European Union agreement was finalised in March, delegates decided to settle the port and sherry issue under a separate agreement by September.

But this failed.

With the uncertainty surrounding the port and sherry issue still unresolved, Europe tried to draw up a host of new demands prior to yesterday's signing, such as principles over the use of the words grappa and ouzo.

The European Union and South Africa now intend to have a separate wine and spirits agreement in place by the end of the year.

Trade and Industry Minister Alec Erwin did well to keep the door open for further negotiations with the European Union, but he must have been aware that local port and sherry producers were not satisfied with the March agreement either.

Western Cape liquor producers argued that if the March agreement went ahead without amendment, or at least a separate wine and spirits agreement, they might be forced to take the Government to court.

They argue that the Government, which claims to follow free-market principles, cannot simply barter away their trademarks to the European Union without some form of recompense.

It amounts to a nationalisation of brands which local liquor producers have built up, and in which they have invested millions of rands, over about 150 years.

KWV managing director Willem Barnard recently commented that, while the exact value of a brand name could not be reflected in a balance sheet, studies had shown it took as much investment to build up a respected international liquor brand, as it did to develop an air defence system for America.

Karel Nel, owner of the Bovlei estate in Calitzdorp and chairman of the Port Producers Association, believes South African trade officials should not "be bullied", even though port and sherry are small issues compared with the other benefits likely to accrue to South African business in the European Union agreement.

The agreement does allow South Africa to receive R90-million in compensation for the phasing out of the two labels.

However, it is small beer when one considers that Western Cape producers sell R~90-million worth of port and sherry a year.

Mr Nel argues that if port producers are not adequately compensated, it will set a precedent for other trademark issues, such as naming rights for Grand Cru wine, cheddar and gouda cheese.

Another industry that won't benefit from the European Union agreement is fishing, which has been excluded from it.

Officials hope to reach a compromise by the end of next year.

European fleets are keen to fish in South African waters, one of the last well-stocked fish reserves on the planet, but there is hardly enough fish for all the South Africans who want to fish.

That the agreement was signed at the 11th hour yesterday is a tribute to the parties concerned, but you can bet your bottom dollar a good deal of haggling is still very much on the agenda.

Elsenburg goes global

The province has started marketing part of the historic Elsenburg farm outside Stellenbosch to investors in Britain, Australia and America.

Rand Merchant Bank has been contracted to do the local and international marketing.

Provincial economic affairs and tourism minister Hennie Bester reckons bidders must develop vineyards, build a world class cellar, liaise with the Elsenburg agricultural college and ensure transformation among resident communities.

The province hopes to earn more than R10-million for granting concessions on 135ha of prime land on the southern slope of Klapmutskop.

Many farmers grumble when they hear about foreigners buying local agricultural land.

However, the fact is that foreign farmers bring with them new methods and new investment capital.

They also bring the knowledge of how markets outside South Africa operate

They bring new sap to the vines.

SA-EU trade deal hailed

PRETORIA: Political parties have welcomed the free-trade deal concluded between South Africa and the European Union here yesterday, after tortuous negotiations lasting more than three years

But economic analysts, while acknowledging the economic benefits to the country, warned there would be a price to pay in the short-term and called for policies to protect local producers from cheap imports.

Economic expert Michiel Bester, while saying there were clearly positive aspects, pointed out that the EU was very protective and "hard in yielding to benefits to other trading nations"

Another economist, Dawie Roodt, said the deal would, in the short term, adversely affect the technological industry, because of European advancement in this field.

The ANC executive recently announced plans to scrap tariffs, which would open the South African market to foreign competition.

DP spokesperson Ken Andrew said there were numerous benefits which would flow from the agreement — signed by Trade and Industry Minister Alec Erwin and Finnish foreign ministry secretary Jukka Valtasaari.

UDM leader Roelf Meyer said it was better to have an agreement signed and concluded than allow further wastage of time.

The NNP's Pierre Rabie said his party hoped the deal would take into account the needs of the port and sherry industry in the Western Cape. Key aspects of the deal — which will eliminate custom duties from 95% of SA exports to the EU over 10 years — will be implemented at the beginning of next year. — Own Correspondent

● See Business Report

(74) CT 12/10/99

SA and EU sign that on-off trade accord

(74) BD 12/10/99

Wines and spirits dispute to be settled separately this month

John Dludlu and Sapa

AFTER four years of sometimes bitter wrangling, SA and the European Union (EU) finally signed the long-awaited trade, development and co-operation accord yesterday, paving the way for implementation of improved trade concessions for SA's exporters to the EU.

Ending a tense weekend, the SA side immediately began rebuilding the relationship which was threatened by last-minute differences over a parallel agreement on wines and spirits. With a glass of Pongrácz, Trade and Industry Minister Alec Erwin proposed a toast, cementing what he hoped would be a "permanent and deep relationship" with the EU.

The signing of the deal, following a last-minute compromise agreed between Erwin and Poul Nielson, the EU development commissioner, was witnessed by President Thabo Mbeki. Both the commission, the EU executive, Erwin, and the EU's 15 states signed the agreement.

The ceremony was delayed by more than half an hour, with diplomats saying that one EU state, rumoured to be Paris, was still having reservations about certain aspects of the deal.

Answering questions later, Mbeki effectively withdrew an angry remark he had made earlier in the day. While it was still uncertain the deal would be signed, Mbeki blamed "shameless self-interest" in developed countries for last-minute hitches. However, later in the day, he said the signing showed that assessment was wrong. He said the unease SA had felt then could be understood.

In another reconciliatory remark, Erwin also thanked EU counterparts for the "sincere" efforts in securing the deal that formed part of a general drive to help SA create good quality jobs and achieve sustainable economic growth.

The scheduled dismantling or reduction of tariffs on a range of about 95% of SA goods, including those in agriculture, would significantly drive down SA producers' cost structures.

Bahle Sibisi, chief director for foreign trade relations, said the agreement offered job creation prospects in SA.

SA will scrap duties on 86% of EU imports over 12 years.

At the same function Nielson said the agreement was a vibrant symbol of the EU's commitment to a post-apartheid SA. Its value would depend on the two partners' capacity to make it work.

Finnish Secretary of State Jukka Valtisaari, representing the EU presidency, said the EU believed the agreement would speed up economic transformation in SA, help attract foreign investors, and assist SA in integrating its economy with the world.

The two sides have pledged to complete the wines and spirits talks by month-end to avoid further glitches that could hold up the implementation of key trade concessions for SA next January.

Comment: Page 13

EU-SA deal is 'a testament to partnership'

ET (BE) 12/10/99 (74)

Bontle Headbush

Pretoria – The trade, development and co-operation agreement between the European Union (EU) and South Africa was finally signed by the two parties yesterday, after four years of arduous negotiations and three days of rescue talks.

"This is a momentous day for relations between the EU and South Africa. This agreement is testament to our unique partnership and our commitment to working together into the next century," Poul Nielson, a European commissioner, said after the signing.

Alec Erwin, the minister of trade and industry, said the failure of the countries to reach an agreement on outstanding issues relating to wines and spirits by the implementation date of January 1 next year would not pose a threat to the agreement.

"The purpose of the understanding reached by us will prevent that from happening, and the fact that the agreement has now been signed is a fundamental step for now," Erwin said.

The signing ceremony was almost postponed yesterday after resistance by South Africa to allow for additional concessions relating to the labelling of wines and spirits.

Jukka Valtisaari, the Finnish secretary of state who was representing Finnish President Martti Ahtisaari, said he hoped negotiations on traditional European expressions relating to labelling wines and spirits would be concluded before implementation of the agreement in January because the Finnish term of presidency was only for one year.

Consensus was reached between the two parties in March concerning the phasing out of the terms port and sherry on the labels of fortified wines.

This would lead to the phasing out of these terms within eight years in the Southern African Development Community and five years in the rest of the world, excluding the EU where the use of these had already ceased.

The concluded agreement marked a four-year negotiation process to establish a free trade area between South Africa and the EU over the next 12 years, liberalising about 90 percent of trade.

It would result in South Africa granting duty-free status to 86 percent of its EU imports. The EU would in turn give duty-free status to 95 percent of South African exports.

The EU would implement its tariff reductions faster, with most of its liberalisation being completed by 2002. South Africa's tariff cuts would concentrate on the second half of the 12-year transition period, which fell between 2006 and 2012.

President Thabo Mbeki welcomed the breakthrough in negotiations and said the signing of the free trade agreement between the parties signalled the EU's support of the South African transformation process.

"The impact of an agreement like this will be growth in South Africa's economic relations with the EU, which will result in the further growth of our economy," Mbeki said.



WORK IN PROGRESS *Poul Nielsen, the EU commissioner responsible for development policy, and Alec Erwin, the trade and industry minister, after the signing of the EU-SA trade accord in Pretoria yesterday*

PHOTO: JOHN WOODROOF

Battle of the names

Negotiations about the conventions that South Africa will apply in using traditional European names for its wines and spirits are to continue.

The controversial names of South African wines and spirits that fall under the European Union's traditional expressions relating to the wines and spirits list that may have to phased out include:

- ☐ Ruby
- ☐ Tawny
- ☐ Vintage
- ☐ Grand Cru
- ☐ Cabernet
- ☐ Sino
- ☐ Medium Cream
- ☐ Late Harvest
- ☐ Pale Dry
- ☐ Eau de Vie
- ☐ Windoux

Agreement has already been reached on phasing out the terms "port" and "sherry".

Mbeki furious at bid to halt Europe pact

'Noble idea of solidarity lost'

ARG 12/10/99 (74)

HOPEWELL RADEBE, CLIVE SAWYER AND SAPA

President Thabo Mbeki yesterday lashed out at some member countries of the European Union (EU) for attempting to block the conclusion of the bilateral trade and co-operation agreement between South Africa and the EU for some four years.

Accusing the European countries of having "absolutely no sense of shame", Mr Mbeki said: "Stripped of all pretence, what has raised the question of whether the agreement can be signed (yesterday) or not, is the reality that many among the developed countries of the North have lost all sense of the noble idea of human solidarity.

"I hope the signing we have just witnessed is an indication that we were wrong I would be very happy if that is indeed what it signifies."

Mr Mbeki added: "You can understand the sense of unease among us as South Africans But all is well that ends well."

He was addressing the launch of the African Renaissance Institute (ARI) in Pretoria yesterday shortly before the signing of the long-awaited deal between South Africa and the EU.

He said the objections raised by some EU countries - France, Greece, Italy, Portugal and Spain - illustrated Africa's greatest challenge in getting the rest of the world to support the vision of an African Renaissance

Mbeki was referring to some EU states which almost prevented the signing of the long-awaited trade and co-operation deal with South Africa after raising concerns about a list of names for wines and spirits which should be changed by the South African industry.

They wanted a firm guarantee from South Africa that it would honour an undertaking to phase out its use of the names "port" and "sherry" within 12 years.

The five EU states also sought to get South Africa to agree to a system for traditional expressions for wines and spirits to be protected. But the official conclusion of the deal at the Union Buildings yesterday has finally made free trade between South Africa and the EU a reality

Despite his harsh words directed at some EU members, Mr Mbeki, who witnessed the signing, said: "We are very pleased indeed that this has happened "

After champagne was served to the key players, Trade and Industry Minister Alec Erwin proposed a toast to the "cementing of a permanent, deep and sustained relationship with the European Union".

EU commissioner Mr Poul Nielsen said the treaty had brought South Africa from international isolation to global trade partnership in less than a decade

"The EU-SA trade development and co-operation agreement is one of the most ambitious the EU has ever concluded with any Third World country "

Four years of exhaustive talks preceded the conclusion of the 200-page treaty which will liberalise almost 90% of trade between the EU's 15 member states and South Africa, which totals $17,1-billion a year

The treaty will lift customs duties from 86% of EU exports to South Africa over a 12-year period

Custom duties from 95% of South African exports to the EU will be eliminated over 10 years.

Mr Erwin and Mr Nielsen were the first to sign the agreement, which is due .o come into effect in January.

Finnish Secretary of State Jukka Valpasaari and the ambassadors of the other EU states also endorsed the document Mr Valpasaari said the SA-EU deal also had a political dimension, underlining the significance of South Africa for the political and economic development of Africa.

Mary McCaughey, spokesman for the European Commission in South Africa - the executive arm of the EU - said an important aspect of the agreement which received little attention was a commitment by the EU to continue development in South Africa into the next century to the value of about R900-million a year.

"This is something we have never had before, a legally binding commitment to continue to development at the same substantial rate," she said.



AFP

Sparkling wine or champagne? President Thabo Mbeki and Finnish Secretary of State Jukka Valpasaan toast the signing of a trade agreement between South Africa and the European Union in Pretoria

Africa must embrace diversity if it wants rebirth – Mandela

Pretoria – Accommodating diversity was one of the key requirements for the rebirth of Africa, former president Nelson Mandela said at a dinner in Pretoria yesterday to mark the launch of the African Renaissance Institute.

Mr Mandela said the continent could only flourish under conditions of peace and stability and it was therefore imperative for Africans to embrace their diversity.

He said there were too many destructive conflicts plaguing the continent, but it was encouraging that Africans were involved in efforts to solve them.

There were also still many shortcomings in the creation of democracy, good governance and respect for human rights

"However, it is encouraging that when criticism is voiced, it is from our own ranks," Mr Mandela said.

It was time for the continent to move with speed and efficiency to realise the African Renaissance, which had been spoken and dreamt of for so long

Governments needed the help of civil society for this.

Mr Mandela was one of five former African presidents honoured for their contribution to the continent

Mr Mandela, Botswana's Ketumile Masire, Mali's Toumani Toure and Aristedes Pereara from Cape Verde each received a plaque, lauding their contributions, from a group of children in traditional African dress.

Former Tanzanian president Julius Nyerere, who is receiving treatment for leukemia at a London hospital, was also honoured

Other dignitaries attending the dinner included President Thabo Mbeki, Organisation of African Unity secretary general Salim Ahmed Salim and K Y Amoako, executive secretary of the Economic Commission for Africa.

The guests were treated to music from South African artists such as Yvonne Chaka Chaka and Miriam Makeba – Sapa

Port producers may act against govt

BD 13/10/99 (74) (3) WINE

John Dludlu

SA's port producers, who remain opposed to key aspects of the wines and spirits accord between SA and the European Union (EU), will meet soon to decide the next course of action in the desperate battle to cling on to brand names.

Karel Nel, the chairman of Port Producers of SA, said although his association — which claims to represent about 95% of the country's 35 or so producers of this wine — believes government negotiated a better deal for the country, the trade, development and co-operation accord would not benefit port and sherry producers directly

He was particularly concerned that the promised financial assistance, worth €15m, to aid the "restructuring" of the SA wines and spirits sector, would benefit only export-orientated wine producers

In terms of the agreed parts of the wines and spirits accord, 32-million litres of SA's table wines will benefit from tariff concessions to the EU.

Additionally, SA has agreed to phase out the use of the names port and sherry for fortified wines in export markets in five years and eight years in the Southern African Development Community in domestic markets, SA may continue using the names for 12 years

The association will decide on October 25 — just days before the fresh deadline for the finalisation of the wines and spirits talks — whether to demand direct compensation from government or to launch a court challenge

Speaking after the signing of the deal this week, Trade and Industry Minister Alec Erwin said government had yet to decide on how to use the promised EU financial assistance.

A senior government official said. "We are not talking about compensation." It is unclear how the figure of €15m was arrived at.

Nel, in an interview before the deal's signing, said the association believed SA was "bullied into the agreement" However, he was broadly happy with the way government handled the talks.

SA goes 12 rounds: Page 15

www.bday.co.za

SA's objectives met in trade pact with EU, says Erwin (74)

Stan Mapholog ela and Patrick Wadula

THE significance of SA's trade pact with the European Union (EU) should be seen in a global context in which SA, as a small fish, had to compete in an ocean full of big sharks, Trade and Industry Minister Alec Erwin said yesterday.

Erwin was addressing a second day of the SA Chamber of Business (Sacob) 10th annual convention at Gallagher Estate, Midrand.

He said there was a need by SA to create a link between itself and the EU as industrial entities, and also to develop a regional link for Southern African Development Community (SADC) countries.

"We have to work together on all levels of economic co-operation The SADC agreement is not driven by some lofty vision of an African renaissance, but rather it is an economic imperative. We need a free trade agreement to begin to integrate the regional economies," Erwin said.

With SA's re-integration into the world economy, the challenge facing local companies and entrepreneurs was to adapt to the globalisation process.

"Your main competition is the world economy. SA no longer has a choice to cater for only the domestic market and export market but rather for other global markets."

Erwin said of the EU agreement: "Our objective has been met because this has a potential for SA to build capacity in other sectors, including the manufacturing sector."

Erwin also spoke at the Export Week media briefing, where he said the initial positive effect of the SA-EU trade deal was market access for SA's exporters into the EU's markets.

"This links our economy to Europe through investment and trade," he said

Erwin said that with the EU deal signed, the first phase now was to explain how the agreement would unfold.

This would be done through presentations and workshops with the different chambers and other business associations around the country, he said.

Department of trade and industry chief director, exports and investment promotion, Faizel Ismail, said the department would use the upcoming "Export Week" between October 20 and 23 as the platform to launch the process of globally "re-imaging" and re-branding SA.

The Export Week would run simultaneously with the annual SA International Trade Exhibition (Saitex) at Nasrec in Johannesburg between October 19 and 23.

Entrepreneurs must 'work together'

BD 13/10/99

Stan Mapholog ela

SA's small business entrepreneurs face major challenges and opportunities in foreign trade as the country embraces a process of globalisation, says Denise Bélisle, executive director of the International Trade Centre

Bélisle said further growth would be enhanced if small, micro, and medium enterprises (SMMEs) could form partnerships

Participating in a debate on challenges facing SMMEs at the SA Chamber of Business convention, he said SA's entrepreneurs should look up to the historical success of countries such as Germany, Italy and Taiwan which became industrial powerhouses within a few decades. He insisted that SMMEs in SA should establish alliances with a variety of other smaller partners, through outsourcing, subcontracting and other business arrangements, and increasingly across international borders

In most export-orientated industrialised countries links between SMMEs and larger, often multinational, corporations, provided some exciting evidence of business opportunities created by clustering SMMEs.

The rationale behind clusters is believed to have increased high levels of efficiency and competitiveness, which could be achieved without losing the benefits of a company being of a small size.

"Co-operating SMMEs can tackle all areas of the value-added chain. They can integrate backward or forward.

"They can stand side by side and benefit from sourcing, complementary production and concerted marketing," he said.

Cathy Gorlle, MD of Trim and Core Supplies SA, said restrictive labour laws were inhibiting SMME's ability to be competitive.

"Government must amend various aspects of the labour legislation if it wants entrepreneurs to compete in a global market it is imperative that the people who make our business work are not restricted by bureaucratic regulations relating to employment considerations, from the number of hours worked, to the rate of overtime."

SA punched above its weight in talks

(74) BD 13/10/99

Inexperienced SA showed EU negotiators a thing or two during the recently concluded trade negotiations, writes John Dludlu



TWELVE rounds into the European Union (EU)-SA boxing match and the final bell has rung Observers are commenting on all aspects of the fight, many conclude it was a draw.

But a closer look reveals two key aspects of this brawl SA, a fighter green with inexperience, became smarter and adopted a more combative style in the later rounds, and the EU corner has, literally, emerged with numerous cuts and bruises

The talks pitted the heavyweight EU against middleweight SA At the start Pretoria opted to rope-a-dope, later it jabbed away and threw ferocious left and right hooks at the EU juggernaut

Personal setbacks mirror the bigger picture of disappointments and the steep learning curve the two opponents went through.

Some time last year, when the stuttering talks had hit a snag, a high-level meeting was arranged in Switzerland On his way to this meeting, one of the EU's key negotiators slipped on ice and broke an ankle Lo and behold, the meeting itself broke the ice.

Earlier, another key EU negotiator blew his top. After spending precious time trying to make a point to his SA counterparts, he lost his cool In the process of slamming his papers on the table, he gashed his hand on a staple

Last week, when the signing of the pact looked to be in trouble, Brussels sent a top negotiator to help break the impasse Technical problems forced his plane to land in London instead of Africa.

> One of the negotiators lost his cool and slashed his hand

Of course, it would be a mistake to think bad spells visited only the EU side. But it perhaps symbolised that the Europeans were in the ring with a different sort of developing country.

EU diplomats concede that they faced a formidable opponent in SA. Far from appearing like cry babies hankering after the nonreciprocal trade benefits of the Lomé convention — the EU's trade and aid deal with former colonies in Africa, the Caribbean and Pacific islands — SA showed that it had learned the rules of the game.

Rule number one. when backed into a corner, fight like mad

Events of the past weekend made it clear that SA, always seen as the weaker side, had increasingly adopted combative tactics.

