

FOREIGN TRADE

1993

JANUARY — MAY

Imports surge is a threat to rate cut

SITIMES (BASS) 3/11/93

ALL EYES are on the dwindling trade surplus as a massive surge in imports late in 1992 could put paid to an early cut in interest rates.

Deputy governor of the Reserve Bank Ernie van der Merwe says another cut in the bank rate, mooted after last month's encouraging inflation figures, could be put on hold if the balance-of-payments trend continues.

"If this is a short-term phenomenon then we don't have a problem. We can easily borrow overseas to cover ourselves for a few months," says Dr van der Merwe.

"But if it is long-term then we might have to review our liberalisation of monetary policy. But I don't believe our balance of payments is in trouble yet. We still have enough to pay for two months' imports."

November's trade surplus of R113-million was the lowest for nine years as drought-related food imports surged, down from a monthly average over the past two years of R1,5-billion.

Surprise

The trade surplus started to dip sharply in September and October to around R800-million, but the November drop appears to have taken everyone by surprise.

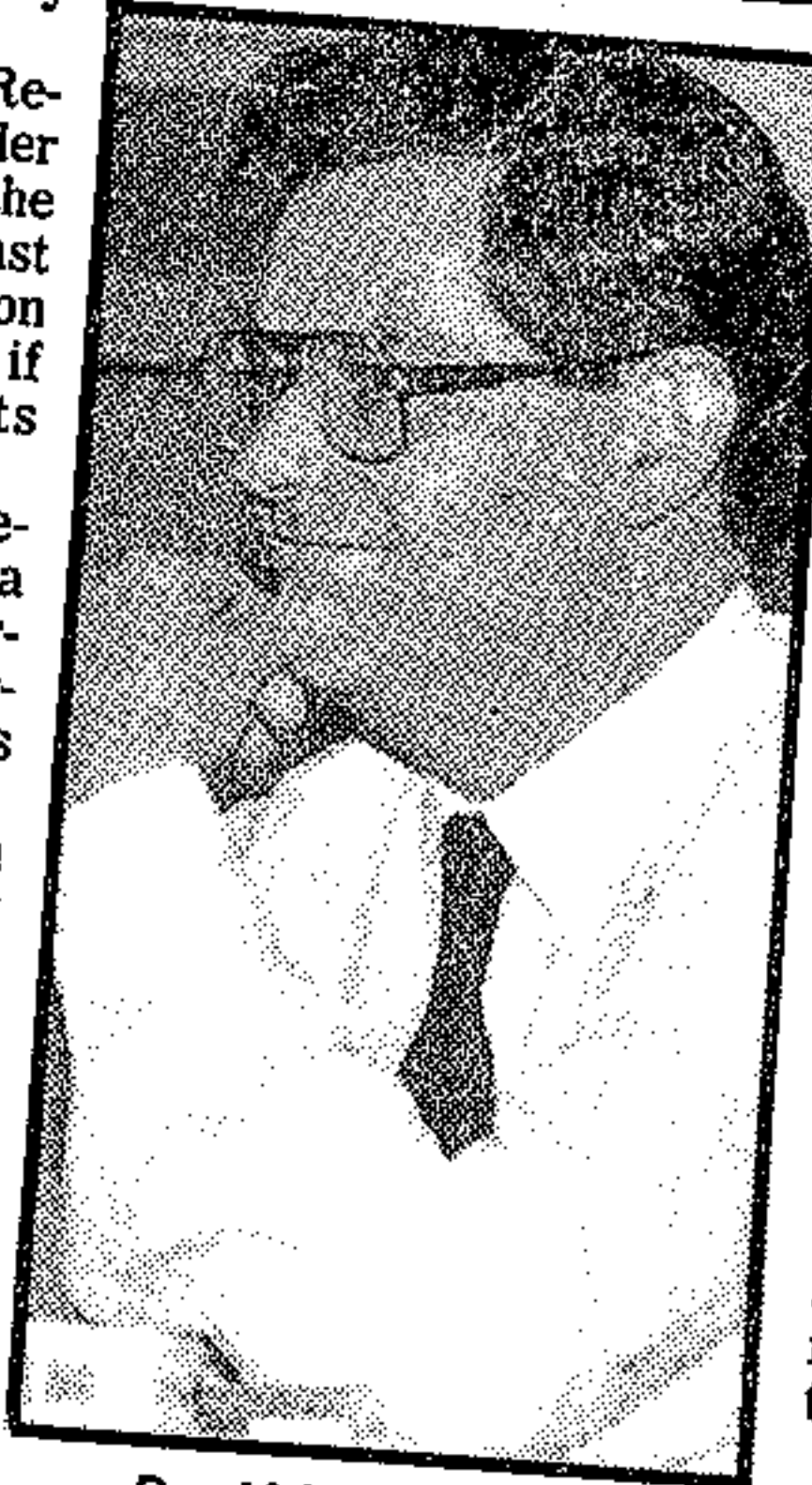
The Department of Finance is likely to accelerate its application for IMF assistance, although certain conditionalities such as an economic restructuring could be required prior to any IMF funding.