Early on, SA played the "moral card" with the EU, arguing for more generosity to assist the democratic transition This tool, which helped hold the EU states to their word of wanting to help SA integrate its economy into the global trading system, worked effectively for a while, but its continued efficacy could not be assured

When the signing came under threat of being cancelled by the sharp differences on wines and spirits last week, Pretoria's tactics changed

The problem was twofold. crucially, the notorious five in the EU — Spain and Portugal, backed by France, Italy and Greece — sought guarantees that SA would indeed consider alternative names to port and sherry to market its fortified wines after the 12-year transitional period Moreover, they wanted SA to give in to EU demands to protect so-called "traditional expressions" — names that currently have no international recognition.

Uncharacteristically, the SA side put its press machinery to work Trade and Industry Minister Alec Erwin was on the national broadcaster, spitting fire over the latest ploy by the EU five to block the signing

A normally measured Erwin took off the gloves· his officials made known how he had been annoyed by the suggestion that SA might not honour its side of the bargain on the March compromise. In terms of this compromise, both sides had pledged that though SA could continue using the names port and sherry during the 12-year transition, names would have to be jointly agreed upon after that Whatever that means

Late on Sunday night the two sides broke the deadlock by restating their commitment to the March compromise

However, after signing off a joint text to Brussels for decision, Erwin's office put out a strongly worded statement. Helpfully, the release announced details of the agreement. But, in line with newly acquired combative style, it also contained a stinging tail.

It sought to expose the EU's ploy to get wider international protection for so-called traditional expressions "The (EU) proposals are unrealistic and unworkable. The extent of the EU intentions only became apparent in the past few days", the statement said. It warned that the manner in which talks were conducted by the EU could "obstruct the crucial World Trade Organisation negotiations for a new world trading system".

Erwin was quoted as having called the EU's tactics "quite disgraceful".

As if this were not enough, on Monday, with doubt still hanging over the signing ceremony, President Thabo Mbeki swung hard at the EU. Asked to comment on the continued resistance by Paris to sign the deal, Mbeki responded by accusing the developed world of "shameless self-interest".

Later on Monday, when the French had grudgingly signed the deal, Mbeki told journalists jokingly that he had been "instructed" to make the strong remarks

Seconds later, he explained that the signing ceremony, which he attended, indicated the earlier assessment was wrong But he pointed out that SA's unease could be understood

Few people could have missed the broader message in all this.

While the French ministries were squabbling over whether to agree, SA's strategy exposed the narrow vested interests in Europe that were seeking to dilute the benefits of the deal or scuttle it

Officials continued with the preparations for the signing even when Room 159 at the Union Buildings was filled with anticipation, tension and uncertainty over whether a deal would happen

Of course, if the signing had indeed been called off, it would have been clear to everyone who the culprit was

It is true that the pact, including a free trade area over 12 years, will benefit economic operators from both sides· they will have more certainty about the trading environment, a crucial factor in investment decisions

To benefit SA producers, constantly falling victim to nontariff barriers like EU and US antidumping actions, the agreement requires parties to explore "constructive remedies" before embarking on such actions

The scrapping of tariffs on EU imports will drive down cost structures of SA producers, thereby making their exports to the EU more competitive. The comprehensive nature of the deal, including the imaginative inclusion of quotas for sensitive SA agricultural exports to the EU, will bring benefits to SA.

The pact, which will eventually free 90% of trade exchanges, is also about missed opportunities: the EU could have used this opportunity to accelerate the crucial reforms of its subsidy-laden common agricultural policy.

Perhaps the one benefit that cannot be quantified is the valuable negotiating experience that SA has amassed.

SA, as a qualified member of the Lomé convention, should use this experience to help its African, Caribbean and Pacific partners, which lack the means and clout to be as combative with the EU, negotiate a new convention

"We are not a typical" Lomé member, said a top SA diplomat after the latest bruising EU session.

For both sides, these talks have provided a model of negotiations — not necessarily an agreement — between developed and developing countries

As some in the EU's tough, experienced corner can testify, SA can punch above its weight· it can even break your limbs

Flaws of SA-EU deal

Sowetan 13/10/99 (7+)

By Marla van Driel

AFTER some delay, the European Union (EU) and South Africa signed the trade, cooperation and development agreement in Pretoria on Monday. The agreement is being lauded by Government and business.

But what are its implications for socio-economic transformation and sustainable job creation in South Africa and Southern Africa, and whose interests does this agreement serve?

Historically the EU is South Africa's largest trading partner. South Africa imports about 40 percent from the EU and exports roughly the equivalent to the EU.

The EU also provides 70 percent of South Africa's foreign direct investment. South Africa is relatively dependent on the EU, which has an economy worth R48 trillion annually.

In 1975 the Lomé agreement was signed between Europe and 71 former colonies in Africa, Caribbean and Pacific (ACP) to address inequalities through trade, aid and partnerships.

Lomé allows for non-reciprocal trade: the ACP can export certain goods to the EU duty free, while EU imports carry tariffs in the ACP.

Despite limitations and debates about whether trade alone can bring about equality, Lomé represents an attempt to address inequalities and underdevelopment.

In 1995, based on post-apartheid reconstruction and development, South Africa requested membership of Lomé. The EU refused, giving South Africa qualified membership – political access – and excluded trade. The EU instead proposed a bilateral agreement.

The deal signed this week will result in a free trade area (FTA) after 12 years, based on reciprocal trade, and covering about 90 percent of all EU-SA trade. According to the agreement, South Africa will liberalise or scrap import duties on 81 percent of EU agriculture and 86 percent of its industry within 12 years.

The EU will liberalise import duties on 61 percent of South Africa's agriculture and 99 percent of its industry within 10 years.

Sensitive products from both sides have been put on a reserve list to be reviewed later.

In wines and spirits, South Africa is forced to phase out the use of the terms "port" and "sherry" over a five-year period within the EU, and over eight years within the Southern African Development Community. A fisheries agreement will be negotiated later.

The agreement also provides for cooperation and development, but despite rhetorical support for South Africa's transformation, the EU has ignored the disparities that exist inside South Africa related to development and trade and industry.

The EU's defence is that the agreement must be compatible with the World Trade Organisation's free trade regulations.

The adjustment costs of the FTA will be greater for South Africa than for the EU. While the EU is only required to eliminate four to seven percent of import duties over and above its Uruguay Round tariff reduction commitments, South Africa will need to eliminate a further 36 percent beyond its commitments.

Based on the Government's macro-economic strategy, trade liberalisation has already caused massive unemployment in the clothing, textiles, automobiles, leather and footwear industries. This agreement will lead to more unemployment.

The EU's continued agricultural protection gives it an unfair advantage. Although there is provision for a further quota on agriculture, 81 percent for the EU is duty free compared to 61 percent of South African agriculture.

In addition, the EU still subsidises agriculture through export refunds, making its goods cheaper and more competitive. Without these subsidies South African agriculture, which is labour intensive, would be competitive.

Cheap EU products will potentially disrupt South Africa's domestic industry and cause job losses. The safeguard clause which enables South Africa to challenge the EU based on proof of this will come too late.

The EU will compensate the wine and spirits industry with R100 million for restructuring, but it is doubtful whether this will alleviate the impact on the local industry.

So much for the EU's free trade consistency.

While there is reference to development in the agreement, the absence of clear guidelines and specifications, (like for example labour-intensive investment) will mean that EU investment is largely directed to privatisation ventures, mergers and acquisitions. This type of investment results in job-shedding growth.

In Southern Africa the agreement is also likely to have an impact on the Southern African Customs Union (SACU) and SADC.

SACU members – Botswana, Namibia, Lesotho and Swaziland – are dependent on revenue from the customs pool. For example, Swaziland depends on SACU for 40 percent of its revenue.

While South Africa did not consult the union, the EU-SA agreement will result in a loss of revenue for union members.

In 1996 the SADC agreed to the Maseru Protocol, a FTA for the region. But before the formation of the area, and without adequate consultation, South Africa has signed an FTA deal with the EU.

The EU-SA area will open the region to duty-free EU goods given South Africa's dominance and weak regional customs controls. This will set back any sustainable development within the development community, causing unemployment and undermining nascent trade and industry.

Already we have seen the negative impact of cheap, low-quality EU beef imports in the region, undermining Botswana.

The EU-SA agreement seems favourable to the EU at the expense of sustainable development in South Africa and the region. But South Africa would not make such an agreement unless it advanced its own interests.

Although South Africa only provides 1,4 percent of EU imports, the EU is a sizeable, lucrative market. Hence the EU was prioritised, at the expense of regional development.

The composition of South Africa's exports to the EU are largely precious stones (including diamonds), minerals and fuel, iron and steel, fruit and machinery. The producers of these products are predominantly big businesses.

The agreement favours industry but trade liberalisation generally favours capital-intensive above labour-intensive sectors, like agriculture.

The EU-SA agreement is in the interests of capital. While there might be investment, sustainable job creation and an improvement in the living standards of the region's population is unlikely. Later this month churches, non-governmental organisations and trade unions from the EU and South Africa will make representations to the European Parliament on the impact of the agreement for Southern Africa.

Hopefully these hearings will result in a more equitable agreement for Southern Africa and give mass organisations and civil society in South Africa the breathing space to make our voices heard.

(The writer is the former national anti-privatisation coordinator of the South African Municipal Workers Union and is now research coordinator of the Ecumenical Service for Socio-Economic Transformation. The article is written in here personal capacity.)



President Thabo Mbeki shares a toast with European Union commissioner Toul Nellson (left) and Minister of Trade and Industry Alec Erwin after signing a trade agreement between South Africa and the European Union this week in Pretoria.

PHOTO ELECTRONIC IMAGE

Sowetan 11/10/99

Swedish-SA trade relations strengthen (74)

By Sowetan Business Reporter

SOUTH Africa's fledgling trade relations with Sweden will be strengthened when Swedish prime minister Goran Persson pays a visit to South Africa, to hold discussions with the Government, business and civil society leaders

The visit will run alongside "Swedish-South African Partnership Week" to be held from November 21 to 27

Sweden's ambassador, Bo Heineback, said Partnership Week was visible proof of the importance his country placed on South Africa as a major market internationally, and number one market in Africa.

In 1998, South Africa imported R2 650 million worth of Swedish goods, including telecommunications equipment, industrial machinery, vehicles and chemicals, up 20 percent from 1997.

During the same year, Sweden's imports from South Africa – primarily beverages, iron and steel, vehicle parts, crude material, telecommunications equipment, and fruit and vegetables – has increased considerably and now amounts to R350 million

Addressing a media briefing, deputy-president Jacob Zuma welcomed Sweden's commitment to exploring new ways to expand its relationship with South Africa in trade and industry, social development, civil society, culture, research and education

The Swedish Government has committed more than R400 million to further development cooperation over the next three years

"This is an expression of solidarity with the South African people and its social and economic needs," said Zuma.

Prime minister Persson will be accompanied by a high-level delegation of Swedish official dignitaries, businessmen, celebrities and academics

The Swedish businesspeople will meet their local counterparts to explore the potential for new relationships

Heineback said the rapid increase in the number of Swedish subsidaries in South Africa during the past four years – from 25 to 49 – highlighted South Africa's ability to strengthen its position as "Europe's gateway to Africa"

As part of the Partnership Week, a Swedish trade and industry exhibition will be held at Gallagher Estate in Midrand, together with workshops and seminars in globalisation, joint ventures, export promotion, information technology and international business benchmarking

Civil society issues will be addressed at an encounter in Cape Town, where a broad range of Swedish and South African NGOs will meet for seminars to discuss democracy, human rights and community issues.

Another strong focus of this encounter will be interaction between the education and research institutions

Cultural cooperation and interchange will be further strengthened with several Swedish cultural institutions, the Market Theatre and community theatre groups coming together for a host of activities at the Market Laboratory during the week

In addition, a number of cultural events will be held These include fashion shows, food promotions and music concerts featuring prominent Swedish celebrities and musicians

Already, twinning arrangements have been forged between three South African cities – Kimberly, Port Elizabeth and Port Shepstone – and Swedish counterpart cities which share similar characteristics in the evolution of industrial, social and local development

Since the 1960s Sweden, through the Swedish International Development Cooperation Agency (Sida) has funded programmes to promote democracy, human rights as well as civil education and culture in South Africa. In 1998, Sida's total assistance to South Africa was about R200-million



South African Deputy President Jacob Zuma has welcomed Sweden's commitment to explore new ways to expand its relationship with South Africa.

Imbalance in African trade causes concern (74)

AUDREY D'ANGELO

Cape Town – South Africa was spending hard currency on importing products from Europe, Australia and the Far East when many of them could be obtained more cheaply and quickly from neighbouring countries, the Geneva-based International Trade Centre advised local buyers yesterday.

Hendrik Roelofsen, the senior regional trade development adviser at the centre, and Denis Belisle, the executive director of the centre, were at a meeting to bring together prospective buyers and sellers of fish products, which a survey identified as a sector offering opportunities for trade within Africa.

The centre is run by the United Nations Commission for Trade and Development and the World Trade Organisation.

The meeting was attended by exporters from seven African countries including Mauritius, Mozambique and Namibia

Roelofsen said that last year South Africa's exports to other countries in southern Africa, excluding Botswana, Lesotho, Namibia and Swaziland, amounted to R15,5 billion while "imports from the region amounted to a mere R2 billion".

This trade imbalance of eight to one was a matter of grave concern to the South African government and other countries. An increase in two-way trade would provide more jobs in other southern African countries and reduce immigration to South Africa, in addition to stabilising the region

Belisle said research had identified more than a thousand products which African nations exported worldwide South Africa imported many of these, but in many cases from outside the region.

CT (BR) 14/10/99

Unions attack SA-EU deal

14/10/99 Sowetan

By Mzwakhe Hlangani
Labour Reporter

THE historic trade, development and cooperation agreement between South Africa and the European Union, welcomed by Government and business, has been slammed by organised labour.

General secretary of the Southern African Clothing and Textile Workers' Union (Sactwu) Mr Ebrahim Patel said yesterday he was disappointed that South Africa had not pushed for a non-reciprocal agreement.

More than 20 000 jobs were lost in the ailing textile and shoe industries last year as factories continued to close down.

Patel believes the tariff phase-down will worsen instead of redeeming the lost confidence in the industry. (74)

The trade deal signed this week paves the way for the opening of the European market to South African exports. South Africa, however, is expected to reciprocate and relax trade barriers to allow for greater European access to its own markets.

EU countries have been involved in the global market environment for decades, Patel said, pointing out that they had developed massive markets which gave them large economies of scale and therefore a great advantage over South Africa.

National Union of Metalworkers of SA spokesman Mr Dumisa Ntuli said the agreement was concluded when employment levels in the metal and engineering industry had tumbled due to economic difficulties.

He said the industry was down to 248 000 from 450 000 workers since it begun to experience difficulties because of the low demand levels in both domestic and export markets.

"Our observation is that the European countries might use South Africa as a dumping ground for useless products. We are not sure if the relaxation of tariffs will not undermine the local industry and worsen job losses," Ntuli said.

Numsa believed that any trade policy should be linked to a rise in productivity to narrow adverse price, quality and technology gaps between products manufactured in Europe and South Africa.

Patel also criticised "self-interests" tendencies displayed by some European countries that showed no interest in helping to expand South Africa's domestic support measures.

Corrupt customs officers 'can collapse governments'

(74) cT (PR) 15/10/99

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban – Governments not paying attention to the proper operation of their customs departments were in danger of collapsing, warned Leonid Lozbenko, the deputy secretary-general of World Customs, at the ninth international anti-corruption conference in Durban yesterday.

He said that in a number of countries top-level politicians and officials did not even identify customs as a priority. However, the reality was that when it came to corruption, Customs was a window of vulnerability.

Lozbenko said Customs was one of the most pressing issues in international commerce and trade.

Customs administrations, probably more than any other public bodies, were faced with classic circumstances that sustained international corruption.



SNOOZE AND LOSE: *Leonid Lozbenko, the deputy secretary-general of the World Customs organisation*

PHOTO BARRY TUCK

This combination of factors constituted a dangerous recipe.

He pointed out that Customs was part of every single transport operation and trade transaction. It was in daily contact with traders, enforcing not only financial and trade regulations, but other laws.

"Add to this unrelenting trade growth and the pressure exerted by governments and traders for better and faster service from customs.

"Mix in the importance of Customs in the collection of revenue. In some developing countries, Customs collects up to 75 percent of all government revenue. Other ingredients are administrative monopoly and the necessity for wide discretion, particularly in an environment that may lack systems of control and accountability."

According to Lozbenko, the outcome could either be an efficient Customs administration or a "poisonous concoction of inefficiency and corruption".

This had a negative economic impact. Failure to deliver reasonable protection or the revenues needed subverted the economic benefits that globalisation of world trade offered.

He warned inefficiencies would be bred within administrations and even fuelled by temptations created by the poor salaries paid to officials.

"Corrupt officials will resist changes necessary to protect their opportunities for corruption.

"At worst, they will deliberately undermine potential improvements in processes and procedures."

EU-SA trade deal worth the effort

(74)

Sowetan 18/10/99

By Michael Laidler

THERE is an old Celtic saying that a job is only as good as the work that's put into it. Now, after nearly four years of negotiation, I think I would have to dispute my ancestors' wisdom.

This time, the amount of work that has gone into this job could have produced a new world order!

Indeed, the efforts made to conclude this agreement, to negotiate compromises and to produce a final product which both sides could live with have been enormous. In many ways, in fact, the extraordinary amount of time and energy put into this "job" is not entirely evident in the end result.

But that is not to say the job is not a good one. As we stand, in the aftermath of the signing of one of the most momentous pacts ever concluded by either the European Union or South Africa, I think we can safely say this is a job well done.

Certainly there are those that remain adamant the deal could have been better negotiated for them in certain sectors. There are those that will always be suspicious of the motives of the EU entering into such an agreement to begin with, and there are those who are basically misinformed as to the content and quality of the deal reached between the two sides.

But these are not the majority. In the EU, as I feel in South Africa, there is a growing groundswell of support for this pact that has been so painstakingly negotiated over the last four years.

There is an increasing awareness of the wide scope of opportunities provided under the agreement, an understanding of the extent to which this deal could benefit the majority of South Africans and the possibilities which have also emerged for European business.

Take, for example, the trade aspects of the pact. Never before has the EU opened up its doors to trade with a third party in products which have traditionally been so sensitive to the union. Never before has the EU established a free trade area covering so many traditionally protected sectors with a third country.

Often, it is easy to forget just how intense our negotiations were. In South Africa, the media focused hard and often on the apparent inability of the EU to budge on issues of high sensitivity.

Images of children and women set to be detrimentally affected by the provisions of the agreement with regard to canned fruit were front-page news.

The port and sherry producers plucked the heartstrings of the entire nation and the international stage as the EU appeared to play hardball on an issue of seemingly little commercial importance to them.

But there was little coverage, if any, of the background to our negotiations – the very real pressures facing the EU as it moved radically to open areas of agricultural industry to South Africa under the deal.

As we negotiated this pact in Pretoria, farmers throughout Europe were going to the wall. Reform of our Common Agricultural Policy (CAP), which is a necessary part of our evolution within the union, has hit them hard and entire families and communities are searching out new lifestyles and sources of income to offset these momentous changes.



European Union commissioner Poul Nielson (left) signs a trade agreement in Pretoria between South Africa and the EU. On the right is South African Trade Minister Alec Erwin.

PHOTO: AFP

But even against this background, I think it is fair to say that we met many of South Africa's main concerns, notably through tariff quotas, for the most sensitive products.

Moreover, as further reforms of the CAP are implemented, particularly in relation to the next round of multilateral trade talks, it will become possible to consider further openings in the future.

Not for a moment do I attempt to compare the depth of suffering and poverty that exists in this country with that of the EU. But it is perhaps important, as we sum up the process of negotiation over the last few years, to underline the pressures under which both sides negotiated.

Perhaps the misunderstanding comes from an overemphasis that this was solely a "developmental pact". Certainly the developmental aspects of the agreement are clear. But this was not a paternalistic negotiation.

This was the interaction of two significant players on the international stage, with high stakes at play. It was never going to be easy. And in many ways, this is what makes the fact that we have now signed a deal so significant.

It is testament to the commitment of both sides to concluding this arrangement that we have reached this historic point. It is necessarily because the two parties agreed fundamentally that this deal is beneficial to them both that we stuck to the negotiating process, that we saw beyond the short-term pressures and constraints to the bigger picture.

And it is that "bigger picture" that this agreement represents. It is not just about free trade, although that is, of course, an important part of the agreement. It is also about our ongoing and future cooperation in many other fields.

The development chapter of the agreement is of real significance in moulding the future relationship between South Africa and the EU.

Certainly the agreement had to acknowledge the difference between the two partners in their respective levels of development and the need for South Africa to undergo a series of gradual structural reforms to make its economy more competitive.

And this developmental concern was, I feel, effectively addressed through the twin concepts of differentiation and asymmetry. Differentiation reflects the difference in the coverage of free trade between the two sides at the end of the transition period.

In this way, South Africa will grant duty-free status to 86 percent of its imports from the EU, whereas we shall accept freely 95 percent of South African exports.

Asymmetry has to do with the timing of our respective tariff dismantling schedules: tariff cuts will take place much earlier and faster on the EU side than on the South African one.

The bulk of our liberalisation effort will thus be completed between now and 2002, whereas South Africa's tariff cuts will concentrate on the second half of the 12-year transition period, between 2006 and 2012.

But the treaty also provides a crucial and unprecedented legal commitment on the part of the EU to ongoing development assistance to South Africa at "substantial levels".

For the present, we at the commission have interpreted that as meaning substantially unchanged levels which run in at a total of about 127,5 million Euro grants annually – about R900 million each year – maintaining the EU as South Africa's largest development partner by far.

And this is even if we exclude the expected large package of European Investment Bank loan support foreshadowed in the agreement.

This is a solid commitment, underwritten by the treaty and ensuring our continuing support to the South African Government and its people in their process of transition and transformation into the next century. But this is not all.

A parallel agreement on science and technological cooperation has already been signed and took effect in 1997, paving the way for increased cooperation between the two sides in this domain. Similar pacts on wines and spirits and on fisheries will be concluded shortly, which will allow for closer ties and commercial links in these areas also.

And the scope for increased economic and social cooperation between South Africa and the EU is also enlarged under the provisions of the pact. From mining to statistics, from information technology to consumer protection, the agreement provides for technical – and, if necessary, financial – assistance to be made available to boost these links and harness the potential that cooperation between the two parties in these spheres could provide.

And political dialogue should now develop on many issues of common interest, particularly with respect to conflict prevention and security in the region.

Therefore, it is when we look at the agreement in a global context, as part of that bigger picture, that I think we can truly see its importance. It is not, whatever anyone would have you believe, just about trade.

But it is about providing an overall, balanced framework for our ongoing cooperation covering such a wide range of diverse sectors. It is a strategic arrangement, adapted to the changing world and fully compatible with the responsibilities of both parties at home, regionally and at a global level.

In my view, it is a fitting testament to the unique bonds between South Africa and the EU and a solid foundation for our relationship into the new century and beyond.

(Ambassador Laidler is the head of the delegation of the European Commission in SA.)

State 'must block dumping and free trade catastrophe'

CT (BR) 19|10|99 (74)

JOHN FRASER

Johannesburg – The government must act in response to the potentially catastrophic impact of further trade liberalisation and the dumping of products on the South African market, Bill Cooper, the outgoing president of the Steel and Engineering Industries Federation of South Africa (Seifsa), said at the organisation's annual meeting last week.

"As we stand on the threshold of a new millennium, the greatest challenge facing our industry is survival," said Cooper, who is also the chief executive officer of Dorbyl, the industrial holdings group.

"Employment levels continue to tumble due to the economic difficulties experienced by companies in the manufacturing sector.

"This is exacerbated by low demand levels in both domestic and export markets, as well as the government's rapid de-protection of the economy which has led to a flood of imports in our markets.

"The number of hourly paid workers in the metal and engineering industry is currently down to an all-time low of 248 000 from 450 000 in 1981."

World steel prices were on the rise after a long recession, but Cooper said the prices fell 7 percent in the first five months of this year compared with the same period last year, while domestic demand remained low with limited growth in export markets.

He attacked the government for over-speedy dismantling of trade barriers and for doing too little to stem the tide of illegal imports.

"Exports to the United States and Europe continue to be impeded by anti-dumping actions which have seriously eroded our export markets in carbon and stainless steel products, pipes and tubes and wire rope," he said.

"Domestically, the Board on Tariffs and Trade has launched a record number of anti-dumping investigations against cheap imports.

"The department of customs and excise, however, is unable to cope with the flood of fraudulent imports."

He demanded "urgent action to limit the damage that is being inflicted on our local manufacturing industries by an almost unrestricted flood of illegal imports."

He said South Africa "is now perceived in the international arena as a soft target for surplus or dumped products".

Cooper warned that the problem would increase when South Africa began to implement free trade deals with the European Union and with Southern African Development Community.

"Increased trade liberalisation without the necessary safeguards and support mechanisms will result in even further deindustrialisation and job losses."

He demanded that the government step up its consultation with both sides of industry on the effects of recent trade liberalisation on employment.

"We want to establish mechanisms that will enable government to consult more effectively on all ... trade agreements, including the next round of World Trade Organisation trade negotiations."

Seifsa "is very concerned" about the lack of progress being made in Nedlac in dealing with issues such as the non-tariff barriers which kept local exporters out of the European and Far East markets, he said.

Striking right balance

The SA-EU trade deal will have far-reaching consequences for neighbouring states. A major fear is that countries will lose out on tariffs, writes **Sharon Chetty**

(74) Sowetan 19/10/99

Now that the long-negotiated free trade agreement between South Africa and the European Union is finally signed, the implications of the deal, especially for neighbouring countries, are being assessed.

Throughout the four years of negotiations for the Trade, Development and Cooperation Agreement (TDCA), South Africa sought safeguards for its neighbours, and in particular – the so-called BLNS countries – Botswana, Lesotho, Namibia and Swaziland – which are already part of the Southern African Customs Union (Sacu).

A major fear is that since European goods will be imported into South Africa duty-free, and vice versa, there is likely to be a sharp decline in tariffs since such goods will inevitably find their way into neighbouring countries.

The EU trade accord runs parallel to a regional protocol, expected to be signed early in the new year, for a free trade area in the Southern African Development Community (SADC) region.

At present the BLNS countries rely heavily on tariffs and their trade with the EU is under the provisions of the Lomé Convention for African, Caribbean and Pacific countries.

This allows duty-free access to the European market for industrial goods and preferential access for agricultural products. Unlike South Africa under the new agreement, they are not required to reciprocate by letting in European goods duty-free into their markets.

Despite its high levels of poverty and underdevelopment, South Africa was not allowed to be part of the trade component of the Lomé Convention because of its high level of industrialisation. Instead the EU, which is South Africa's principal trading partner, wanted a separate trade deal worked out.

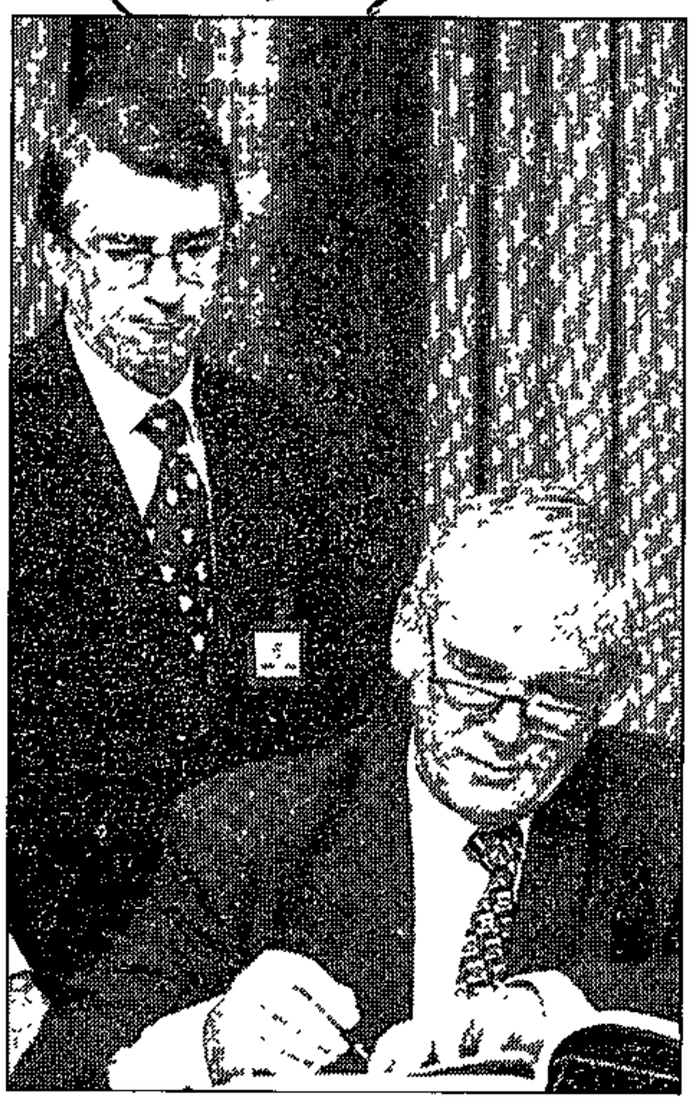
The BLNS and the rest of the SADC economies are too small and fragile to cope with the rapid liberalisation of their economies and needed clear cut safeguards, analysts emphasised at a two-day conference hosted by the Institute for Global Dialogue in Johannesburg last week.

Dr Moses Tekere of the University of Zimbabwe, while conceding that a "strong South Africa" was necessary for the region, pointed out several negative implications.

A direct result of the accord would be the "displacement of SADC products" such as wood, metal goods, organic chemicals and non-metallic minerals from Zimbabwe, Tekere said.

But the real danger was from the possibility of cheap European imports, especially agro-products, which were highly subsidised by European governments, and could thus be sold cheaply, flooding the SADC market, he said.

Another likely consequence was the "erosion" of preferential access to the EU markets enjoyed by countries like Zimbabwe.



European Union commissioner Toul Neilson signs a trade agreement in Pretoria last Monday between the EU and South Africa. PHOTO: AFP

Tekere said the "sneaking in of goods" would also result in a loss of revenue and that there would be added burdens placed on customs control.

While a "rules of origin" provision exists in the proposed SADC protocol, which stipulates that only goods originating in one country can be sold duty-free to another SADC member, "there is nothing stopping a South African from taking European beef, repackaging it, and selling it", Tekere pointed out as an example of the "formidable problems" South Africa's neighbours faced.

Another fear is that there will be a diversion of investments away from other SADC countries into South Africa since the country was now seen as a "stable, predictable environment for investors".

Products like beef from Namibia and sugar from Swaziland, which are vital to those countries' economies, are to be protected from competing EU products.

While the need for South Africa to liberalise its economy was generally accepted as inevitable, questions were raised about the wisdom of accepting the idea that the increased competition to local industries, and by extension neighbouring ones, would inevitably lead to growth.

Dot Keet of the University of the Western Cape suggested there was a "failure to look at industrial development".

With the influx of EU goods into the country, local industry – which was "already locked into an existing pattern" – might be prejudiced, Keet said.

However, Rashad Cassim of the Trade and Industrial Policy Secretariat, while describing the trade pact as "largely beneficial to South Africa", pointed out that some sectors flourished under trade liberalisation, while others did not always do well.

The question was whether or not the benefits outweighed the costs, and in this instance they were likely to, he said.

Bahle Sibisi, the chief negotiator with the EU, said South Africa had gone into the TDCA negotiations as the Government thought "it was the direction we had to take anyway"

Sibisi said that South Africa had made it clear that its negotiations for the TDCA could not be used as a model for forthcoming talks between the EU and ACP countries.

He was responding to an often repeated fear that the EU, which wants to renegotiate the Lomé Convention, will try to extract certain concessions from ACP countries as it had already done with South Africa.

Sibisi admitted that there had to be some "grey areas" where South Africa was in a weaker position, such as with rules around anti-dumping provisions, cross-border anti-competitive practices and the environment.

However, he hinted at just how difficult and tortuous the negotiations were when he said: "No matter how much they loved South Africa and (Nelson) Mandela, at the end of the day it was the details that mattered."

Indeed, South Africa did find that out since it was detail, especially in the wine and spirits component, that dogged the talks till the end and even threatened to cause a delay in the signing.

New role for opponent of protectionist laager

BD 20/10/99 (74)

Rustomjee stays with Erwin, writes John Dludlu

LAST month's announcement that Zavareh Rustomjee, director-general of trade and industry, was not renewing his contract may have prompted celebrations in the protectionist ranks of business and the labour movement.

However, the joy was certainly short-lived with the realisation that Rustomjee would be staying on as a special adviser to Trade and Industry Minister Alec Erwin.

Theoretically, as an adviser, Rustomjee's influence is enormously enhanced while he is obligated to provide the best advice to his principal, he does not necessarily have to bear the full consequences of this advice.

As director-general Rustomjee made enemies within his department, the business community, the labour movement and neighbouring states

As the department's first post-apartheid chief, he presided over it during its most difficult period

He had the unenviable tasks of having to break down fortified walls of tariff protection and other trade restrictions; simplifying SA's complex tariff policy and making it more transparent; and steering the country back into the international trading system.

He also had to wean SA business off the expensive corporate welfare that was dished out by apartheid authorities in a bid to prop up the laager economy.

"I was employed to carry out a particular task that is, to further the national interest in so far as trade and industry policy is concerned," he says.

It was this pursuit of national interest that saw Rustomjee engaging in bruising skirmishes with business when he decided to hasten the termination of a costly export incentive scheme This unpopular decision was made easier by the depreciation of the rand in 1996, which bolstered the price competitiveness of SA exporters.

Rustomjee remembers another fight the department had with the clothing and textile industry over how fast protection had to be removed. "We now sit with a very competitive textile sector, particularly in the area of speciality and household textiles We think that unpopular decision has yielded the objective we set ourselves," he says.

Skirmishes with the labour movement have mainly been over jobs — or the loss of them. Labour has accused the department of exacerbating unemployment through the acceleration of tariff reduction — a claim government strongly denies.

Part of the problem with the employment debate is the differing points of departure caused by poor statistics.

Rustomjee says that many subsectors of manufacturing are expanding but the statistical authorities are not capturing the trend An example is the clothing industry, where jobs shed by large manufacturers have moved into informal outfits operated from homes He admits quality of these jobs is lower than those in larger enterprises.

"We have criticised the integrity of our manufacturing statistics — that they are not reflective of reality," he says, promising that the problem is being addressed

Sorting out the discrepancies will be crucial. In his new job, he will work with Erwin on sectoral summits agreed upon at the job summit in October last year

"As we move towards sectoral summits, we hope that the three sectors will be moving off a common (statistical) platform," he says.

Rustomjee says this should cut the rhetoric and posturing that impoverishes the debate. But it is only the first step. In and of itself, it cannot explain unemployment away.

"In my new role, I would also like to see (for example) the shop steward network alerting management to the variety of incentives that the department is running," he says.

As adviser, the role he played briefly before his appointment as director-general, he will focus on the policy formulation side. This will leave his successor, widely expected to be Alistair Rulters, now head of the Competition Commission, to focus on management of programmes and people, one of Rustomjee's often-mentioned weaknesses.

The man's critics say his attempts to transform the department into an efficient delivery machine took little account of people

The jury is still out on whether government's efforts to boost small business were successful. A promised policy review has yet to be released.

But then again, it may be that the new job offers Rustomjee a chance to build alliances for the creation of high-quality jobs and sustainable economic growth. Perhaps even the opportunity to gain allies in the war for free trade.

NATIONAL

EU-SA trade deal faces wines, spirits snags

BD 20/10/99 (74)

European development commissioner still has to sell the agreement to his colleagues

John Dludlu

POUL Nielson, the new European Union (EU) commissioner for development, faces a major political test today when he discusses the newly signed deal between the union and SA with his colleagues in the EU's executive.

In addition, it has emerged that SA has yet to receive an endorsement of the EU-SA trade, development and co-operation accord by its partners in the Southern African Customs Union: Botswana, Lesotho, Namibia and Swaziland.

Today's weekly meeting of the commission is Nielson's first chance to sell the EU-SA deal hammered out last week with Trade and Industry Minister Alec Erwin. The deal was approved by EU foreign ministers while Nielson was in SA for its formal signing. And he was away in the Bahamas last Wednesday during the meeting of the commission

An EU source says, although the EU member states have signed the deal, it will be important for Nielson to seek the support of Franz Fischler, his agriculture colleague who is responsible for the wines and spirits negotiations which have yet to be concluded

It is common knowledge that France still had reservations about the deal minutes before its signing.

Bahle Sibisi, chief director for foreign trade relations at the trade and industry department, confirmed last night that a team of SA officials had left for Brussels in a bid to conclude the talks

A fresh deadline for the wines and spirits accord was set for the end of this month following the failure to meet the end-September deadline "From our side we are confident they can still be finalised," he said The remaining matters were mainly technical

EU officials hope Nielson will win the crucial support of his counterparts in the commission If next week's deadline for the conclusion of the talks is missed, some EU member states may still try to undermine the entire accord by asking that its provisions should not come into effect until the wines agreement is in place says a source familiar with EU processes

According to Nielson's officials if the deadline is missed then only the concessions linked directly to the wines and spirits accord — such as promised financial assistance for the SA wine industry and the quota for SA wines going to the EU — should be withheld

In another development SA's customs union partners agreed to set up a "monitoring system" to collect data and help design "future interventions to address their specific concerns" Studies show neighbouring states may lose revenue when duties on EU imports are scrapped Sibisi said SA formally asked for the approval of the deal by the neighbours

Noble words: Page 15

More 'difficult' spirit labelling talks today

CT(BR) 20/10/99 (74)



BEAMING *Jeff Radebe, the minister of public enterprises*

JOHN FRASER

Johannesburg - South African and the European Union (EU) agricultural experts will today lock horns in Brussels over the labelling of wines and spirits – the issue which came close to sinking last week's signing of the EU-South Africa Free Trade Accord

Europe is insisting on a speedy deal, with five Mediterranean states, led by the French, insisting even more forcefully that South Africa must make new concessions.

The South African government has already agreed in principle to phasing out the terms port and sherry on South African produced fortified wines.

France is insistent that a series of other traditional terms, such as tawny, ruby and grand cru must also be erased from bottles produced outside the EU

The South African government has stood up for local producers, with the effect that the French came close to torpedoing the signing ceremony in Pretoria last week

"The discussions are bound to be difficult," said a South African official last night

European sources said "telephonic" ministerial contacts may be required on Friday to deal with any political log-jams that may emerge from the detailed negotiations between EU and South African wine experts.

The EU-South Africa agreement will take years to ratify, but the EU had agreed to implement the trade aspects of the deal from January 1, an undertaking that might be at threat if there is no speedy solution to the bartering in Brussels

Jeff Radebe, the minister of public enterprises, said the accord would "open the floodgates for investment to South Africa"

Alec Erwin, the minister of trade and industry, told a conference in Copenhagen yesterday that foreign direct investment in South Africa may rise significantly as a result of the accord

Time to turn noble words into deeds

EU trade talks indicated developed world is more interested in taking care of its own than in equitable world trade, writes **Bahle Sibisi**

BD 20/10/99 (74)

THE impression arising out of the talks that culminated in a trade agreement between SA and the European Union (EU) is that the developed world has not yet embraced the notion of a fair deal for the developing world

When the EU Council of Ministers undertook to support SA's democratic transition with economic measures in 1994, few people would have anticipated it would take four years of hard-nosed talks to translate such a promise into a deal

In fact, when the EU's negotiating mandate was finalised in 1995, it became clear that noble intentions were going to be tempered by vested interests and domestic constraints The mandate excluded nearly 46% of agricultural trade from any free trade agreement as a starting point.

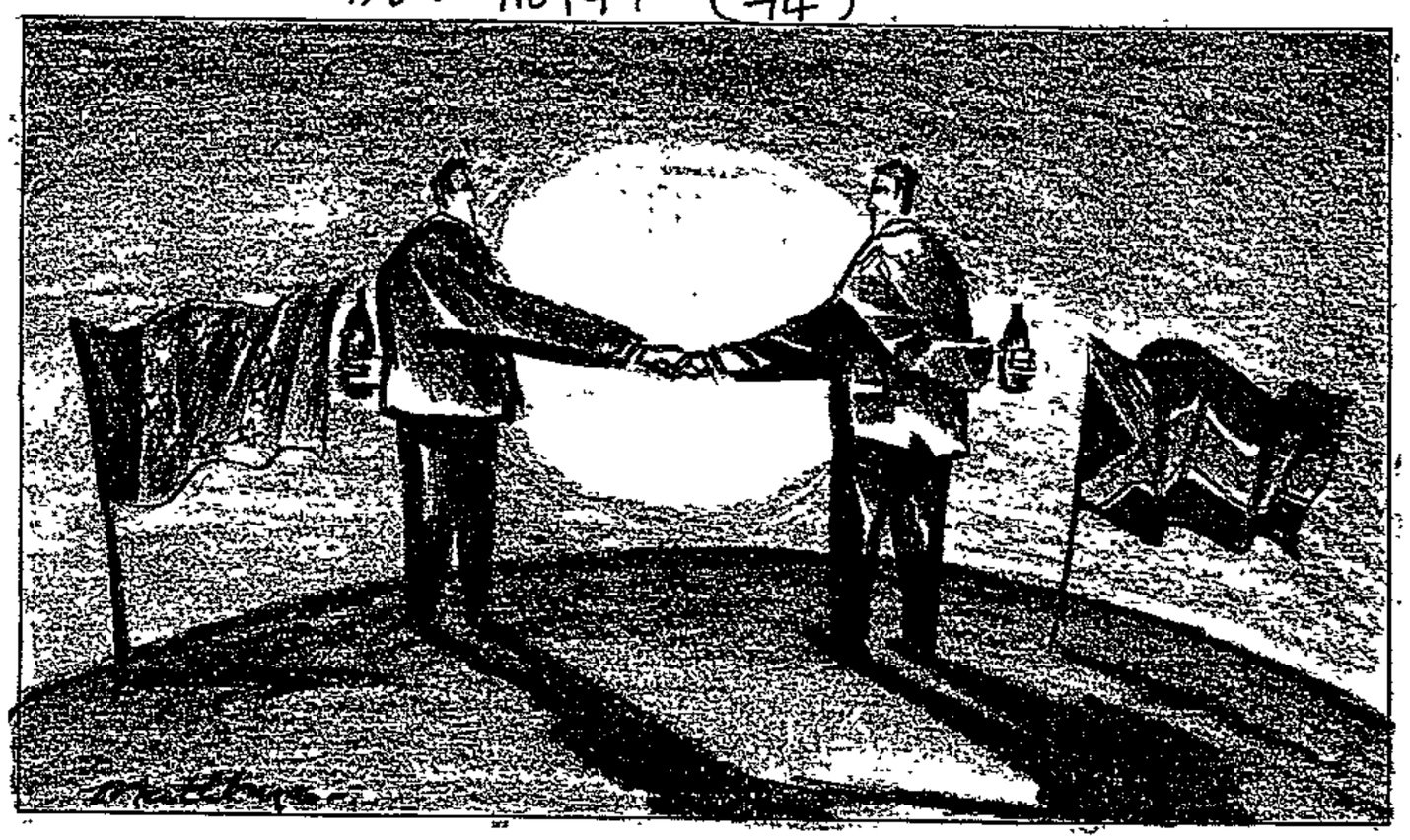
Even so, it could not have been expected that a deal with the young democracy in SA would have ended up being threatened by differences on the description of wines and spirits Many ordinary citizens will be forgiven for thinking that this agreement was only about "port" and "sherry"

Still, the signing of a trade, development and co-operation pact last week was supposed to be a celebration signifying a further consolidation of the strategic partnership between SA and the EU

Last year, SA imported mainly capital and consumer goods from the EU worth about R64bn, while it exported goods worth about R43bn, up from R20bn in 1994.