Hopes for further cuts in interest rates have been spurred by a fall in the November consumer price index to 11% from 11,7% in October.

Dr Jaap Meijer, deputy governor of the Reserve Bank, says the scope for further easing in interest rates is narrowing despite lower inflation, but "that does not rule out the possibility of a further lowering in rates".

Azar Jammine of Econo-

By CIARAN RYAN



Dr JAAP MEIJER

metrix says the narrower trade surplus is probably a temporary phenomenon.

"Machinery imports appear to have risen sharply, indicating that factories are replacing old equipment, in which case it is a positive sign and could indicate that the economy is turning round.

"If the economy is on the mend, then I forecast that we have about a year before we have to start limiting our economic growth because of the impact this would have on the balance of payments.

"We must not forget that the most damaging of sanctions, financial sanctions, are still in place."

Further cuts in interest rates would place additional pressure on the balance of payments, as cheap money would encourage higher imports.

The Reserve Bank will want to maintain a strong balance-of-payments surplus while financial sanctions remain in place. This is likely to

be reversed once a new government is elected and the door is opened to new overseas loans and development aid.

"We are a very under-borrowed country with total foreign debt of R50-billion relative to a gross domestic product of R300-billion," says Dr Jammine. "Once a political settlement is in place we could raise this to about 40% of GDP without too much difficulty."

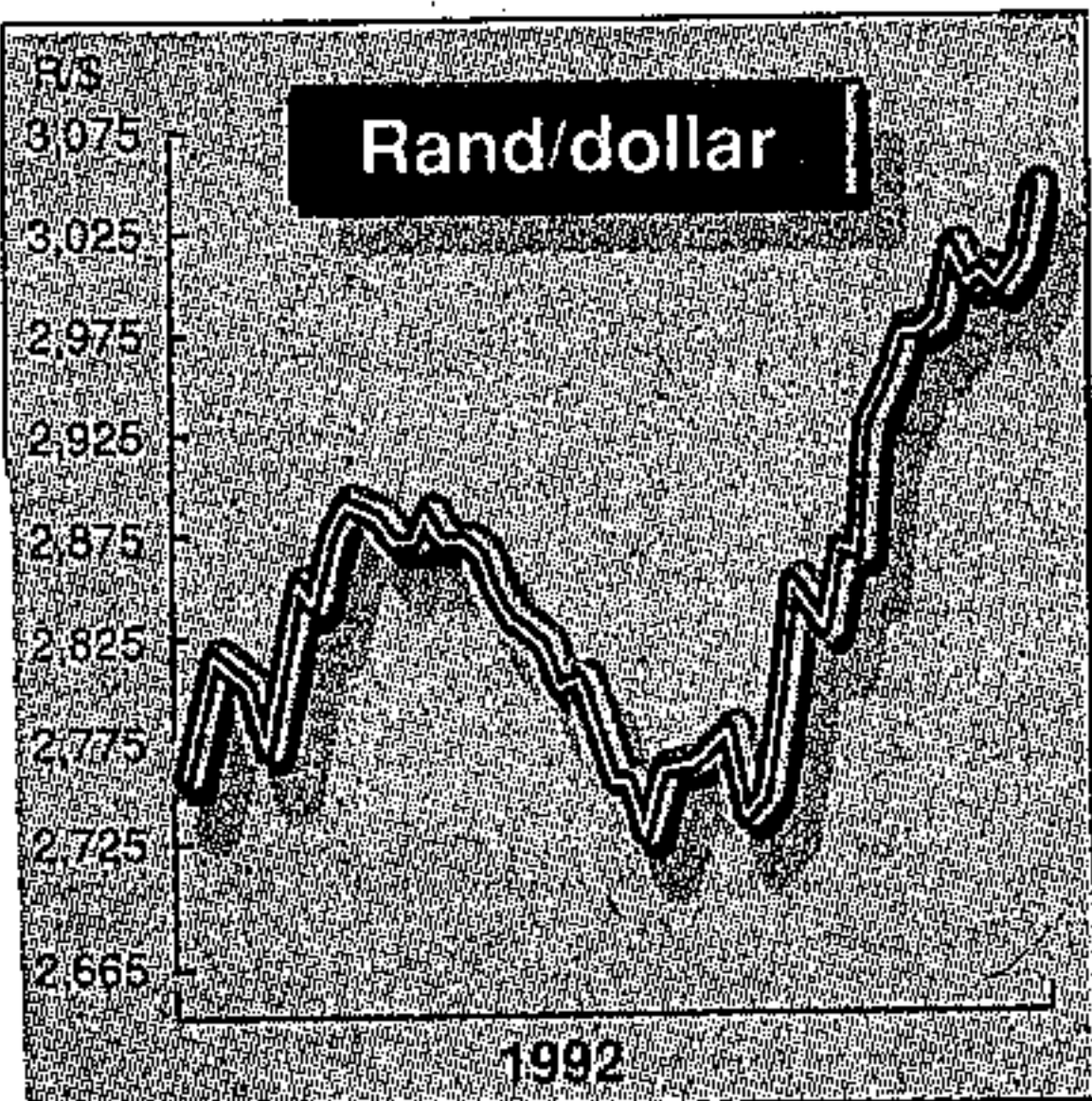
Deficit

The prospects for single-digit inflation depend on how Minister of Finance Derek Keys tackles the growing budget deficit, says Dr Jammine.