The free trade area that is a key part of the deal will afford SA and the EU preferential access to each other's markets phased in over 10-12 years The 11th-hour drama ahead of signing nearly overshadowed the significance of this partnership

After four years of intense talks, Trade and Industry Minister Alec Erwin and EU commissioner João de Deus Pinheiro reached an agreement on the main outstanding issues, including the manner in which SA would phase out the use of port and sherry labels in third markets.



Before, officials had met on several occasions and reached agreements that were later unravelled by the concerns of one or more EU members.

When the EU heads of state and the SA cabinet approved the agreement reached in Zurich, SA began preparations in earnest for signing and early implementation of the deal

Parallel to this process, talks on the wines and spirits agreement proceeded with the aim of reaching conclusion not later than the end of September this year. For some in the EU, implementation of the overall package was conditional on the conclusion and simultaneous implementation of the wines and spirits agreement.

The wines and spirits deal is essentially about regulating wine-making practices, administration of trade and protection of names associated with wine production

Like the EU's insistence on a fisheries agreement that would grant it access to SA waters, the wines and spirits agreement has nothing to do with eliminating tariff barriers or creating free trade.

SA had to fight hard to establish that mutual benefit should be at the centre of any sectoral agreements. The EU, however, sought to elevate a new set of complex legal instruments to protect and advance its commercial interests

This was justified on the basis that such a comprehensive deal with SA would result in significant benefits through market access. The EU's grudging concession for the liberalisation of close to 61% of agricultural exports to its market plus an additional 13% of preferential access through tariff quotas was supposed to "pay" for the concessions that were expected from SA.

SA was to accept the use of description of wines in accordance with complex EU regulations. This would have meant that the continued use by SA of "traditional names" would have been phased out.

Descriptions like "dry", "grand cru", "ruby", and "tawny" would have been permitted only in terms of the EU rules governing so-called traditional expressions. This issue emerged sharply a few days before the signing of the agreement, threatening the result of four years of hard talks.

The stern statement by President Thabo Mbeki on the refusal of the EU to sign the deal reflected both the frustration and anger of the SA negotiators and the apparent inability of such a major trading and economic bloc to rise to the challenge it set itself to assist SA.

While SA understood the strategic importance of this deal, it was not blind to the adjustment process that it would have to undertake to benefit.

Certainly the hard bargaining that ensued was understood to be premised on the shared objective for the effective integration of developing economies into the global trading system and economy.

Over and above the mutual benefits accruing to SA and the EU, the negotiating process and the agreement itself were supposed to strengthen partnership for economic growth and development.

The launch of the new round of multilateral trade talks and renegotiation of the Lomé Convention should place developmental issues at the centre of our efforts for shaping and strengthening a global trading system, the benefits of which are shared equitably among all.

These should provide the developed countries ample opportunity to disprove the assertion that they are incapable of rising above their self-interest and contributing to a more equitable and balanced world economy

As Mbeki said, we will all be happy to be proven wrong in the assessment that "many among the developed world have lost all sense of the noble idea of human solidarity".

□ *Sibisi is chief director of international trade relations in the trade and industry department.*

Customs transformation tender delayed

BD 21/10/99 (74)

Pamela Whitby

THE recent SA-European Union trade agreement has moved the goal posts for the award of SA Revenue Service's (SARS) customs and excise transformation tender, worth between R250m and R500m.

The new rules of origin may lead to the review or expansion of the tender requirements.

The tender, issued in December last year, was expected to be awarded in July. Bidders include information technology companies PQ Africa, Andersen Consulting, IBM and Bull Computers.

The transformation of the customs and excise division would lead to effective clearance of goods and passengers, improved cargo control, integration of rules of origin, and compliance with generally accepted accounting practices.

It would also save money lost due to inadequate border controls.

SARS spokesman Fani Zulu said: "Like all contracts of this size, a delay is not unusual."

SARS remained committed to transforming the division. "A business partner is required as soon as possible to ensure the appropriate infrastructure is in place to facilitate the new rules of origin."

However, confusion reigns among the bidders. One claims to have received verbal notification that a short list of three had been finalised. Some believe the project was canned due to a lack of funds, while others say "one bidder was interfering" with the process.

Although there was no official short list, bidders had been kept informed every two weeks on the status of the project, Zulu said.

Zulu was unable to give time frames for the awarding of the contract, but said an announcement would be made soon.

The successful company would be responsible for business process re-engineering, provision of software and hardware and skills transfer. The partnership would be based on shared risk and reward.

...nnesburg. BD 22/10/99

Picture: TREVOR SAMSON

Erwin's advice to exporters

Justin Palmer and Patrick Wadula (24)

TRADE and Industry Minister Alec Erwin has urged SA's exporters to be more professional, determined and organised.

Speaking at the opening of the department of trade and industry's National Export Week conference in Johannesburg yesterday, he said SA's challenge was to become more professional as an exporting nation. "We need to learn from best practice to see what makes others effective, and adapt that to SA."

Export Week runs parallel with the SA International Exhibition (Saitex '99) at Nasrec between October 19 to 23.

Erwin said SA needed to change its trading patterns.

SA kept trading with traditional partners in industrial countries but was only a "part-time trader" with developing economies. "SA needs a more systematic and intense interaction with Africa as the opportunities on the continent are staggering," he said.

Erwin called for Africa's economies to start growing and trading together. "SA's strategy needs to be long-term and benefit all countries in Africa. The strategy is to export to our neighbours, but we must also do our best to import from our neighbours. Economic co-operation is needed where we not only sell products but buy them."

Small and medium businesses were the "bedrock of the future economy. The SA economy will not provide levels of employment for a stable democracy without developing small and medium-sized businesses."

Indian company challenges SA's antidumping move

BD 26|10|99 (74)

John Dludlu

AN INDIAN company, Ranbaxy Laboratories, has asked the Pretoria High Court to set aside a decision by the SA government to slap antidumping duties on its pharmaceutical imports, both parties in the case have confirmed

A member of the Board on Tariffs and Trade, SA's antidumping authority, said the trade and finance departments would file answering papers, defending their decision, this week.

An official at Ranbaxy SA, the subsidiary of the Indian company, said the firm, which felt wronged by the SA decision, believed it had a strong case.

Both parties declined to comment further, saying the case — believed to be the first in SA — is sub judice.

The court hearing, expected in mid-November, follows an international action instituted by the Indian government against the SA authorities via the World Trade Organisation's (WTO's) dispute settlement system.

Although both parties are within their rights in either action, their simultaneous timing underscores the strong feelings the Indians have on the matter.

In the WTO challenge, which is also a first for SA, the Indian government claimed the definition and calculation of dumping margins used by the SA board was "inconsistent with SA's WTO obligations, because (an) erroneous methodology was used...".

India also alleges that the SA authorities were biased and that their determination of injury was not based on positive evidence.

The WTO papers, which form the basis of bilateral consultations, also say: "India also claims SA authorities have not taken into account India's special situation as a developing country."

Both parties are engaged in "constructive consultations" which Pretoria feels will not develop into a full-scale trade dispute. If, however, the outcome of the talks proves unsatisfactory to New Delhi, India could ask for the establishment of a WTO panel to adjudicate the dispute.

This is one of a few cases before the WTO's dispute settlement mechanism that pits one developing country against another. While SA is classified by the WTO as a developed country, it is generally regarded as a developing nation due to its third world features.

Both actions arose from a 1997 ruling by SA's antidumping authorities. Following a complaint lodged by Pharmacare, which had lost a large amount of tender sales to Ranbaxy SA, a subsidiary of Ranbaxy Labs of India, the board launched an investigation into the importation of penicillin capsules known as ampicillin and amoxycillin, used extensively as antibiotics.

The disputed board report reads in part: "On March 26 1997, the (board) made a preliminary determination that the subject products were being dumped into the (Southern African Customs Union) economy, and ... material injury was being caused to Pharmacare... " Provisional duties, followed by final definitive ones, were slapped on further imports from Ranbaxy Labs.

Dumping occurs when goods are sold in export markets at prices far below those charged in home markets.

(279A)

Cosatu warns on dangers of trade protocol

Wyndham Hartley (74)

CAPE TOWN — Trade union federation Cosatu and employers in the textile and clothing industries have supported the ratification of the Southern African Development Community (SADC) trade protocol

However, they have warned of job losses if customs efficiency is not improved, a social contract created, export processing zones excluded and tariff phasedowns revised before implementation on January 1

This emerged from hearings of four parliamentary committees — trade and industry, land and agriculture, foreign affairs and the select committee on economic affairs yesterday — prior to their recommending ratification of the SADC trade protocol

The warning on the dangers of a trade offer which is too generous, costing more SA jobs, comes from clothing employers and unions where 14 000 jobs have been lost since 1996

Chairing the hearings, Rob Davies said he was disappointed by the response to his committee's invitation to interested parties to make submissions on the ratification of the protocol

Cosatu and the Textile Federation also complained that there had been a lack of consultation between the Department of Trade and Industry

Bernard Richards of the Clothing Federation said that customs administration had to be tightened before the protocol was implemented At present they were characterised by smuggling and bribery The number of points of entry for goods had to be reduced

BD 26/10/99

Free trade deal 'a threat'

CT 26/10/99 (279A)(74)

SOUTH AFRICA's giant trade union federation Cosatu and the textile industry yesterday attacked a proposed Southern African Development Community (SADC) free trade deal as a threat to South African jobs

"The textile industry firmly believes that the proposed structure and design of the agreement will hold dire consequences for the textile industry and its jobs," the Textile Federation said in a written submission to Parliament

The deal, tabled in Parliament last month and due to take effect from January 1, covers the nearly R18 billion trade between South Africa and 13 other SADC members

Under the agreement, the final details of which have still to be sorted out, South Africa, Botswana, Lesotho, Namibia and Swaziland, which together form the Southern African Customs Union (SACU) ,will drop tariffs on imports from the rest of the community to zero within five years

The other members of the SADC — Mauritius, Tanzania, Zimbabwe, Malawi, Mozambique, Zambia, Democratic Republic of the Congo, Angola and the Seychelles — will phase out their tariffs on SACU imports over eight years, starting after four

The Confederation of South African Trade Unions' submission urged that a "social clause" be inserted in the agreement to prevent jobs being shifted out of South Africa to neighbours with cheaper labour and to stop the market being flooded with cheap goods

Both of the groups said that they supported the pact in principle but accused South Africa of having given away far too much.

They also complained of inadequate customs controls in far too many ports of entry, making effective monitoring of imports and exports virtually impossible

The current balance of trade within the SADC is heavily biased in favour of South Africa

South African imports from the SADC jumped sharply to R2,2 billion last year, but still account for barely two percent of the country's total imports

Exports from South Africa to the other SADC members have likewise surged to R15,6bn, or 11% of total exports, from 3,5 billion, or five percent of the total in 1990 — Reuter

State takes flak over SADC (74) (279A) trade rush

CT (BR) 26/10/99

LYNDA LOXTON

PARLIAMENTARY CORRESPONDENT

Cape Town – Both business and labour yesterday expressed misgivings about the haste with which the department of trade and industry was trying to push through the trade protocol with the South African Development Community (SADC) and the effects this could have on South African industry

They were particularly concerned that lax customs controls could result in a massive evasion of rules of origin provisions and that goods produced in regional export processing zones would compete unfairly with South African goods

Bernard Richards, the president of the Clothing Federation of South Africa and Neil Coleman, the parliamentary officer of Cosatu, were giving evidence to four parliamentary committees on the proposed SADC trade protocol that the government hopes to have up and running alongside the recently signed trade agreement with the European Union early next year

The committee is due to report back on the agreement on November 10, but observers do not believe the government will be able to plug all the loopholes identified by business and labour by early next year

Richards and Coleman said that, although they supported the concept of greater regional co-operation, they could not accept this if it would have a negative effect on South African industry or jobs.

"We should not put the cart before the horse," Richards said

Efficient and effective customs administration to prevent the flow of clothing and textiles into the country through smuggling, under-declaration and transit abuse was needed before any thought could be given to a free trade agreement between SADC member states.

The number of ports of entry for trade could be reduced if staffing was a problem, with the industry providing technical assistance to train staff where necessary, he said

The offer to phase down tariffs on clothing imports to zero over six years was "far too generous" and should be limited to 50 percent over 10 years.

While much had been made about the imbalance of trade between South Africa and other SADC states, countries such as Malawi and Mozambique were increasingly dominating trade in clothing, for example, because of existing one-sided trade agreements in their favour, Richards said.

This had been a major factor behind the loss of more that 14 000 jobs in the sector since 1996

Coleman urged the department to take steps to minimise job losses flowing from the agreement. Women workers, he said, would be particularly vulnerable if factories decided to relocate to other, low labour-cost countries because of the agreement.

It should also devise an industrialisation strategy to ensure more even development and job creation in the region

EU trade deal still stuck on labels

CT (BE) 26/10/99 (74)

JOHN FRASER

Johannesburg - The 15 European Union (EU) ambassadors meet today to decide whether to end the trade battle with South Africa over labels on bottles of wines and spirits.

Brussels came close to torpedoing the recent signing of an historic Trade and Co-operation Agreement with South Africa after it emerged that Pretoria refused to give in to pressure, mainly from the French, on the naming issue.

The deadline is month-end, but both sides accept there is a danger of further delays

South African officials had already agreed in principle to end the use of the terms "port" and "sherry".

European governments then came up with a fresh list of terms which they also wanted banned in South Africa, including "ruby", "tawny" and "grand cru".

"On top of this, the Europeans are also trying to add the names of the EU's 15 nations to the list," said a South African official

"Obviously, we are not going to produce misleadingly-labelled products, and we have made this clear, but we see no reason to agree to this further demand "

He added that substantial progress was made at discussions in Brussels last week, and the skeleton of an agreement would be put before the EU ambassadors today.

However, if they are unable to give the go-ahead for a Wines and Spirits accord, then South African officials believe ministerial level contacts between the EU and South Africa will be needed.

The provisional accord worked out last week by negotiators would allow EU demands for South Africa to eliminate more names from bottle labels, to be dealt with on a case by case basis

"If the EU governments refuse to sign the current draft agreement then it will have to go back to the politicians," said the South African official.

An EU official in Pretoria confirmed that there was a new draft agreement which was "95 percent agreed upon".

She said the key issues had been tackled in significant detail, and the EU ambassadors would be asked today whether they agreed to the framework of the deal, subject to the settling of outstanding issues

The deadline for a deal is the end of this month, but both sides accept that there is a danger of further delays.

France has been leading the hard-line group inside the EU. It is likely to require the most persuading by EU officials that a realistic and fair accord is within reach

It was the French who came close to pulling the plug on the signing ceremony in Pretoria for the EU-South Africa Trade and Co-operation Agreement.

The fear among both EU and South African officials is that if there is no speedy conclusion to the negotiations on wines and spirits, France may seek to delay the implementation of the trade elements of the accord, which are scheduled to begin on January 1.

Go-ahead given for ratifying EU deal

(74) BD 27/10/99

Wyndham Hartley

'But there is work to be done if SA wants to realise the benefits'

CAPE TOWN — Three parliamentary committees have recommended that the National Assembly ratify the SA trade deal with the European Union (EU), while warning that there would be no benefits if SA did not get down to work

After a morning of public hearings, the trade and industry, agriculture and land, and foreign affairs committees unanimously recommended ratification. The deal has already been signed.

However they called for government to concentrate its efforts on producing a document that would tell SA about the advantages of the deal and how to access them

The SA Fruit and Vegetable Canners' Association said it was concerned about the capacity of government departments to respond to the EU tariff quotas, which the agreement applies to a variety of agricultural products.

It said that European countries which wanted to buy SA products were pressing for more information about the quotas

However, "it does not appear that the government departments concerned are ready to carry the process forward"

Willem Smalberger, head of the trade and industry's EU desk, said a poor turnout at the public hearings showed perhaps a "lack of preparedness" in sectors of local business. Government would do all it could to advertise the advantages of the deal, he said, but advised companies to identify benefits for their firms

Rolf Otto, head of agriculture negotiations with the EU, said the agriculture department would be ready to issue export permits against the EU quotas by the end of this year

SA Chamber of Business's parliamentary representative, Ken Warren, said that his organisation welcomed the agreement and believed it would benefit the economy and promote growth and development in the region

It was an opportunity for local business to become global players, Warren said

Trade and industry committee chairman, Rob Davies, said "we are going to have to get out and do our work" if SA wants to access the benefits of the agreement



Tariff-free trade in SADC moves closer

(279A) (74)

BD 27/10/99

John Dludlu

PLANS to establish tariff-free trade in the Southern African Development Community (SADC) have received a boost following a breakthrough on implementation details of the ambitious SADC trade pact.

Sources in the region say substantive agreement has been achieved on rules of origin in many sectors, and a breakthrough is in the offing on the controversial textile and clothing sectors.

In terms of the proposed formula, least developed members of the SADC may be given a derogation from application of the tougher "two-stage" transformation process in clothing and textile. The derogation will give them time to increase their competitiveness.

The proposed formula will be discussed by negotiators from the 11 participating countries when they meet in Tanzania next week. This meeting follows the cancellation of talks last week. SADC trade ministers meet on November 8 in a decisive round ahead of implementation next January

Eddie Cross, the chairman of industrial associations in the Confederation of Zimbabwean Industries, said yesterday the basis of the new agreement was in the modification of the Lomé Convention's rules of origin. "We share SA's concerns about transhipment of goods," he said. He attributed the emerging understanding to Pretoria's authorities "We are feeling the influence of the (Thabo) Mbeki regime."

Without wishing to discuss specifics of the fresh proposals, Sifiso Ngwenya, the SADC director at SA's trade and industry department, yesterday expressed optimism that the remaining problems would be resolved at next week's meeting. He said SA had launched a recruitment drive to prepare for the implementation of both the European Union-SA free trade area and the one within the SADC

While members of the Southern African Customs Union were ready to implement the deal next January, Cross speculated that practical difficulties might delay Zimbabwe's implementation.

Fresh crisis talks as deal is shot down

EU's hitlist of undesirable terms grows

CT (BR) 28/10/99 (74)

JOHN FRASER

Johannesburg – European Union (EU) and South African negotiators are expected to embark on a fresh set of crisis talks in the next few days to settle deep-rooted differences over the labelling of wines and spirits.

Negotiators hoped they had reached the outline of a deal after discussions in Brussels last week, but their compromise formula was shot down in flames at a meeting of the 15 EU ambassadors earlier this week.

The deal had involved a plan by which each disputed term should be dealt with on a case-by-case basis, in a consultation procedure that would be activated after the ratification of a wines and spirits accord.

But France, Spain, Portugal, Italy and Greece – the EU's "Club Med" protectionists – insisted that South Africa must immediately surrender its right to use a whole array of terms.

The hitlist contains a number of names of spirits, including ouzo, grappa, korn and jagertee. There are several pages of wine terms that the EU wants banned from local booze bottles.

These include Premier cru, Premier cru classe, Premier grand cru classe, Deuxieme cru classe, Claret, Clos, Cru, Cru artisan, Cru bourgeois, Cru classe, Grand cru, Grand cru classe, Vin de pays, Vin classe, Grand premier cru, Vinho regional and Regional wine.

Meanwhile, Italy, for some reason best known to itself, wants South African producers to avoid putting the following term on wine bottles: "Est! Est!! Est!!!"

Local port and sherry producers – who already have to phase out the terms port and sherry to describe their products – are also under pressure to desist from using a list of terms that includes Crusted, Crusting, Late Bottled Vintage, Ruby, Tawny, Vintage, Fino and Oloroso.

> ***There are several pages of wine terms the EU wants banned from liquor bottles***

"There are important principles at stake, and the world's wine producers are watching this closely," said a South African official. "The EU has the new trade, development and co-operation agreement – the signing of which nearly did not take place earlier this month – which it is using to put pressure on South Africa.

"The stakes are high because they know that if they can't get their way with us, they will have no hope with the Americans, the Australians, the Canadians, the Chileans and so on."

An EU official said last night that efforts would have to be made to resolve the row by the end of this month, which is the latest deadline for a deal.

Contacts are expected between Alec Erwin, the trade and industry minister, and Poul Nielson, the recently enthroned EU development commissioner.

South African officials stressed that internal negotiations were needed between the 15 EU states. Once Europe had decided on a way forward, South Africa would resume negotiations.

SADC TRADE PACT

(279A) (74) KM 29/10/99

FAINT SIGNS OF A SILVER LINING

But the region needs more than a free trade area to lift its performance

SA could be the hub of a dynamic regional economy within eight years if the weakest economies copy the example of the best-performing countries.

The choice for the Southern African Development Community — which stretches from the Democratic Republic of the Congo (DRC) in the north to the southern tip of Africa and takes in two economies offshore — is whether to take the route of Africa's most competitive economy, Mauritius, or follow the worst-performing economies, such as the DRC, down the road to economic and civil chaos.

Mauritius, with a population of just over 1m and a GDP of about US$3,7bn, ranks 29th (compared with SA's 47th) on the World Economic Forum (WEF)'s 1999 world competitiveness report and tops the list for Africa. The WEF describes it as "one of Africa's most impressive examples of economic turnaround".

The DRC does not even make the Africa list published in the 1998 report, and war-torn Angola is bottom of the ranking of the 23 African countries. Malawi and Zimbabwe are close to the bottom.

Malawi has made reforms and may also become a turnaround economy. But economic growth appears to be a low priority in the other poor performers.

For both the weaklings and the stronger economies, a free trade pact between the SADC countries, which comes into effect in January, should boost trade within the bloc, giving impetus to economic growth.

The SADC free trade agreement comes after a troubled three years for the bloc, which is made up of Angola, Botswana, the DRC, Lesotho, Malawi, Mauritius, Mozambique, Namibia, the Seychelles, SA, Swaziland, Tanzania, Zambia and Zimbabwe.

Unlike the rest of Africa, the SADC as a bloc has experienced a slowing in growth because of depressed international commodity prices and declining local and export demand for textiles and clothing.

While countries in other parts of Africa have attracted considerable foreign direct investment to service industries such as tourism, the SADC has lagged behind. Levels of direct foreign investment remain low mainly because of SA's failure to pursue its privatisation plans.

The average rate of growth across the region has fallen from 4,1% in 1996 to 2,2% in 1997 and 1,7% in 1998. An improvement is expected this year, however, with a projected growth rate of 3%-3,5%.

The SA Reserve Bank has set up a statistical database for all the participating countries on its Web page (www resbank.co.za). Figures, updated after the meeting between 13 of the SADC's 14 central bank governors at Sun City this month, show how the countries are performing relative to each other (see graphs).

The implementation in January of the first phase of the trade deal, which was agreed in principle in 1996, was delayed because of disagreements between the member parties Tensions were particularly acute over the pace and scale of tariff reductions and negotiations faltered over tariff cuts on sensitive products such as clothing, textiles and footwear.

In June this year, the Southern African Customs Union — SA, Botswana, Namibia, Swaziland and Lesotho — proposed applying rules of origin that would have excluded goods made of raw materials imported from outside the SADC.

The rules are meant to ensure that only goods produced in the SADC are traded duty-free among member countries and that those produced outside the bloc do not enjoy the same benefit But because the rules would affect sensitive goods, Zimbabwe and countries that manufacture goods with a large component of imported raw materials rejected Sacu's terms.

Last month, negotiators finally agreed on percentages of local content needed for products to qualify as local.

Because of the dominance of the SA economy, its negotiators agreed to easier terms for neighbouring states. It will progressively reduce tariffs on clothing from SADC countries within about five years, while other SADC countries will phase out tariffs in about eight years.

The pact, once implemented, will open a market of close to 200m people with current levels of GDP worth about $176bn.

A WEF report shows that the 14 member countries represent 54% of sub-Sahara's GDP but less than a third of its population. The SADC has the highest levels of intra-regional trade in sub-Saharan Africa — 22% of the total trade. This should rise to 35% by the end of next year.

Ethel Hazelhurst

SADC ECONOMIC ROUND UP (1998)*

% change CPI	
Mozambique	-1,3
Namibia	6,2
Mauritius	6,8
SA	6,9
Lesotho	7,8
Swaziland	8,0
Malawi	29,8
Zambia	31,6
Zimbabwe	31,7
Angola	91,1

Current account as % GDP	
Botswana	14,6
Swaziland	2,2
SA	-2,1
Zambia	-2,2
Zimbabwe	-5,4
Angola	-12,6
Malawi	-17,1
Mozambique	-18,5
Lesotho	-40,6

Budget balance as % of GDP	
Botswana	7,9
Malawi	0,7
Swaziland	-1,6
Mauritius	-1,8
SA	-3,5
Lesotho	-4,3
Namibia	-5,6
Mozambique	-5,9
Zimbabwe	-8,1

GDP % change	
Mozambique	11,2
Botswana	8,3
Mauritius	5,6
Malawi	3,1
Swaziland	3,0
Namibia	2,6
Zimbabwe	1,6
Angola	1,3
SA	0,1
Zambia	-1,9
Lesotho	-8,6

GDP per capita US$	
Mauritius	3 620
Botswana	3 107
SA	2 769
Namibia	1 757
Swaziland	1 263
Zimbabwe	439
Lesotho	396
Zambia	257
Tanzania	241
Malawi	169
Mozambique	141

*figures for some countries are not yet available

SOURCE RESERVE BANK

EU may use R800m SA aid budget to force agreement

Liquor labels issue still a danger for EU-SA accord (74)

CT(MA) 1/11/99

JOHN FRASER

Johannesburg – European diplomats warned at the weekend they feared the European Union (EU) might increase the pressure on South Africa in the row over wines and spirits by blocking next year's R800 million EU aid budget for South Africa.

Officials from the EU and South Africa have stressed the seriousness of the latest row over the labelling of wines and spirits.

The EU's more protectionist nations – the "Club Med" states of France, Spain, Italy, Portugal and Greece – are insisting South Africa should either not use a list of terms on the labels of wines and spirits, or if these terms are used rigorous EU winemaking rules must be applied.

A Brussels-based diplomat said: "During discussions on the wines and spirits issue, there have been references to both delaying trade concessions for South Africa from January 1 and withholding aid.

"There are six out of 15 EU governments who have serious concerns on this issue and it is not going to go away. Unless we can sort this out soon there is a real danger this dispute over the labelling of wine and spirits could become a lot more serious for our relations with South Africa."

The EU's position is if it gives ground to South Africa this would set an unacceptable precedent for its dealings with other nations, such as the US and Chile.

But South Africa is equally insistent it must defend its rights under international law. South African negotiators have refused to bow to demands from Brussels.

"Neither party is showing any flexibility," said a Pretoria-based EU diplomat.

He said: "South Africa wants as vague an agreement as possible ... There is a real possibility that some EU states could block the implementation of the whole accord, or our new six-year framework development aid programme."

He added this renewed aid programme, worth about R800 million for the next six months, had yet to be endorsed by the 15 EU states.

It would not be unusual for some EU states to apply leverage by linking their approval of the framework aid plan to making concessions over liquor labels.

The protectionist tactics of the Club Med group were fiercely condemned by Edward McMillan-Scott, the leader of the British Conservatives in the European Parliament.

He said: "We will leave no stone unturned in our efforts to lift Europe's protectionist blanket and to support South Africa."

TRADE *International rules need to be re-examined, says Erwin*

SA leads in anti-dumping

CT(MR) 3/11/99 (74)

JOHN FRASER AND SAPA

Johannesburg – South Africa had become the world's most frequent user of anti-dumping procedures, Alec Erwin, the trade and industry minister said yesterday.

"Many developing countries have very actively used the mechanism to win decisions against the protectionist measures of the US, European Union (EU) and Japan this year," said Erwin.

But Erwin said the international rules governing anti-dumping procedures needed to be re-examined. "One criticism of the US is that the thresholds they use for 'injury' are much too low, and that they don't look carefully enough at the size of imports into their markets – these need to be changed."

Erwin is preparing for the World Trade Organisation's ministerial talks in Seattle later this month.

"I hope it will be a truly developmental negotiation, which will be very broad-based but will also agree on very specific and detailed steps to help developing countries," said Erwin.

Luke Doig, senior economist at Credit Guarantee, welcomed the way the government was using anti-dumping procedures.

"Unfortunately the US, supposedly the globe's greatest proponent of free trade, is often very protectionist," said Doig. "We in South Africa have learnt from the masters and are, in fact, merely applying reciprocal medicine.

'The least the government can do for the manufacturer is protect him from dumping'

"The very least the government can do for the local manufacturer is protect him from dumping, while assisting industries in restructuring."

However, Duane Newman, who heads the trade section at accountants Deloitte & Touche, questioned whether South Africa's spiralling use of anti-dumping mechanisms meant that the country has really become the world's dumping ground.

"I think not," he said. "It seems that many South African companies are being exposed with the rapid drop in normal tariffs since 1994, to the extent that they are suffering injury by loss of market share and jobs.

"In South Africa's past years of isolation and subsequent protection, local manufacturers used to run to government for increases in the normal tariffs – and used to get these increases.

"Now these local manufacturers are running to government to get protection from the anti-dumping mechanism.

"There may be cases where dumping actions are justified, but if we take the relative size of the South African market to that of the EU and the US, it does not make sense that South Africa should be using this mechanism so much.

"If this trend continues, South Africa could be accused of abusing the anti-dumping mechanism."

The most recent cases in South Africa have involved a new duty on imports from Holland of calcium propionate, a chemical used in bread making, and the launch of an investigation into imports of glass beads, which are used to make reflective paint for road signs, from China, France and Germany.

opportunities in the free market is being eroded by subsidies paid by developed nations. Picture: MARTIN RHODES

US, Europe 'pay lip service to free trade'

SA farmers cannot compete with massive subsidies doled out up north, writes Louise Cook

GLOBAL free trade is a fallacy in which farmers from smaller countries like SA are not capable of competing with the US and Europe, says Eckart Kassier, National Agricultural Marketing Council chairman

Kassier, who led the charge to deregulate the SA agricultural sector earlier this decade, now says the US and Europe pay only lip service to free trade: "Our farmers can compete with other farmers, but not with foreign governments."

He emphasises the need for free trade between nations, but says this is being frustrated by production and export subsidies paid to farmers in the US and European Union (EU)

Last year the US paid its farmers about $362bn in production and export subsidies The EU also forked out many billions of dollars for similar subsidies.

In SA, government phased out monetary export support some years ago Agricultural control boards are no longer around to guarantee secure markets for whatever quantities farmers produce.

It was largely Kassier's high-profile report of the early 1990s to the then agricultural ministry that led to the present free market.

Together with the closure of the agricultural control boards, the entire system — which had for decades fixed prices and legally restricted to whom and where farmers could sell — came crashing down two years ago

Kassier says that farmers' new freedom to tap into business opportunities is being eroded by the subsidies paid out in developed nations "It is very much a David and Goliath story," he says

Even when it comes to the next round of World Trade Organisation (WTO) talks on global free trade, SA could lag behind the EU and US in terms of resources required to commission research necessary for fair talks, he says.

WTO trade talks are set to start this month in Seattle, Washington The key issue for SA will be development Government is expected to push for a more level playing field on agricultural subsidies and has joined countries like Canada, Australia, Asian and Caribbean nations to form a pressure group to challenge the US and EU.

Locally, the milling industry warned recently there were indications that the EU planned to carry on with subsidies under the guise of an "agri-environmental scheme" which the millers say is also devised to keep its farmers in business.

Kassier says government should put its money where its mouth is: "We have the (skilled) people to support the negotiators in Seattle, but need more resources."

He agrees that the past few years of deregulated farming has not all been "a bed of roses," saying that SA has probably gone further than most other countries to free its farm sector.

"A country like New Zealand is often held up as having a fully deregulated farm market, but even there they still have some government-controlled exports for certain products.

"It is true that some of our farmers were unable to survive in the free market, but not all who left farming did so as a direct result of deregulation. For some the free market came as a window of opportunity; for others it did not work."

Some of Kassier's strongest critics are resource-poor black farmers who feel that the control boards should have been retained. This would have given them greater certainty for prices and markets, they argue. But he dismisses this, saying that it would have meant the perpetuation of a flawed system with little long-term benefits to black farmers.

"Governments should not get involved in doing business. The problems experienced by black farmers in a free market are being addressed. This council is looking at ways to improve market access — very much a question of rural infrastructure — and of making market information more user-friendly."

The National Agricultural Marketing Council was involved in the past in advising the agricultural ministry on ways of deregulating the sector, but has since taken on the role of monitoring the working of the free market and investigating complaints.

Kassier's term of office is nearing completion. This follows his retirement from Stellenbosch University, from where his controversial "Kassier Report" was first launched in 1992.

Although his direct involvement in marketing issues is likely to taper off once he leaves the council, Kassier's effect on the SA farming sector is certain to linger for years to come.

SA biggest anti-dumping measures user



Minister for Trade and Industry Alec Erwin.

SOUTH Africa is the number-one user of anti-dumping measures in the World Trade Organisation (WTO) this year, according to Minister for Trade and Industry Alec Erwin

The WTO's disputes settlement mechanism, exploited successfully by South Africa and other developing countries, has for the first time allowed smaller countries to win decisions over larger economies in the world trading system.

Speaking on SABC radio this week about the upcoming WTO negotiating round in Seattle, Erwin said the WTO had achieved a "major breakthrough through its disputes settlement panel

"Many developing countries have actively used the mechanism to win decisions against the protectionist measures of the US, EU and Japan this year If you look, South Africa was the number one user of anti-dumping measures in 1999 We learned how to use the provisions very quickly

However, Erwin acknowledged that the micro-rules of dumping needed to be re-examined "We can't carry on using these measures against each other, he said "One criticism of the U'S is that the thresholds they use for 'injury' are much too low and they don't look carefully enough at the size of imports into their markets. This need to be changed"

The US anti-dumping action against South African steel products had not yet been resolved, he said

Erwin will be playing a very active role in the upcoming Seattle negotiations. Besides discussing the agreed upon areas of agriculture and financial services, he said new areas likely to be covered as well included e-commerce, transparency in public procurement and competition

"We are not certain of the WTO outcome," he said "Right now there are very intense discussions in Geneva as a prelude to Seattle. I hope it will be a truly developmental negotiation, which will be broad-based but will also agree very specific and detailed steps to help developing countries" *Sapa INet-Bridge*

SA will not be a hostage, says Erwin

(74) CT(BR) 5/11/99

JOHN FRASER

Johannesburg – South Africa would be "betraying" other New World wine-producing nations if it caved in to pressure from the European Union (EU) on the labelling of wines and spirits, Alec Erwin, the trade and industry minister, warned yesterday.

He told the British Chamber of Business that South Africa was still resisting EU attempts to extend the copyright on the names of wines and spirits to a list of about 70 additional terms as negotiations on the issue limped along.

"Some EU states want to go beyond geographical indications and to protect other names," said Erwin. "This is clearly the wrong way for the world trading system to go. If we were to apply protection to these 70 names, it would lead to a nightmarishly complex system."

Erwin insisted South Africa would move the whole international trading system in a "fundamentally wrong direction" if it were to cave in. South Africa would be "betraying most of the trading nations of the south if we were to agree to the EU demands."

Negotiations on a wines and spirits accord between Brussels and Pretoria were being moved up to a higher political level, with contacts "telephonically" between himself and Poul Nielson, the EU development commissioner.

He said it had been agreed that, if there was no progress before the deadline of the end of last month, the two politicians would step in "as we are now doing".

Erwin said negotiators from the EU and South Africa did reach an agreement last month to clear the logjam with a formula to deal with the EU's demands relating to labels on a case-by-case basis within the framework of a future wines and spirits accord.

However, that plan was shot down by France, Spain, Portugal, Greece and Italy at a recent meeting of ambassadors in Brussels.

"Our difficulty is that the five countries have a very strong interest in this," said Erwin.

He complained that the EU had "continually argued" that there should be a link between the negotiations on wines and spirits and the EU-South Africa trade, co-operation and development agreement signed last month.

There have been threats from some EU states that they will hold up the implementation of the trade deal, as they nearly torpedoed the signing ceremony on October 11, unless Pretoria backs down. There have also been threats that EU aid to South Africa may be frozen.

But Erwin said South Africa believed the trade accord must not "be held hostage by wines and spirits".

City Press
Business
THE PEOPLE'S GUIDE TO FINANCE
NOVEMBER 7 1999

Rand/US Dollar
R6,1050
-0,0165
JSE All Share
7222,80
-0,10
Prime Rate
15,50%
Unchanged
Gold
$288,70
-3,80

(74) CP 7/11/99

Commonwealth business forum a chance for SA to influence WTO policy

Business Reporter

SOUTH AFRICA has a chance to influence the policies and decisions of the World Trade Organisation (WTO) in its regulation of international commerce when it hosts this week's Commonwealth Business Forum.

The business forum is to be held in Johannesburg from November 9 to 11.

The WTO and its tariff arrangements will be one of the topics to be discussed at the forum, whose recommendations will be put to the Commonwealth Heads of Government meeting to be held in Durban from November 12

Other issues likely to be discussed and recommended to the heads of governments meeting include the possibility of a WTO agreement on investment, more powers to the WTO Dispute Settlement Understanding and the re-affirmation of the WTO as an inter-governmental organisation concerned solely with the regulation of international trade

The forum will also seek to encourage developing countries to play an active collective role in the WTO and to press for the full implementation of the "Uruguay Round" commitments.

In addition to this, delegates are expected to lobby for an early launch of a new trade round focusing on market access and reduction in peak tariffs.

Director-general of the Commonwealth Business Council, Dr Mohan Kaul this week said South Africa should seize the opportunity and become an intermediary linking the developing and developed worlds.

"The business forum provides SA with the opportunity to motivate the developing world in the most constructive way. In many senses, SA straddles the developed and developing worlds," said Kaul.

46 countries of the 54-member Commonwealth are also members of the WTO.

The Commonwealth accounts for 25 percent of total world trade.

Grab new opportunities created by EU-SA trade deal

(74) CP 7/11/99



GOOD DEAL ... Trade and Industry minister Alec Erwin is optimistic about the EU-SA trade deal

By SIMBA MAKUNIKE and MALOSE MONAMA

SMALL-SCALE black entrepreneurs should gear up for the opportunities that will be created by the recently signed European Union- SA trade deal, trade and industry minister Alec Erwin said this week.

Erwin told City Press Business that the deal, signed in Pretoria last month, offered a lot of opportunities for black business and the country's small and medium enterprises

He said the deal would open up the hitherto hard-to-penetrate European market for SA goods and encouraged empowerment companies to delve into the export market

He said the lowering of tariffs would make it easier for high cost and labour intensive SA goods to enter the EU market.

"The deal is a blessing to us and will avail so many opportunities - which we have to take," Erwin said

"The EU is our major trading partner and is the largest single investor in SA The gradual removal of tariffs by the EU will allow us access to the world's largest single affluent market, with a combined population of more than 360 million," he also said.

"Some of the areas opening up are suitable to SMMEs. A lot of our efforts will be aimed at black businesses. For its part, the government will set up manufacturing advice centres to help the sector meet export requirements."

Black businesses, he said, should also venture into the agricultural sector, as produce such as flowers, vegetables and fruits were in demand in Europe.

He said SA had a number of programmes with individual EU member states, such as Sweden and Britain, that were aimed at black empowerment.

"We should take full advantage of these programmes and make sure that previously disadvantaged businesses can get a fair share of trade," said Erwin.

Trade unions have castigated the deal, which requires EU countries to remove tariffs on 95 percent of imports from SA in 10 years in exchange for SA doing the same on 86 percent of imports from EU countries in 12 years.

The unions say it will bring untold social havoc as a result of short-term job losses.

SA companies, the unions argued, were not yet strong enough to compete with the technologically superior European countries, whose production costs are much lower.

Erwin said the long-term gains far outweighed the probability of short-term job losses, as punted by the trade union movement.