Higher indirect taxes in this year's Budget would have a short-term inflationary effect but less serious longer-term effects.

If the government borrows its way out of the fiscal crisis, it will be forced to monetise the debt as the interest bill mounts, creating serious longer-term inflationary pressures.

"But the real problem is the size of the public sector," says Dr Jammine.



Graphic: RUBY-GAY MARTIN Source: I-NET

Dollar bulls push Bank into a loss

GRETA STEYN (74)

THE dollar bull run had pushed the rand down to levels low enough to trigger forward cover losses for the Reserve Bank, a spokesman confirmed at the weekend.

The Bank's forward cover losses are for government's account and represent an increase in the state debt.

Losses loomed as the rand reached record lows against the dollar of more than R3,06 last week, battered by a rampant US currency. Players expected the dollar bull run to continue in 1993.

Bank gold and foreign exchange GM James Cross confirmed that recent pressure on the rand would cause a turnaround in the Bank's forward cover position. "Profits made in the first half of the year could be wiped out by the current pressure on the rand," he said. He added, however, that the financial year to March 1993 should be considered as a whole and that it was possible the Bank could end square.

Government has tried to reduce this forward cover debt. The latest available figure for the debt — R8,7bn — was issued in September. *B/DAM 4/1/93*

Economists said the Bank's monthly balance sheet suggested this figure had grown by more than R433m in November after a small increase in October.

Expectations of further dollar gains would not only put pressure on the Bank's forward cover book, but would cause headaches for the Bank's foreign exchange management. Cross said that dollar strength triggered short-term capital outflows on maturing forward cover contracts for third currencies.

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Bank loss *B/DAM 4/1/93*

Economists said a dollar surge in the new year could delay a decrease in Bank rate if dollar strength caused severe problems for foreign exchange management. However, short-term capital outflows could be offset by the trade account.

A dollar surge next year would see a turnaround from the relatively stable situation in 1992. The average rand/dollar exchange rate was R2,8522 in 1992, compared with R2,7613 in 1991. Economists' early predictions put the average rate for next

year at about R3,13. *(74)*

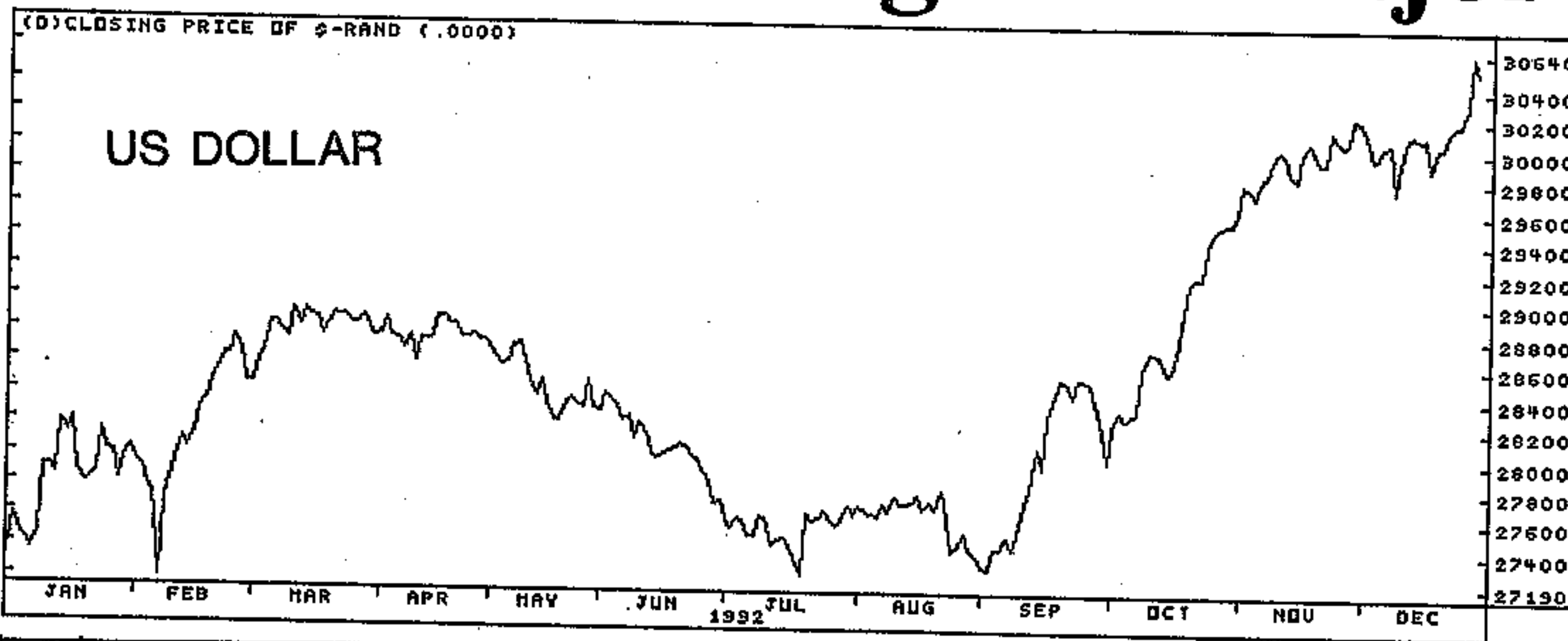
The dollar gained almost 2% against the Deutschmark in a week of sharp movements in a thin and nervous market.