"Obviously some of the sectors will be negatively affected and others will grow but, overall, the positive spin-offs will be to our advantage."

Erwin said despite the recent decision by five member states of the EU to stall progress on the wine and spirits agreement, both sides of the agreement were going ahead with the implementation of the umbrella accord.

"The wine and spirit agreement is a separate deal. It is a fight for geographic indicators and traditional expressions - names of wines like port, which is said to have originated from Porto in Portugal.

"Negotiations in that area will continue, but it will not stop both parties implementing what we signed. We should not back down."

He said it was part of government strategy to lower production costs to enable South Africa to compete favourably anywhere in the world.

"It is all part of a general policy of making the economy competitive.

"There has been a remarkable improvement in the number of products being exported to Europe like engineering and avionics products.

"Now we are even exporting motor cars," he said.

Agreement on SADC trade protocol on the cards – Erwin

(74)

CP 7/11/99

By SIMBA MAKUNIKE

MOST of the issues pertaining to the South African Development Community trade protocol have been dealt with and an agreement is expected to be in place by January next year, trade and industry minister, Alec Erwin said this week.

In an interview with City Press Business, Erwin said the January target could be met.

Erwin and his commerce and industry counterparts are expected to meet in Arusha, Tanzania tomorrow to discuss the progress of the agreements.

"We are close to an agreement and the January target could be achieved," said Erwin.

SA recently concluded a trade agreement with the European Union. After signing the accord, Erwin said his department was going to concentrate its efforts on a trade protocol in SADC.

"For a country of SA's stature to enter into competition with the EU then we should also be strong enough to do the same in Africa," he said.

"The balance of trade in the region is heavily tilted in South Africa's favour and the new trade protocol should be tailored in such a way that the playing field is levelled.

"We can do this in two ways. Firstly we can increase our level of investment in these countries or reduce or remove tariffs gradually at an agreed pace.

"The first option has worked so well in Mozambique. We have had many investments there and these have more than compensated for the imbalance."

He said similar deals and investments were being contemplated in Namibia and Zimbabwe. SA, Swaziland and Mozambique this year launched the Lubombo Spatial Development Initiative.

He said the seperate trade agreement with Zimbabwe would continue to be operational as long as it was not in conflict with the SADC protocol.

"As SADC agreement comes into effect, the Zimbabwean agreement will hopefully collapse into it."

Erwin said cross-border projects between SADC were doing well and there were no major problems in their implementation.

"The only hitches are from our neighbours because of capacity. Otherwise we could have quickened the pace."

He said while it was important for regional governments to facilitate trade and investments, it was also important to allow for free movement of people in the region.

"We have to facilitate freer movement and to bring about social integration. But we are not as wealthy as the EU and we still have problems in this regard.

"We have to accommodate the movement of people and the best way to ensure it is not a one-way movement is through developing those countries."

He brushed aside requests by trade union leaders that unions be involved in the negotiation of trade deals, saying this was the prerogative of the government.

The best the government could do was to consult them through the National Economic and Labour Council, he said.

"No government in the world allows this. The ANC government has the mandate of the people and will negotiate these deals in their interest. It is a government-to-government deal, but when it comes to other forums, like the forthcoming World Trade Organisation meeting, we will take them along."

Some regard SA as pawn of EU

Sowetan 9/11/99 (74)



President Thabo Mbeki toasts with Finland's state secretary for foreign affairs Jukka Valtasari after the trade agreement between South Africa and the European Union was signed recently.
PHOTO: AFP

By Claire Keeton
Feature Writer

SOUTH AFRICA should be building a strong Southern African trading bloc rather than prioritising trade in the developed world, civil society organisations argued ahead of a World Trade Organisation (WTO) meeting in Seattle this month.

They made the point to Trade and Industry deputy director Francis Moloi on Friday at a seminar hosted by the Institute for Global Dialogue in Johannesburg.

Moloi deputy director in multilateral trade relations, presented the Government's negotiating position for the WTO "Millennium round" of talks which start in Seattle on November 30.

Although significant differences emerged at the seminar between the Government and organisations such as the Campaign Against Neoliberalism in South Africa (Cansa), there was common ground about the impact of the Seattle talks on people's lives.

The talks not only affect the trading conditions of member countries but impact broadly on their employment opportunities and environments.

"The agreements signed by sovereign governments have implications for people on the ground. They will impact on small-scale farmers and small and medium enterprises as well as big business," Moloi said yesterday.

"This is why it is important for us to hear what constituents are saying," he said, referring to the seminar.

"It is always constructive to have interaction between the Government and its social partners. This was a welcome beginning."

Both the Government and civil society organisations agree on the need to review particular issues at Seattle, such as the protectionism and subsidies operating in member countries of the European Union (EU).

But the Government intends to use the Seattle round to push for a rules-based system in trading, while civil society organisations in South Africa and internationally are opposed to allowing any new issues on the WTO agenda.

Instead, they are fighting for a thorough review and transformation of existing WTO agreements which benefit the developed world.

"The WTO is an unfair system. The rules favour the developed world," Cansa chairman George Dor said yesterday.

"Over the last 20 years the rules have become progressively less favourable for developing countries and the dispute resolution mechanisms are biased towards the strong countries."

He says South Africa is overconfident in believing it can influence the rules to suit itself and gain advantages over superpowers such as the United States and the EU. Also, Dor argues, it is difficult for WTO member countries to enforce rules on the superpowers since they have the resources and expertise to control the process.

It is not only civil society in South Africa but in Southern Africa and Africa as a whole – and many African governments – that are becoming angry about the way South Africa is running its trade issues," he says.

He says, for example the SA-EU trade agreement will lead to major losses in revenue from custom tariffs for other countries in Southern Africa.

"Instead of South Africa working together with Southern Africa towards a strong region we see South Africa prioritising the EU."

Dor believes this decision is directly influenced by the Government's policy of Growth, Employment and Redistribution (Gear).

"Gear is export-oriented and reliant on the private sector and foreign direct investment. This encourages an investment climate which allows investors to set their terms and encourages lower standards.

"Under Gear, South Africa has got to have access to markets, and once the country goes down that road, it is almost obliged to argue for the next step a rules-based system for trading.

However, it seemed from Moloi's presentation that the Government may have moderated its position ahead of the Seattle talks – from pushing for new rules to simply pushing for discussions on new rules and issues.

Although this is still contrary to civil society's call for no new talks or agreements, asking for discussions is a way of stalling or delaying the process of entering into new agreements.

Mohau Pheko, former head of the Women's National Coalition introduced the declarations of the Southern Africa meeting in Harare last month and the Africa meeting in Accra, which oppose new WTO agreements at Seattle.

"No to the WTO, no new round – turn around" is the slogan of a global campaign supported by more than 1 300 civil society organisations, which challenges the credibility of the WTO itself.

Power in the WTO rests with the US, Canada, EU and Japan, Pheko said in her presentation. "It is a frightening picture for Africa if you look at the new trading system and its agenda.

"Globally wealth flows from the primary producers to the industrialised countries. The outcome of the Uruguay (talks) vitally affected developing countries."

She said "Existing agreements need to be turned around so that trade policy becomes an instrument for development and is used as that, not as a threat."

Among the issues which needed further study and should not be added to the agenda for negotiation, according to Pheko, were competition policy, industrial tariffs, government procurement, agriculture and investment and trade.

She said if Africa further liberalised its trade, local firms would be at risk from multinational giants and she warned that the continent must guard against development being reduced to "technical assistance".

Pheko also articulated the concern of participants that South Africa was regarded as a pawn for the EU, rather than as a champion of Southern Africa.

"South Africa's commitment to regionalism is being questioned," she said. She concluded that civil society had a critical role to play at the Seattle talks. "There should be space for organisations to participate in discussions there. They must to serve as watchdogs."

● Unions and civil society organisations in South Africa and Africa are organising a day of action on November 17 against the WTO and the Millennium round of talks.

US poultry dumping investigation launched

(3) POULTRY (74)

Local industries 'suffer damage' due to dumping of chicken cuts

Louise Cook

GOVERNMENT will launch an antidumping investigation into imports of certain chicken cuts to SA and Southern African Customs Union countries from the US

This followed a petition some months ago to the Board on Tariffs and Trade (under Trade and Industry Minister Alec Erwin), by Rainbow Farms and the Southern African Poultry Association, to conduct the probe

They told the board that the cuts were being dumped on the markets of Southern African Customs Union countries, including SA, and that the local industries were being damaged as a result

The board announced in a notice in the Government Gazette on Friday that it would press ahead with a full antidumping probe after deciding that there was "sufficient evidence and a prima facie case to justify . an investigation".

The US Poultry and Egg Export Council was not available for comment yesterday

If the probe finds that the US is indeed guilty of dumping its chicken cuts onto the local markets, stiff antidumping duties set by the World Trade Organisation will come into effect

Southern African Poultry Association chairman Zach Coetzee said during the year to August this year, 31 000 tons of US poultry leg quarters landed in SA.

"US poultry production is 33 times higher than SA's Prices for leg quarters keep dropping because Russia cut down on imports from the US a while ago

"This created a complete oversupply of leg quarters which the US is now dumping in SA," he said.

He added that local importers did not pass price advantages on to local consumers. "Importers who sell at the highest price the market allows are enriched.

"An antidumping duty could stabilise import volumes and secure better employment in the SA poultry sector," Coetzee said.

Broiler Association chairman Mike Kingston said perceptions that the SA broiler industry's lack of global competitiveness was caused by ineffective operations had been proved wrong SA producers' overheads were higher than the US and UK due to differences in consumer preferences.

The board's probe is expected to last several months.

BD 10/11/99

Erwin warns of trade vacuum

BD 10/11/99 (74)

John Dludla

TRADE and Industry Minister Alec Erwin has called on "far-sighted" developing nations to fill a leadership vacuum that he says is threatening the survival of the world trading system.

At the Commonwealth Business Council meeting in Sandton, Johannesburg, yesterday, Erwin also challenged members of the World Trade Organisation (WTO) to confront their fears head on, tackle trade imbalances and negotiate further liberalisation of farm trade in the new set of WTO talks.

While sympathetic to the "legitimate fears" of the WTO's developing members regarding so-called new issues — competition policy, investment rules and electronic commerce — Erwin said: "I don't think it's sensible to say we can't deal with these matters because we, as governments, are not ready "

However, he made it clear that some matters, like labour and environmental standards, could not be addressed in a manner that would move the process forward. He said the developing world feared these issues could be used to back protectionist measures "Unless this fear can be dispelled, we won't be able to discuss these sensibly "

However, Subodh Bhargava, group chairman for Eicher Goodearth in India, said if the WTO embraced labour standards then the International Labour Organisation should be scrapped to avoid confusion

Erwin said developing nations should undertake structural reforms to obtain competitive advantage

Although the European Union (EU) and the US had previously played leading roles in multilateral trade talks, Erwin argued that they were now incapable of continuing this role because of pressure from vested interests, namely "excessively powerful and destructive" farm lobbyists in the EU and civil society groups in Washington. This leadership void was being seen in the WTO preparatory sessions, where none of the parties was prepared to move.

"It seems to me that the more aggressive trading nations that don't have any massive agenda to protect should be coming together to push our weight into the world trading system, not sitting back and looking at what the EU and the US do," said Erwin, challenging the Commonwealth to play a role.

At the same function UK Trade Minister Richard Carbon called for flexibility. Carbon and Erwin called for a comprehensive round of talks that would last three years. Erwin said a "single undertaking" would help defend the rules-based system from fragmentation of sector-specific talks.

Sharp differences over the agenda and format of the new negotiations emerged yesterday, signalling a tougher task ahead for the trade ministers at the negotiations in Seattle later this month.

About 300 nongovernmental bodies, which one speaker termed "enemies" of free trade, are planning protests at the Seattle meeting in a bid to use the WTO to advance their causes.

Commonwealth reports: Pages 6, 7

Trade deals for WTO finalised

CT(BE) 11/11/99 (279A) (74)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town – Parliamentary committees yesterday put the finishing touches to two major trade agreements that will set the tone and pace for the upcoming World Trade Organisation (WTO) negotiations which kick off in Seattle at the end of the month.

The chairmen of the trade, foreign affairs, agriculture and economic affairs committees of the national assembly and the national council of provinces warned that agricultural subsidies by developed countries were set to top the list of South African and regional concerns during the negotiations.

But, they agreed, a great deal of work still had to be done in South Africa to popularise the contents of the trade agreements with the European Union (EU) and the Southern African Development Community so they could be used to their full benefit.

The committees had just approved their final reports on the two trade agreements, which will now be ratified in both houses next week. They had been due to be briefed on the WTO by Alec Erwin, the trade and industry minister, via a video conference link-up with Pretoria, but this had to be cancelled because of technical problems.

Patekile Holomisa, the chairman of the national assembly's agriculture and land affairs committee, said although his committee had voted in favour of the ratification of the SA-EU accord, it still had reservations about some of its contents, which he hoped would be addressed by the WTO.

High EU subsidies under its Common Agricultural Policy continued to "distort prices" and could lead to South African markets being flooded by cheap products at the expense of our own producers, he said.

Rob Davies, the chairman of the trade and industry committee, said he was "not convinced the ... private sector is sufficiently aware of the requirements to access the benefits (of both agreements), especially the documentation required and the rules of origin".

'Protectionism blocks trade'

(74) BD 12/11/99

Wyndham Hartley

DURBAN — Fair trade in agricultural products was being blocked by the protectionist policies of the European Union (EU), Switzerland, Japan and Norway, Australian Trade Minister Mark Vaile said yesterday.

At the Commonwealth heads of government meeting, Vaile said actions by these countries were frustrating preparations for the Seattle round of World Trade Organisation (WTO) talks.

He was responding to accusations that the Cairns Group, of which SA and Australia are a part, was stalling progress on agriculture at the WTO.

"Australia and the Cairns Group (of 15 Agricultural Fair Trading Nations) are committed to the successful launch of agriculture negotiations as part of the Seattle meeting.

"I am concerned at attempts by the EU, Japan and others like Switzerland and Norway to deflect attention from their own uncompromising positions."

Vaile said that while "these countries make big demands for the issues of interest to them in other sectors, they offer little in return on agriculture", and that nontrade concerns should be given as much importance as removing agricultural protection and subsidies.

Agriculture was for developing countries, "a matter of economic survival. For Australia, and its Cairns Group partners, and most developing countries, a key element in Seattle is to agree on a mandate for real liberalisation of trade in all agrifood products," he said.

"This means providing substantial improvement in market access, the elimination of trade distorting agricultural subsidies and fairer trade rules."

Something fishy in the trade arena

ARG 13/11/99 (74) (3) FISHING

JEAN LE MAY

Two European fishing experts say the European Union could be reneging on its trade agreement with South Africa to pressure the country into a fishing agreement on EU terms.

Mediterranean EU members, Spain in particular, have long coveted South Africa's fishing resources.

Beatrice Gorez and Brian O'Riordan, Brussels-based fisheries experts now visiting South Africa, believe South Africa's refusal to give European fleets access to its waters could explain their action

The "Club Med" countries – Spain, Portugal, France, Italy and Greece – are expected to ask European foreign ministers at a meeting on Monday to suspend the huge benefits of the historic free trade agreement, which was supposed to come into force on January 1

And Spain – believed to be the ringleader – has already blocked a European Investment Bank loan package to South Africa, worth more than R5-billion

South Africa has already agreed to phase out the use of the terms "port" and "sherry". But now the Club Med countries want other terms controlled as well, including "grand cru", "ouzo", "grappa", "claret" and "vin de pays"

Ms Gorez of the Coalition for Fair Fisheries Agreements and Mr O'Riordan of the International Collective in Support of Fishworkers have extensive experience with EU fishing agreements.

They told Saturday Argus it was common knowledge among influential trade unions and non-government organisations in Europe that EU countries, especially Spain, would "go to any lengths" to get their fleets into South African waters.

"We have the strongest suspicion that influential Spanish fishing groups with investments in Namibian fishing may be involved," said Mr O'Riordan.

The biggest Spanish investor in Namibian fishing is the international Pescanova group, controlled by well-connected Spanish tycoon Angel Tordesillas.

The Pescanova fishing plant in Luderitz was hailed as the biggest single investment in Namibia since its independence, and the group's companies have 70% of the Namibian whitefish catch.

Pescanova has been targeted frequently by conservation groups, including Greenpeace, for the huge damage it has allegedly done to worldwide fish stocks.

Mr Tordesillas was "travelling abroad" and not available for comment this week, said a secretary in the group's Cape Town shipping office

"There is good reason for South African fishers to hope that the South African negotiators will not give in," Mr O'Riordan said.

"It could be interpreted as a first step towards conceding to EU demands for access to South African waters."

Mr O'Riordan said that he and Ms Gorez were "disturbed" by a remark made to them by Noel Williams, a member of the parliamentary portfolio committee on environmental affairs, that the fishing industry contributed only about 5% to South Africa's gross domestic product.

"We hope that this is not an indication of government thinking, that the fish resource may as well be sacrificed in order to get the free trade agreement in place," he said.

Mr Williams was not available for comment.

However, Trade and Industry Minister Alec Erwin has condemned the EU move in the strongest terms

"No country can sign an agreement and then break it," he said, recalling that all 15 EU nations – including the "Club Med" countries– signed the trade agreement last month.

Saturday Argus reported last year that South African trade unionists suspected the EU of wanting to link a fishing agreement with the general trade agreement.

South African and EU spokesmen, however, said there would be separate agreements on wines and spirits and on fishing and that there would be no linkage

Stalemate (74) could derail EU deal

TRADE TREATY

By S'THEMBISO MSOMI

A STALEMATE over wine names, which is threatening to derail the $20-billion SA-EU trade deal, comes into focus when European foreign ministers meet in Belgium tomorrow.

The meeting comes amid fears that the agreement scheduled to kick in on January 1 could be jeopardised by a deadlock on wine and spirits.

In terms of the deal, clinched after four years of tough negotiations, SA agreed to renounce names like "sherry" and "port" on locally produced beverages, but EU ambassadors are now trying to reopen talks on the issue by demanding that SA further compromises on labels like "grappa" and "ouzo".

France, Italy and Greece are at the forefront of the campaign.

SA officials are on record as saying that backing off on this issue will set a bad precedent for trade talks between the EU and other developing economies.

Trade and Industry Minister Alec Erwin on Friday described the attempt to reopen the debate as "crazy" and condemned attempts by Spain to twist SA's arm by blocking a loan to Pretoria worth €825-million from the European Investment Bank.

Erwin was, however, confident that the agreement would be ratified by the EU parliament.

ST(BT) 14/11/99

Erwin casts doubt on early start to SADC trade plan

BD 15/11/99 (74) (279A)

John Dludlu

NEGOTIATORS from 11 southern African countries met in Tanzania last week in a crucial round of talks aimed at creating duty-free trade in the Southern African Development Community (SADC) region over the next eight years

But while optimistic about the outcome of the negotiations, Trade and Industry Minister Alec Erwin, however, cast doubt about the January 1 2000 deadline for implementation of the SADC free trade deal being met

He was confident that the deal would be ready for implementation in the first half of next year

Buoyed by recent progress made in resolving sticking points over implementation details of the free trade plan, the negotiators sought to firm up a deal on the rules of origin — the set of procedures that will have to be followed to ensure that only products produced in the SADC benefit from the removal of tariffs

Agreement already exists on goods that originate entirely from the region Rules have been strengthened through the increase of the local content requirement in the agro-processing industry

Little agro-processing is taking place in the region, save for SA and Zimbabwe, says one negotiator in explaining the ease in agreeing to rules on this sector

The remaining difficulty is now on the clothing and textiles sectors in which states, like SA, are pushing for stricter rules known as "two-stage" beneficiation The theory behind stricter rules, epitomised by requirement for extensive beneficiation of raw materials, is that they will encourage higher levels of economic activity in the SADC This will ensure that jobs are kept in the region

Lax rules, in other words, lower requirements of value addition in the region, will allow SADC countries to import from other regions, say the Far East, and then trade these items with minimal transformation in the region

Agreement in these sectors has proved difficult thanks to the higher degree of interest many SADC countries have in these areas A growing body of research shows that these sectors are among the key strategies used by the newly industrialised economies as a platform for industrialisation This is because of the ease with which new players can enter the sectors

In part, this explains the high degree of interest shown by SADC governments in these sectors and the attendant resistance, especially among weaker economies, to tougher rules

However, sources close to the SADC negotiation process say a compromise might include giving least developed states time to sharpen their competitive edge before expecting them to implement the two-stage beneficiation regime

Crucially, the stricter rules enjoy the support of the Zimbabwean private sector, say business officials in that country

The meeting will also discuss institutional arrangements that will be required to implement the free trade plan A source familiar with the negotiations says "it looks like we are not going to create new institutions" Instead existing institutions will be strengthened through new personnel for added responsibility

The SA Revenue Service, which also houses the customs and excise department, is recruiting new staff for the implementation of the SADC and SA-European Union (EU) free trade areas

Beefing up the customs administration capacity is key to defending the integrity of any free trade arrangement. Complaints about porous borders have been one area in which business and labour agree action is required.