The Bank's forward cover losses arise from its providing cover to the banking system. These losses are for government's account and are reflected on the Bank's balance sheet as an asset. They form part of government's liabilities and were recently formally added to government's debt, taking it up to 45% of GDP.

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Rand weakens against major currencies

STAR 41193
Finance Staff (74)



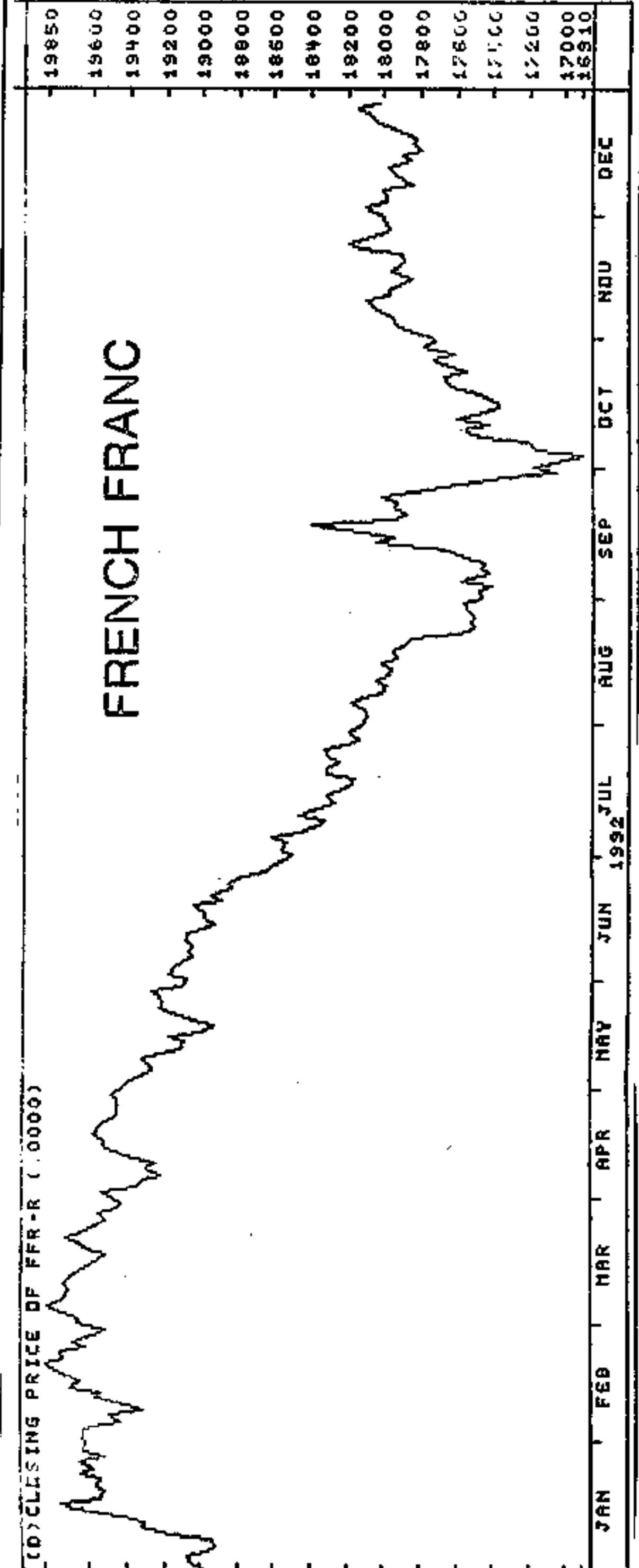
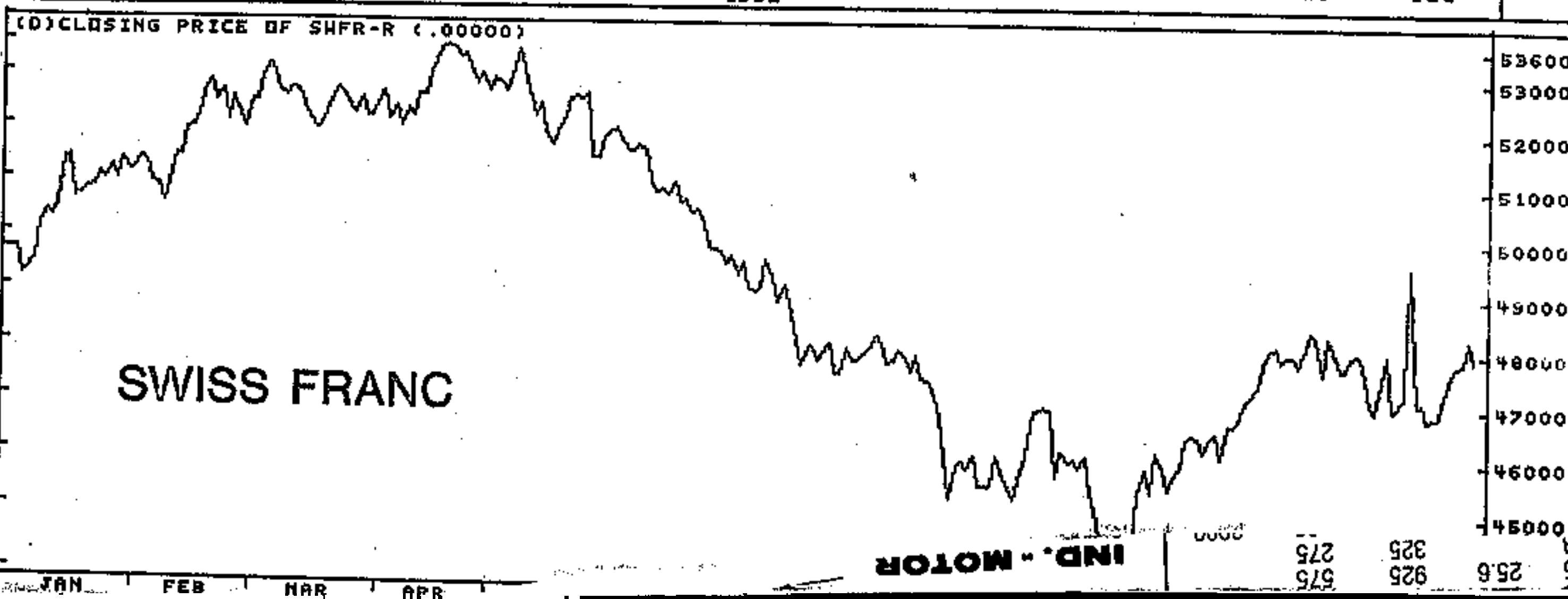
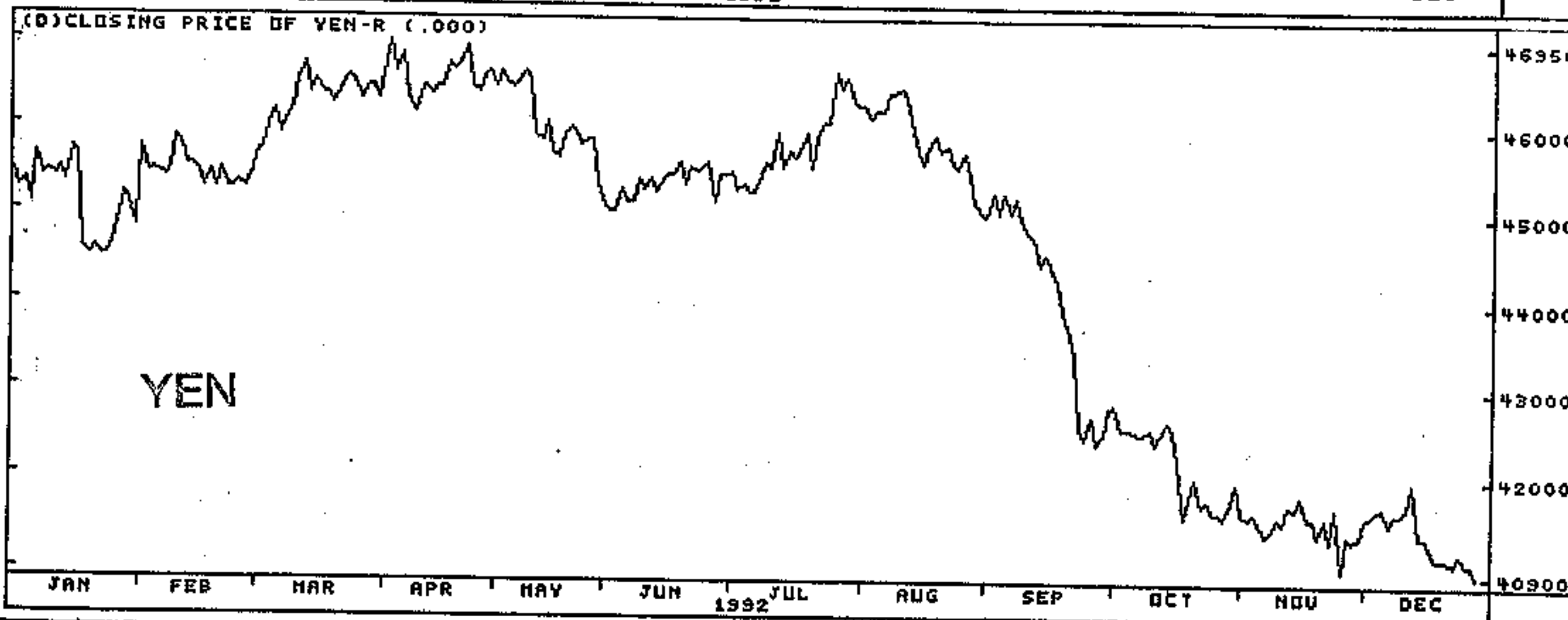
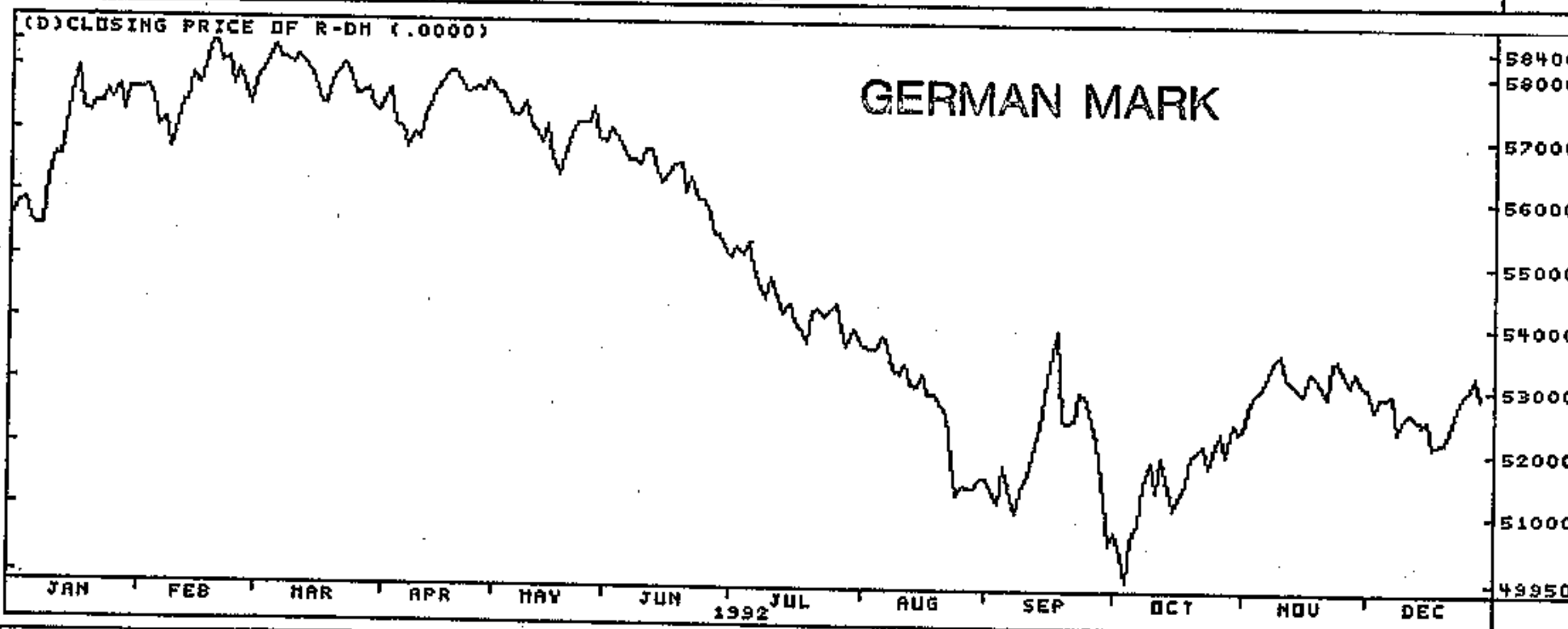
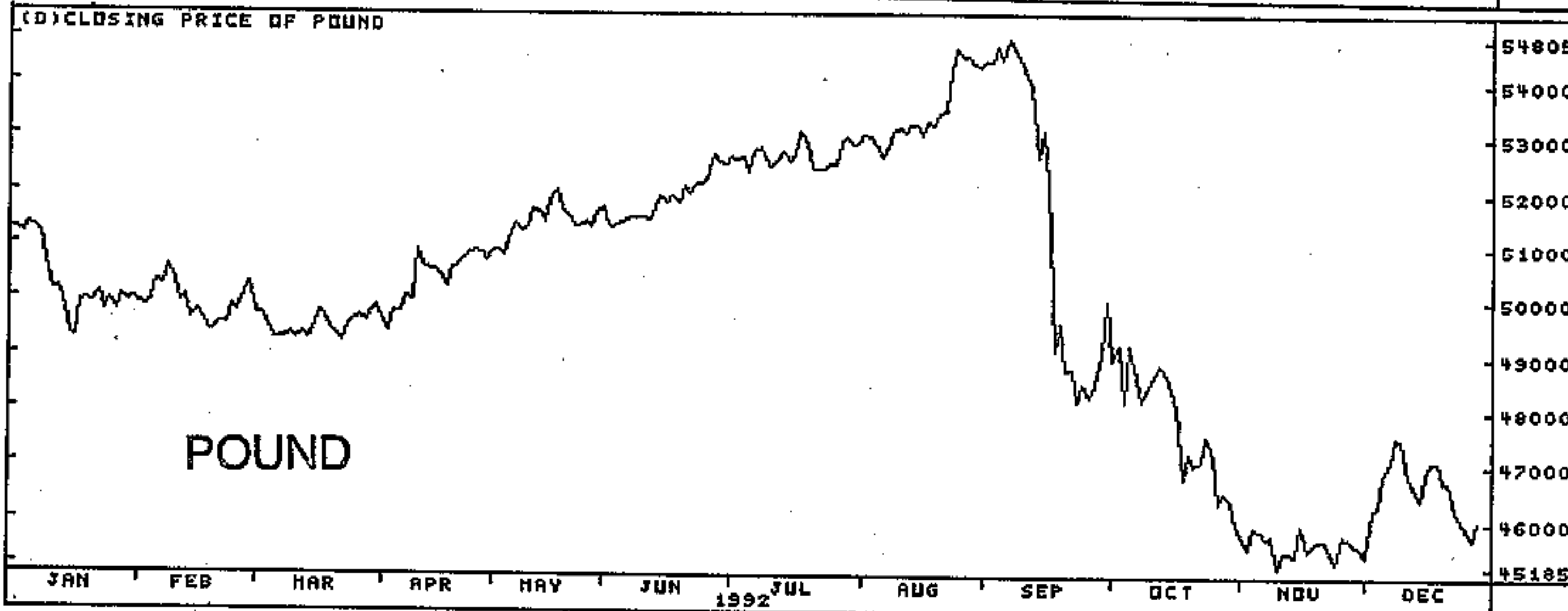
The rand ended the year generally lower against the world's key currencies, in line with the inflation differential between South Africa and the various countries.