The two trade agreements — the SADC and SA-EU — will be the first preferential arrangements post-apartheid SA is having to implement. SA's neighbours, which are members of the Lomé Convention, have extensive experience. The need for a more efficient customs administration is made more urgent by the complex nature of the SA trade offer to the SADC

To help scale back the trade imbalance SA, which has a 73% weighting, is expecting no reciprocity and will remove duties on SADC imports in five years The same applies, though to varying degrees, to its partners in the Southern African Customs Union (Botswana, Lesotho, Namibia and Swaziland) Negotiators have made considerable progress in agreeing on tariff reduction schedules

However, no deal exists yet on the fate of products from export processing zones SA unions want such products to be excluded from the SADC preferential treatment This may prove to be a bugbear given that several SADC members have these zones

Fruitless EU appeal to Mbeki

CT(BM) 15/11/99 (74)

JOHN FRASER

Johannesburg – Finland, which holds the European Union (EU) presidency, made a fruitless appeal to President Thabo Mbeki at the weekend in an attempt to defuse the row between South Africa and Europe over the labelling of wines and spirits

A senior EU diplomat said Martti Ahtisaari, the Finnish president, phoned Mbeki and asked for South Africa to back down

Alec Erwin, the minister of trade and industry, said last night Europe was asking South Africa to resolve a row that must be sorted out in Brussels. The resolution was "an internal matter for the EU – we really can't help them with it"

The 15 EU foreign ministers meet in Brussels today and plan to discuss the EU-South Africa crisis

Erwin had insisted South Africa reached a deal with the EU allowing South Africa to phase out the use of the terms port and sherry and he was annoyed at suggestions by EU states that South Africa would not keep to its word

Furthermore, South Africa refuses to give way to EU demands over the use of other terms on wine and spirits labels, including ouzo and grappa

South African officials fear that unless the row is resolved, the EU might cancel its concession that 30 million litres of South African wines can enter the EU market at zero tariff, and withdraw the offer of an aid package to fund the marketing of replacement names for port and sherry

Europe may also hold up the implementation of the new EU-South Africa trade accord, and may freeze other aid

Tough fight ahead in SA-EU talks

(74)

Sowetan 16/11/99

By Waghied Misbach
Political Correspondent

SOUTH AFRICA'S trade negotiators are expected to fight for this country's agricultural products to have greater access to the European Union (EU) markets at the world trade talks in United States at the end of the month.

The European countries have high tariffs protecting their agricultural producers from foreign producers. This mean that South Africa will find it prohibitively expensive to export to the EU.

Their report states that the development of the agricultural sector is crucial to trade growth, employment, social cohesion and environmental protection It calls on developed nations like the US and the EU member countries to provide a clear commitment for "meaningful access" for developing nations.

South Africa's trade negotiators are also expected to fight for greater access for other industries, including industrial products, fishing products and other services.

Earlier this week, the Trade, Foreign Affairs, Agriculture and Economic Affairs parliamentary committees finalised their reports on the EU-SA and the EU-Southern African Development Community (SADC) trade agreements that will form the basis of the talks that take place in Seattle from November 30 to December 3.

The reports are the result of extensive negotiations between the trade ministers of the SADC member countries in September in Cape Town

Their meeting resolved that the a key strategic objective of the World Trade Organisation negotiators would be to ensure that developed countries restructure their markets.

The ministers called on rich nations to reduce protection of uncompetitive industries that are protected at the expense of poorer nations which have products that are cheaper to import.

"Such adjustment would boost production and trade in SADC, promote industrialisation and development and enhance South-South trade, as well as provide an impetus to a new round of global economic growth"

NEWS

SA ready to implement EU pact in January, says Erwin

eTGBR 17/11/99 (74)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town – South Africa was prepared to do all it could to ensure that the trade agreement with the European Union went into effect on January 1, but the agreement with the Southern African Development Community (SADC) would probably be delayed until the first quarter of 2000, Alec Erwin, the trade and industry minister, said yesterday.

Wrapping up a debate on the two agreements in the national assembly, Erwin said that contrary to some press reports, the government had not yet received an "unequivocal assurance" from the EU that the free trade agreement would not be affected by the dispute over wines and spirits.

"We are of the view that the agreement must be implemented in January, and that to not do so would be in violation of the agreement, and therefore we would take the process through a dispute procedure with the EU," he said.

"We are confident, or we are hopeful, that we will be implementing it on January 1 and we are prepared and ready to do that."

On the SADC agreement, he hoped that by December 18, "we would have concluded all matters (still holding up the agreement).

"We have set aside a two-day ministerial negotiation for ministers and it is likely that we will implement the agreement, probably in the first quarter of next year. But for practical, administrative reasons, I doubt that we would be able to do it at the beginning of January."

Stop petty quibbling over terms, Erwin tells EU

ARG 17/11/99 (74)

CLIVE SAWYER
POLITICAL CORRESPONDENT

Trade and Industry Minister Alec Erwin fired a shot across the bows of the European Union from the National Assembly, warning that failure to implement the trade agreement on January 1 would be a serious violation.

He said it was "insulting" for the EU to continue asking SA to keep on repeating it would keep to the agreement on wine and spirits, which involve phasing out in international and domestic markets of South African use of the terms "port" and "sherry" on its products.

Mr Erwin was speaking in a debate on the EU-SA trade agreements and a similar trade deal between South Africa and its Southern African Development Community partners.

"We will not be prepared to make further concessions on this issue which is what the five member states are asking, under the guise of asking us to continually recommit ourselves to something we have signed."

The Government was hopeful that the main trade deal between the EU and SA would go ahead as planned, in spite of the controversy conjured up by the EU about the proposed wine and spirit agreement, with a belated demand for SA to discontinue using other terms like "ouzo" and "grand cru".

Mr Erwin said that in spite of media reports to the contrary, SA had not been given an unequivocal undertaking by the EU that the wine and spirit agreement could proceed in parallel to the main deal. The main points of the agreement had been agreed at the end of last year, and since then the negotiators had haggled over terms "of dubious merit to the world trading system and to our own bilateral trade".

SA ratifies EU trade deal after lengthy talks

CAPE TOWN — SA has ratified a free trade deal with the European Union (EU), leaving only formal approval by the bloc to allow trade easing from January 1, parliamentary trade chief Rob Davies said yesterday.

"We have ratified it," he said. "I heard Philip Lowe (the chief EU trade negotiator) on the radio saying the council of ministers would not stand in the way of ratification, but the minister has heard nothing officially."

The trade deal, which would liberalise 90% of all trade between SA and the 15-nation EU, was finally signed on October 11 after more than four years of tough talks and 11th-hour brinkmanship by the Mediterranean nations.

The SA government said it was ready to implement the deal within the timeframes that had been agreed upon.

"This matter (trade deal) has been conclusively dealt with, and we respect the integrity of the process that led to the signing of the agreement," said government spokesman Joel Netshitenzhe.

The main stumbling block to the deal had been clauses in a separate, but linked, agreement on trade in wines and spirits.

Key to this has been the phasing out of SA's use of the terms "port" and "sherry" on its fortified wines over a set number of years in predetermined markets.

SA has insisted that the wines and spirits agreement is separate from the overall trade package, but the EU's Mediterranean lobby continues to try to delay ratification of the main deal.

However, Davies noted that as the free trade package was a so-called mixed agreement — meaning that EU member states only had jurisdiction over relatively minor sections of it — the European Commission could implement the main body independently. — Reuters

BD 18/11/99 (74)

Provinces urged to examine EU pact

(74) BD 18/11/99

PROVINCES should rethink the structure of their economic affairs departments if they wanted to attract investment when the European Union (EU) and Southern African Development Community trade agreements came into force, Trade and Industry Minister Alec Erwin said.

A civil servant was not the best person to sell a province to prospective investors, he said in a special debate in the National Council of Provinces on economic development yesterday.

"We have to match the private sector for professionalism, detail and competence," he said.

The EU agreement, scheduled to come into force on January 1, created a predictable trading environment with SA's major trading partners over the next 12 years. This would have an important spinoff in the form of investment in SA.

It was important that each province carefully examine the agreement and see what opportunities for trade it offered, and what competitive challenge some industries would experience, Erwin said.

For example, the agreement opened access for fresh vegetables to European markets. This category of goods made up only about 1% of SA's exports, but was the fastest growing.

Erwin said that when it came to economic development and exports, the secret lay in detail, careful planning, accurate follow-up and careful identification of opportunities.

One major task would be for national and provincial governments to work together very carefully on this planning.

His department was proposing a new approach, in which provincial departments, rather than national, would assume responsibility for project planning in their provinces. This was already being piloted. — Sapa.

'No concessions, no EU implementation'

CT(BE) 19/11/99 (74)

JOHN FRASER

Johannesburg – The European Union (EU) was blocking the implementation of its free trade deal with South Africa in an attempt to secure fresh concessions from Pretoria over the labelling of wines and spirits, an EU diplomat said yesterday.

The deal was signed last month and was due to come into force from January 1, but the diplomat revealed that it became clear at a meeting of the 15 EU ambassadors in Brussels on Wednesday night that there was no hope of this happening.

It was Spain, France, Italy, Portugal and Greece, "which have consistently been the most difficult about our relations with South Africa, who are applying the brakes".

A regulation would need to be approved in Brussels to implement the trade pact, and the diplomat said the five states had sufficient clout to block it under the EU's complicated qualified majority voting rules.

"We are hoping for concessions from South Africa, without which we will be in deep trouble," said the diplomat.

"There are demands for fresh South Africa assurances over the March deal by which South Africa will phase out the use of the terms port and sherry, and there is also an insistence that the South Africans negotiate on the use of a number of other terms."

The European Commission would like to reach a provisional deal, by which the trade benefits would be triggered from January 1, in return for some concessions from South Africa on port and sherry.

But the South African Cabinet had decided against resuming negotiations. Joel Netshitenzhe, a government spokesman, said on Wednesday that Pretoria's "position is that this matter has been conclusively dealt with, and we respect the integrity of the process that led to the signing of the agreement. South Africa is ready to implement the agreement ... and we will not reopen negotiations."



Alec Erwin's office says Pretoria's position is stable

The office of Alec Erwin, the trade and industry minister, would only say that South Africa's position had not changed and that it expected the trade pact to be implemented as planned.

The EU diplomat warned that time was running out and unless there was a deal within a week or so there was little hope of the trade deal being implemented on time.

Some EU states have warned that governments might face legal action from exporters if they failed to implement the deal on time.

"I am not sure that this is a very serious danger, but raising this issue is one way of trying to move things forward," said an EU lawyer.

Suicide note will satisfy EU, says diplomat

(74) CT (PBR) 22/11/99

JOHN FRASER

Johannesburg – South Africa would have to sign a "suicide note" on behalf of its port and sherry producers if it was to win promised trade concessions from the European Union (EU), a European diplomat warned at the weekend.

Europe is blocking the implementation of the EU-South Africa free trade area accord, which was signed last month, because of a continuing dispute over the labelling of wines and spirits.

"The agreement was due to come into force from January 1, but that won't happen unless we can reach a deal with the South Africans," the EU diplomat said.

"I believe that if we could strike a deal with Pretoria on port and sherry, then the resistance to implementing the trade deal would evaporate."

Alec Erwin, the minister of trade and industry, said last week it was "insulting" to be asked to confirm an undertaking made in March when he met Joao de Deus Pinheiro, then the EU's development commissioner, which was confirmed again last month when the accord was signed.

"It may amount to a suicide note for the port and sherry producers of South Africa, but they can continue to make their fortified wines – as long as they call them something else."

Trade, foreign affairs rivalries delay talks

John Dludlu (279A)

INTERDEPARTMENTAL rivalries between trade and industry and foreign affairs were criticised yesterday for slowing down SA's co-operation with its neighbours

Addressing a seminar near Johannesburg yesterday, Willem Bosman, a former foreign affairs official, blamed the trade department for the haphazard way talks to review the Southern African Customs Union were being conducted

Bosman was speaking at a seminar on "exploring SA's role in south-south co-operation", jointly organised by the National Policy Institute of SA, the Centre for Policy Studies and the Defence and Development Project

If the two departments had worked together, the negotiations to modernise the customs union would be pursued on the diplomatic as well as the trade front, he said

Bosman s remarks serve to reopen the debate over whether SA's trade and foreign policies are currently being effectively advanced

The debate reached a peak when trade took the lead in talks with the European Union

At the same function, Kevin Wakeford, CE of the SA Chamber of Business, expressed serious misgivings at the prospect of the free trade area in the Southern African Development Community This position was based on doubts regarding the SADC's institutional capacity to underpin such a project

Though he noted that regional business chambers had "good intentions but lacked content", Wakeford felt organised business had a role to play in the new SADC chamber of commerce

BD 24/11/99

OUT/2065/E

Zuma calls for African trade bloc

John Dludlu (74)

DEPUTY President Jacob Zuma yesterday called for the acceleration of moves to end the fragmentation of Africa's regional economic organisations. (279A)

As he took the battle for the continent's rebirth to Africans living in Europe, Zuma, who was addressing an African renaissance conference organised by the Africa Centre in London, said political systems should facilitate the economic involvement of Africans everywhere.

"There is a need therefore to consider the eventual amalgamation of all the regional economic blocs of Africa into one", he said. Blocs such as the Economic Community of West African States and the Southern African Development Community could begin to explore intra-African co-operation.

At the political level, unity had already been achieved via the Organisation for African Unity

Zuma's call, echoing similar sentiments by Olusegun Obasanjo, the Nigerian president, appear to mirror the growing frustration of the new African leadership at the delay in creating pan-African economic unity

Zuma also challenged Africans based in Europe to contribute "through action rather than sentimental attachment" to reviving African pride.

He called on business people, particularly Africans, to play a bigger role in the continent. "We ... need to find ways to ensure wealth accumulated in Africa stays in Africa".

He said one of the ingredients of Africa's rebirth had to be "good political systems in all African countries that uphold the principles of democracy at all costs".

BD 24/11/99

Erwin warns of trade barriers in the north (74)

BD 25/11/99

Dave Marrs

DEVELOPED countries of the northern hemisphere are in danger of "reverting to protectionism", with tariff barriers at their highest where developing nations have the greatest competitive advantage, Trade and Industry Minister Alec Erwin says.

Addressing a globalisation seminar at the Sweden-SA trade and investment exhibition in Midrand yesterday, Erwin said the potential benefits of globalisation would not materialise if obstacles were placed in the path of developing countries

"The next driver of the world economy will be the industrialisation of developing economies," he said "The biggest challenge for globalisation is development."

Visiting Swedish Prime Minister Göran Persson, who opened the exhibition in the morning before a meeting with former President Nelson Mandela, said it was important that the purpose of change be subject to democratic debate "if we are to ensure that the benefits of globalisation outweigh the risks".

He said free trade was not an end in itself but "an instrument to raise people's standard of living" Cheaper products would not benefit consumers if globalisation resulted in environmental degradation, for example.

Better conditions of employment and improved food supplies were essential for the populations of developing countries to buy into globalisation, he said "Sustainable development goes hand-in-hand with ecological development."

Erwin acknowledged that the process of turning the SA economy from "the antithesis of where we wanted to be" to one that was flexible enough to cope with globalisation had been difficult for labour in particular.

However, the transition process had to be endured before globalisation could spur economic growth and create jobs.

"Globalisation is not a choice. You are not in or out of the global economy. We are in it."

Persson said one result of globalisation was that bodies such as the World Trade Organisation (WTO) were increasingly important to ensure free trade, and SA and Sweden had already agreed that they "speak with one voice" with regard to the revision of WTO rules

Bugs in the wine: virus threatens implementation of EU-SA trade deal

BD 25/11/99 (74)

Dissatisfied European governments, led by Paris, warn they may delay entire accord and suspend aid to SA, while local importers are in limbo, writes **John Dludlu**

CONTINUED uncertainty over the status and future of the trade deal between the European Union (EU) and SA recently prompted a senior EU diplomat to say that the problem with the talks is that they were not made Y2K-compliant.

This inability of negotiators to debug the process has now placed the planned implementation of the trade, development and co-operation accord on January 1 next year at risk.

The deal, signed on October 12, has been ratified by the EU parliament and endorsed by the SA cabinet

Ordinarily, the agreement would take years to implement due to the requirement that each of the EU's 15 national parliaments ratify it.

However, in recognition of the value of the deal, the two sides have made plans to begin implementing trade concessions in January.

This is now in jeopardy The virus, so to speak, that is threatening to disintegrate the entire deal is a stalled wines and spirits accord.

The key difficulties in this agreement relate to a list of terms known as "traditional expressions" that the EU wants SA to recognise as deserving of intellectual property protection

This demand is a new concept with no clarity in the international trading arena.

In terms of an October 11 statement that paved the way for the signing of the deal, the two sides had pledged to continue discussing this area, taking into account the outcome of talks in the World Trade Organisation (WTO) on trade-related intellectual property rights (Trips)

With these differences the wines and spirits accord cannot come into effect in January

The wines and spirits agreement is linked to the main accord through the "port" and "sherry" compromise — a deal providing for SA's phasing out of these two names for its fortified wines in international and domestic markets.

In return for agreeing to drop these names, SA has been offered €15m to restructure its wine industry and market new names Additionally, 32-million litres of SA's table wines can be exported to EU nations at preferential rates.

However, all this and more is in jeopardy because of the failure to agree on the wines and spirits accord. Typically, the EU's complex decision-making system is not shedding any clarity on the matter.

EU foreign ministers have signalled that they will not block the agreement's implementation in January However, Coreper, the committee of EU states' ambassadors, has said it will discuss the matter again when there are fresh proposals

Dissatisfied EU states, led by France, are threatening to delay the implementation of the entire deal and suspend aid to SA in protest.

The uncertainty over the entire deal is clearly not good for economic operators.

Importers, who placed orders on the basis of the deal's signing, are in limbo as to the level of duty they will have to pay in January

This has fuelled fears of litigation should the two sides fail to begin implementing the deal as scheduled.

This uncertainty makes the regulatory environment unpredictable. One effect is that the antidumping suits facing SA companies cannot be constructively addressed until the deal is implemented, nor can investment decisions be taken.

Naturally, SA is reluctant to revisit agreed upon issues.

For the EU, holding the deal hostage carries political costs.

For one, it tarnishes its credibility with regard to agreeing on a deal with other developing countries.

Coming days before next week's WTO ministerial summit meeting, the EU stance does not support the noises it is making about commitment to integrating developing nations into the trading system.

How then can the EU virus be tackled without scuppering the entire deal? Breaking the link between issues is the safest: that is, implementing the deal in January, but allowing the negotiators to continue talking about wines and spirits.

Giving talks more time will also allow negotiators to take into account the outcome of the Trips process into this deal.

The EU may also find that SA is more amenable to making concessions if silly threats are removed. It would be unfortunate if the wines and spirits bug was allowed to crash the carefully constructed trade deal.

Metcash criticises

Taryn Lamberti

'EU deal will benefit SA firms'

By Mongwadi Madiseng

WHATEVER economic problems South Africa is currently encountering, the recent trade agreement with the European Union will create new export opportunities for local companies.

President Thabo Mbeki said this at the annual President's Award for Export Achievement and Technology Top 100 function in Midrand on Tuesday.

Mbeki said the trade agreement with the EU will require South Africa to maintain high standards in the production and delivery of goods and services.

He said the Government would argue at the World Trade Organisation Ministerial Conference in Seattle, for a greater participation of developing countries in the multilateral negotiations.

The conference starts next week.

"We will continue to argue that the rules-based system of international trade should have, as one of its central aims the sustained development of developing countries like South Africa," Mbeki said.

He also called for the strengthening of cooperation with other African countries.

"It has been agreed that the Southern African Development Community Free Trade Protocol should come into force in January 2000."

The presidential awards honour business organisations that contribute to the technological advancement, products development, export promotion and the social upliftment of communities while at the same time encouraging them to be world-class competitors.

Sasol Alpha Olefins won the President's Award for Export Achievement while the Technology Top 100 Award went to UEC Technologies, the satellite decoders manufacturers.

"Through increasing our economic activity, we are also assisting in the fight against poverty," Mbeki said.

BD 26/11/99

Sacu asked for feedback on EU deal

Patrick Wadula (74)

SOUTHERN African Customs Union (Sacu) partners have been urged to give feedback on SA's recent free trade agreement with the European Union (EU) before the end of this year. (279A)

The SA trade and industry department's Wilhelm Smalberger said yesterday that it was important for Sacu members Botswana, Lesotho, Namibia and Swaziland to liaise with SA before the SA-EU agreement was implemented next January.

Smalberger was addressing the Johannesburg Chamber of Commerce and Industry's workshop on the EU-SA agreement and its rules of origin.

He said SA shared a common external tariff border with the customs union countries and would like this to be maintained. This meant those countries would have to apply the SA-EU agreement on a de facto basis. "However, they have not as yet given us their concurrence as provided for in the Sacu agreement," he said.

Smalberger warned that if this was not forthcoming, normal duties on imports originating in the EU and destined for the customs union states would have to be paid by the importer at the point of entry in SA.