The notable exception to this trend was its performance against the pound as a result of sterling's devaluation during the crisis in the European Exchange Rate Mechanism.

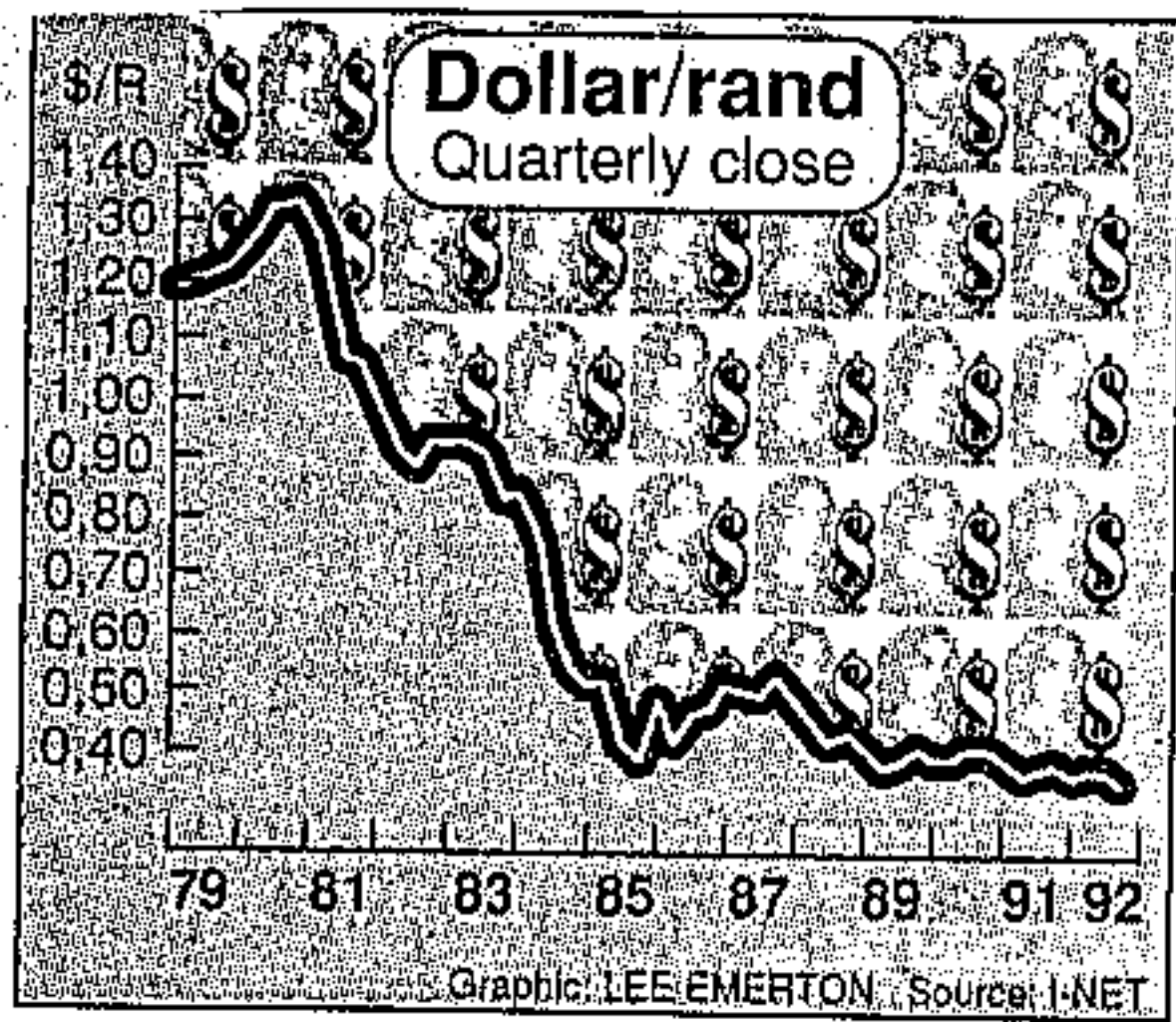
After falling to a low of just over 5,48 to the pound in mid-September the rand has strengthened considerably to around 4,60.