Since SA did not share a common border with the other Southern African Development Community countries other than the customs states, the SA-EU accord would not have any effect.

SA-EU TRADE AGREEMENT (74)

OUZING GRAPPA IN SEATTLE

Names issue spreads to WTO

The European Union and SA may abandon efforts to clinch a bilateral treaty on wines and spirits transferring the dispute instead to a new global trade round set to be launched in Seattle next week at a Ministerial meeting of the World Trade Organisation FM 26/11/99

EU officials say the compromise would salvage the EU-SA trade and development agreement signed on October 11 It would also allow implementation from January 1 2000 of the treaty s annexe 10 under which SA is committed to phase out the use of the terms port and sherry over eight to 12 years

Problems connected to the wider wines and spirits sector, where SA is refusing to accept European insistence that many popularly used labels are the exclusive right of EU wine producers would be part of new WTO talks in Seattle

The WTO battle over protection of so-called European geographical denominations of origin — including terms such as *grappa ouzo* and *vins de pays* — could be difficult But many of the EU s trading partners are adamant that instead of pursuing the issue bilaterally with countries like SA Australia and the US the EU should take the fight to the WTO forum

The 135-member global trade body already provides for discussions on issues linking trade and intellectual property rights under the trade related aspects of intellectual property rights (Trips) heading

But EU agricultural lobbyists insist the Trips framework does not provide adequate protection for wines and spirits, making it imperative for the EU to seek out bilateral solutions with so-called New World wine producers including SA, Australia and New Zealand

"There is only a minimum protection for geographical denominations of origin in Trips," an EU farm official said, adding that since getting a better WTO agreement was "very difficult", the focus had moved to securing stronger protection for EU labels through bilateral agreements "As leaders in the wines sector, the EU wants to improve conditions for its producers " Getting international protection for geographical names was a "high priority"

Another problem with the Trips agreement is that there are no provisions for the settlement of disputes between wine producers

The only problem is that, as difficulties with SA show, the EU's bilateral approach has not been successful either Negotiations are under way with the US and an agreement concluded with Australia is awaiting ratification Both Washington and Canberra could decide that the strength in numbers provided by the WTO is a better formula for discussions on geographical denominations than bilateral talks with Brussels

Shada Islam, Brussels

Washington 'no angel' in farm feud

3 (74) BD 2/12/99

Erwin says he will stand firm on agriculture

Simon Barber

SEATTLE — Washington's hands were not completely clean in pushing the European Union (EU) to eliminate export subsidies for its farmers, Trade and Industry Minister Alec Erwin said.

Erwin was speaking as SA and its partners pressed the US and the EU to make concessions on the subsidies, which is the single most contentious issue at the World Trade Organisation (WTO) ministerial summit this week.

"The US has its own support measures (for farmers), so they're not angels in this matter," Erwin said in an interview with the SABC. The WTO meeting, which will draw up an agenda for a new round of global trade talks, resumed yesterday after being derailed by demonstrators for most of Tuesday.

The US has been courting SA support for its proposals, but Erwin made it clear that, along with fellow Cairns Group members Australia and Brazil, he would be standing firm on the issue of agriculture.



Alec Erwin

"We are countries with tremendous agricultural potential, capable of producing at world competitive prices, and we argue that agricultural products are no different from industrial products," which cannot be subsidised as farm goods are under present WTO rules.

Erwin blamed the US for Tuesday's disruption, which he saw as endangering the chances of developing countries getting a better deal in the new trade round. SA's delegation, like many others, was penned in its hotel for much of the day as anti-WTO demonstrators took over the streets to denounce the organisation as a secretive tool of multinational corporations and a threat to worker rights and the environment.

"This has been handled so badly by the US that it only reinforces our fears that badly managed political agendas will disrupt trade with very high costs to our economies," Erwin said.

Many developing countries fear that US and European-backed attempts to place labour standard and environmental issues on the table for the next trade round are aimed at raising new protectionist barriers to their exports as tariffs and other restraints come down.

US Trade Representative Charlene Barshefsky said that the Clinton administration sympathised "with the views of those protesters who came to demonstrate peacefully". Her views were echoed by President Bill Clinton as he prepared to address delegates yesterday.

Demands for more labour and environmental protections, and for the WTO to be more transparent, "should resonate" with trade ministers around the world, Barshefsky said. She said the violence did not prevent WTO members from establishing five working groups to come up with a language for the agenda of a new round.

The protesters were "given too much scope", Erwin complained, suggesting that this would not have happened in SA where there were "much bigger crowds".

Among the "concrete issues" SA and its partners wanted to address was "the precise working of the rules for anti-dumping and countervailing duties", which countries use to impose punitive tariffs on imports they feel are being traded at unfairly low prices. SA steel has repeatedly been targeted by the US.

Protests turn ugly: Page 7

...not be shed without taking into account the "cost to

Innovative plan to prune costs: Page 2

drop a shot and scored six birdies. See Back Page. Picture: TREVOR SAMSON

Trade gains inconclusive

BD 6/12/99 (74)

Simon Barber

WASHINGTON — SA and other developing countries won important concessions at last week's inconclusive Seattle trade talks, SA Trade and Industry Minister Alec Erwin said. But it remains unclear whether they will have to be won again when negotiations resume.

US Trade Representative Charlene Barshefsky, as chairman of the conference to draw up the agenda for a new round of multilateral trade liberalisation talks, pulled the plug on the meeting late on Friday. She insisted the negotiations were "frozen" and would be picked up later where they left off.

European Union (EU) trade commissioner Pascal Lamy said draft texts that ministers were working on when time was called were "dead", although some of the ideas in them might not be.

US officials also cast doubt on the status of what was agreed. One said a key reason talks were suspended was that "the only thing worse than no agreement was the agreement it looked like we might get". Erwin, who emerged from the final session "extremely pleased with what has been achieved", said countries or groupings would have great difficulty backtracking on concessions.

The Cairns group, which includes SA, Australia, Canada and Brazil, had made important progress in getting the Europeans and the US to commit themselves to scaling back subsidies and other support for their farmers. But EU farm commissioner Franz Fischler said there was now "no commitment at all ... nothing on the table".

Under the ground rules for the talks, nothing is considered settled until there is agreement on everything. That implies that whatever appeared to have been decided on issues like improved market access for nonagricultural developing world products, or fuller implementation of agreements reached in the previous round, is still up for grabs.

Getting the talks restarted is likely to be problematic. Erwin predicted that the pause would last a few months.

As the negotiations came down to the wire on Friday, developing countries made it clear there could be no consensus on a new round if there was even a hint that the World Trade Organisation might one day permit rich countries to block those imports from poorer ones that did not comply with first world labour and environmental standards.

The US also found itself cornered into accepting changes to rules governing antidumping and countervailing duties that would make it more difficult for US unions and industry to use these mechanisms to restrict competing imports.

Erwin said one reason "the clock was stopped" in Seattle was that "many developing countries came better prepared than before, so the negotiations were very real and very intense". This meant that "deals among the strong trading countries" no longer sufficed to win consensus on a new trade round.

Comment: Page 7
Impasse on trade: Page 5

Sweden to pay all debts incurred at trade fair

ET(BR) 7/12/99 (74)

CHRIS BLOMSTRAND

Stockholm – The Swedish government would pay all outstanding debts in South Africa incurred during the Sweden-South Africa Partnership Week last week, Anna Lindh, the foreign affairs minister in Sweden, said on Friday.

The step would probably save the public relations company Rikta, which many suspected would go bankrupt. The announcement is also welcome news to about 30 South African companies which are still owed money by Rikta.

Now supporters of the government are striking back, saying that contrary to headlines of disaster and mismanagement, many more positive events, with which the highly criticised Swedish agency Rikta had nothing to do, did indeed take place.

A high-level bilateral commission had been established between the South African and the Swedish governments. Jacob Zuma heads the commission in South Africa and Lena Hjelm Wallén, the Swedish deputy prime minister, heads it in Sweden.

The first important point on the commission's agenda was that Sweden would speak on behalf of South Africa in the European Parliament. It would also work for the abolition of the trade restrictions which were causing South Africa numerous export problems.

According to South African sources in Stockholm, the trade fair at Gallagher Estates, which was the centre of accusations over the misuse of development aid money, quickly generated some direct results.

The South African information technology (IT) industry in particular had shown specific interest in developing the Scandinavian market. IT companies specialising in banking would probably use Sweden as a springboard to enter Europe.

As the Swedish prime minister returned to Sweden and the headlines in the Swedish media calmed down, the work of finding out what went wrong with the aid funds had already started.

Ulla Ström, Sweden's ambassador to Namibia, has been appointed to form a commission of inquiry into the process of tender, the contracts and the funding.

The commission is expected to determine who and what was responsible for the disastrous concert arrangements.

Rikta, the public relations agency in charge, accepted the blame at the time of the prime minister's return.

But Rikta, a rather trendy public relations agency, not knowing very much about South Africa, worked with TWA Simeka, a local public relations company which will also be questioned by the commission of inquiry.

Sources in development and former anti-apartheid circles are now asking why the foreign affairs ministry did not ask for help and advice from the hundreds of people and numerous Swedish organisations which had worked with South Africa over many years. – Independent Foreign Service

SA may be vital to WTO reform

ET(BR) 7/12/99 (74)

PETER DELMAR

London – Britain is expecting South Africa to be a key partner in a new multi-lateral drive to reform the World Trade Organisation (WTO) and to ensure that international trade liberalisation benefits the developing world.

Stephen Byers, the UK trade secretary, sounded out South Africa and Egypt on possible ways to change the WTO, a spokesman said yesterday. He added that the department of trade and industry would follow up with these and other "like-minded" countries on concrete suggestions within the next weeks.

The collapse of trade talks at the WTO's Seattle summit last week prompted Britain to use its close Commonwealth and other diplomatic links to ensure that smaller countries get a fair say in trade liberalisation talks.

Among major powers is Britain's Labour government, which is enjoying unprecedented prestige with developing countries. For its part, South Africa regards British support as having been critical to the favourable outcome of talks on the European Union trade agreement. Third World countries are looking to the UK to use its influence in helping to open European markets to its exports.

Shortly before the Seattle meeting, Byers said Britain and South Africa would be working together to ensure an equitable outcome to the first comprehensive trade talks since the 1993 Uruguay Round.

Yesterday his department confirmed that the two countries had met in Seattle and agreed that the WTO definitely needed reform. The Egyptians had raised with Byers their concerns about First World labour standards being used to bar exports.

Britain is sympathetic to the concerns of developing countries that make up two-thirds of the WTO members and which are being sidelined from both high-level as well as day-to-day WTO deliberations. Britain wants to give African countries technical assistance to improve their negotiating skills.

Clare Short, Britain's development secretary, warned that the demise of the WTO would be detrimental to the developing world. This could result in a reversion where "the big guys dominate everything quietly and in private". – Independent Foreign Service

Germany supports SA in EU labels row

CT(BR) 8/12/99

(74)

JOHN FRASER

Johannesburg Germany has lashed out at its protectionist European Union (EU) partners for holding up a vital trade and and co-operation accord with South Africa by haggling over the labels on bottles of South African port and sherry

Jurgen Trittin, Germany's environment minister yesterday told the Southern African German Chamber of Commerce and Industry that it was wrong for European nations to preach the doctrine of free trade while protecting their own markets against imports from the developing world

He suggested it was ridiculous for the EU to be fighting South Africa over such a silly issue as sherry and port labels

Trittin voiced his own backing for improved South African export access to the EU market saying "we want free trade for all"

The 15 EU ambassadors meet in Brussels today to review relations with South Africa Finland which holds the EU presidency believes a deal is in sight to finally resolve the row over the labelling of port and sherry

This would involve an undertaking by the European Commission to get tough with Pretoria if South Africa tries to shy away from its commitments to phase out the use of the terms "port" and "sherry"

This peace formula was worked out in discussions in Seattle on the fringes of the World Trade Organisation meeting, which involved Alec Erwin the trade and industry minister and his Finnish Spanish and Portuguese counterparts

"The EU foreign ministers failed to really discuss the South African dossier when they met in Brussels on Monday, and the issue now goes before EU ambassadors," said an EU diplomat

"In the best case scenario, the row will be resolved, and this peace formula will be accepted

"However, matters are complicated because there is also an important meeting in Brussels between the EU and its Lomé Convention partners over the future of Lomé.

"The danger is that too much needs to be done at the same time, and there might not be enough energy to devote to the South African dossier"

Unless there is a speedy solution to the port and sherry row, EU trade concessions to South Africa as well as development aid for Pretoria, will remain blocked

(74) BD 13/12/99

SA lobbyists put pressure on EU trade deal

Business Day Reporter

THE January 1 deadline for the implementation of the SA-European Union (EU) deal faced a fresh hurdle yesterday when an SA farm lobby group demanded that Pretoria renegotiate provisions in the deal or face a R50m legal challenge for lost income.

The SA Milk Buyers' Organisation yesterday threatened government and the EU with legal action if Pretoria failed to renegotiate a clause in the EU-SA trade, development and co-operation accord.

The organisation wants a clause, which gives trade concessions on a certain volume of SA dairy products, to be reviewed before the agreement is implemented.

Essentially, the organisation is unhappy at the administrative component of the arrangement — it feels the licence requirement will see cheese manufacturers lose revenue.

"During November, the (SA) cheese manufacturers informed government they had been approached by dealers in the EU to supply cheese at the ridiculously low price of between R13 and R15 a kg for export under the quota," it said.

The organisation claims that government — which stands accused of ineptitude in the talks — has indicated that it "could only apply for a change in the administration (of the quota) at the first meeting" of the yet-to-be established EU-SA co-operation council. No comment had been received from government at the time of going to print.

The organisation accuses the EU of dishonest behaviour and having "unilaterally implemented" the offending administrative measures.

The deal is already facing delays thanks to continued opposition by certain EU states. SA appeared last week to have braced itself for a three-month delay — a move that could open government and Brussels to legal action.



LAST DITCH *(from left) EU commissioner Poul Nielsen and Alec Erwin sign the first EU-SA Free Trade Area accord last month*

PHOTO: JOHN WOOD, REUTERS

EU to try one last time to end labels battle before January

(74) CT (182) 14/12/99

JOHN FRASER

Johannesburg – European Union (EU) ambassadors tomorrow will make their final attempt this year to resolve the row between Brussels and Pretoria over the labels on bottles of South African port and sherry.

They will discuss a compromise plan devised by Finland, which holds the EU presidency, to reassure the Spanish and Portuguese that South Africa will stick to its undertaking to phase out the use of the terms "port" and "sherry" within 12 years.

Spain and Portugal, supported by France, Italy and Greece, are holding up the implementation of the EU-SA Free Trade Area accord over the unrelated port and sherry dispute, in a bid to wrest fresh concessions from Alec Erwin, the trade and industry minister.

These countries say they are worried that South Africa will go back on its undertaking to scrap the use of the names "port" and "sherry". The compromise would involve an undertaking from the European Commission that Brussels will act if there is any backsliding by Pretoria.

An EU official said last night that even if there was a deal on port and sherry it would be "touch and go" whether Europe would agree to implement the EU-SA trade deal on time, because Europe was demanding to control the use in South Africa of over 100 other terms on alcohol labels, which include "cru", "vintage", "tawny", "ruby", "grappa" and "ouzo".

"Most countries realise there won't be a deal on this before the new millennium, and are prepared to agree to disagree until then," the official said. But there was a danger it could all turn sour, he warned.

The department of trade and industry yesterday failed to respond to alarm calls from the dairy industry, which claimed at the weekend it had won a raw deal under the EU-SA Free Trade Area accord and threatened legal action against both Pretoria and Brussels.

Dairy producers fear they will lose R10 a kilogram on cheese exports to Europe because of the way quotas are to be administered.

Mary McCaughey, a representative for the EU Commission in Pretoria, dismissed the concerns of the dairy producers as "a technical, procedural matter, which should be resolved in the appropriate forum".

She said the problem would be considered in the first meeting of the EU-SA development co-operation council, a new body which will tackle disputes.

She would not comment on the accusations that the EU had acted unethically.

Chris Lerm of the South African Milk Buyers Organisation had accused the EU of underhanded, unethical behaviour and the South African government of naive and clumsy negotiation.

SA, EU trade accord entails use of new forms

(74)

Patrick Wadula

THE European Union's (EU) generalised system of preferences will be replaced by the tariff preferences over time as outlined in SA's free trade agreement with the EU.

The SA-EU accord is expected to be fully implemented by 2012.

Wilhelm Smalberger, joint task team chairman at the trade and industry department, said recently exporters will gradually have to exchange the preferences system forms (Form A) for the EU agreement forms (EUR.1).

"Please keep in mind that whereas (the system) only affects exports to the EU, the free trade area will cut both ways," he said.

Smalberger said importers who wished to benefit from preferential tariffs under the free trade agreement would thus have to submit an EUR.1 certificate authorised by customs in the specific EU state. The SA Revenue Service would be responsible for the free trade accords with the EU and Southern African Development Community.

The countries which have extended generalised system of preferences treatment to SA are: the UK, Ireland, Portugal, Spain, Germany, France, Italy, Greece, the Netherlands, Belgium, Denmark, Luxembourg, Austria, Sweden, Finland, Reunion, Canary Islands, Martinique, Norway, Switzerland, Hungary, Japan, Canada, US and the Czech Republic.

Smalberger said certification of schemes with Hungary, Japan, Canada and the Czech Republic is done by chamber organisations.

BD 15/12/99

Italy breaks ranks and threatens to wreck whole deal over labelling of grappa

EU trade deal gets go-ahead without wine

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JOHN FRASER

Johannesburg – Italy broke ranks in Brussels last night after 15 European Union (EU) ambassadors agreed to implement the EU-SA free trade area.

Several EU states also blocked new wine benefits for South African exporters, which had been one of the most prized achievements of South African negotiators.

The ambassadors voted that the overall deal could go ahead, but not the implementation of a tariff-free export quota for 32 million litres of South African wine to Europe, which had also been promised from January 1.

However, the whole deal came under threat within hours as Italy said it would block everything if it did not get its way over the labelling of South African grappa.

Diplomats said five EU states made concessions in the long-running row over the labelling of South African port and sherry

Spain, Portugal, France, Italy and Greece appeared satisfied with a new declaration that the EU would take "appropriate action" if South Africa went back on its undertaking to phase out the terms port and sherry within 12 years.

Had they maintained their opposition, the implementation of the trade concessions, which are contained in October's EU-SA treaty, would have been doomed. The trade measures had been due to come into force next month, but there is now likely to be some delay, even if Italy does relent.

"We have a deal, and a politically important agreement," said Tapani Brotherus, Finland's ambassador to Pretoria.

Finland, the present holder of the EU presidency, brokered yesterday's deal.

Brotherus explained that the zero tariff benefit to South Africa on wine was blocked until South Africa did a new deal on EU demands over the use of over 100 terms in the labelling of wines and spirits.

These terms include grappa, ouzo, tawny, vintage, cru and clos.

Italy issued a declaration in the EU meeting that it would "not be able to ratify" the EU deal, unless South Africa backed down over the use of the term grappa – in which case it would again be blocked.

South African officials refused to comment on the news from Brussels.

They said they were still awaiting details of what had been agreed.

In another development, Spain, which has taken one of the most hardline positions in Brussels, agreed to lift its objection to an EU development aid package for South Africa and to a budget for European Investment Bank loans to Pretoria.

U. industry lists its gripes about SA

BD 20/12/99 (74)

Simon Barber

WASHINGTON — Hollywood and US farming interests have lodged gripes against SA in response to a call from US Trade Representative Charlene Barshefsky for industry complaints about foreign trade barriers.

The Motion Picture Association says members lost $12m to video piracy in SA this year. Major seed producer Pioneer Hi-Bred International complains about unnecessary SA phytosanitary rules. Pharmaceutical Research and Manufacturers of America says SA's unimplemented 1997 medicines law violated World Trade Organisation rules, an issue on which the trade representative has temporarily decided to turn a blind eye.

The American Natural Soda Ash Corporation reiterated that it could not compete in SA against duty-free imports from Botswana, reducing potential US exports by up to $50m a year.

At the end of every year, the trade representative's office invites US companies to air their grievances as it prepares its annual report on impediments foreign countries raise to US exports, and then decides which countries to act against.

Pioneer said it was unable to ship US-grown maize seed to SA because SA — like Japan — refused to accept a standard test to determine whether the seed was free of Stewart's wilt, a bacterial disease. As a result Pioneer had to shift production to disease-free regions in Europe and South America. This did not make up for lost sales of between $3,5m and $17,5m a year.

The American film industry claimed that 18% of videos seen in SA were pirated, with syndicates in KwaZulu-Natal and the Western Cape using video CDs imported from Malaysia and Singapore to run off copies in formats popular in SA. The illegal copies were allegedly being distributed by "home dealers" on the Cape Flats and in KwaZulu-Natal, and by Chinese and Asian "flea market pirates".

The Motion Picture Association also complained about the local content requirement for local television broadcasting.