The local currency registered its largest losses against the US dollar, which has showed strong resilience over the past four months as evidence has mounted that the US economy is emerging out of its two-year recession.

The rand traded last week at a record low of 3,064 to the US currency.



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Rand continues to slide against dollar

TIM MARSLAND

THE rand fell 2.5c yesterday to hit a new low of R3,0763 against the dollar as German political turmoil saw global investors sell the Deutschmark in favour of the US currency.

Local dealers are forecasting a low of R3,10/12 against the dollar by the end of the week.

Reserve Bank gold and foreign exchange GM James Cross said the Bank was "happy" with the rand's level.

"The rand is slightly down against the trade-weighted basket of currencies but we see no need to intervene," Cross said.

He denied the Bank favoured the strong dollar to aid commodity exports.

"We stick to the basket," Cross said.

A dealer said: "The rand is set to fall further against the dollar over the next six months as the US economic recovery gathers steam."

He pointed out that the rand retained its value relative to the cross rates and was at DM0,5324 from DM0,5281 previously.

Dealers said the Deutschmark fell on the weekend resignation of German Economics Minister Jurgen Moellemann over allegations of impropriety and a belief that he was not handling the German economy correctly.

Also, the market expected an early cut in German interest rates while US rates were expected to rise.

Despite the dollar's rise, a dealer said that fundamentally, there was still little reason to buy dollars. "The US unit has

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Rand *BIDAM 5/1/93*

been in a decline for the past four years and that trend should continue.

"The high dollar means importers will source their products in Europe rather than in the US," he said.

A dealer said extensive Reserve Bank support was unlikely as the Bank did not have the extra reserves to have much of an effect on the market.

Another dealer said yesterday's local trade was "normal" at about R1bn.

From Page 1

The finrand ended lower in light volume on early selling from the Continent. A dealer said Swiss-based interests were sellers.

The investment unit ended at R4,9431 to the dollar from R4,8600.

Cross said the implementation of the inverse system for quoting the finrand against the dollar had been delayed after "technical problems at some banks".

He expected the system to be implemented in the first quarter.

Swedes come clean on aid

STOCKHOLM — Sweden will give financial support openly for the first time to the ANC and other South African groups, a Foreign Ministry official said yesterday.

Rasmus Rasmusson said Sweden would earmark official development assistance to the South African groups in its 1993/94 budget proposal.

Rasmusson could not say if the figure for the South African groups would be 200 million crowns (about R86 million) as reported by the daily Dagens Nyheter yesterday.

The ANC will receive most of the funds, and the rest will go to

churches and independent organisations, he said.

Sweden has supported the ANC and other nationalist movements in South Africa for nearly 30 years, but until now has sought to protect their identities.

"The ANC has been receiving aid from Sweden to help the victims of apartheid," Rasmusson said. "But now that there is a new openness in South Africa, there is not the same need for protection (of recipients)."

He added there was no inconsistency with handing out official aid to the ANC while easing up on sanctions. — Sapa-Reuter.

STAFF 6/11/93

How the rand should shape up in 1993

START 9/1/93 (74)

THE commercial rand is expected to weaken further against the US dollar this year, but should hold its own against European currencies and, to a lesser extent, the yen.

London foreign exchange dealers, canvassed by our correspondent in London, **Neil Behrman**, do not expect the weak gold price to affect the commercial rand to a great extent.

A better 1992/93 maize crop, for instance, counters a weak gold price. Yet interest rates are forecast to remain relatively high to help support the currency and reduce inflationary pressures.

Depressed

Broker James Capel predicts the rand will fall to 30 US cents by the end of the year from its present level of 32,57c, but expects the currency to appreciate to 22p from 21,6p and to Dm0,60 from Dm0,53.

The financial rand is expected to remain depressed for the next few months because of the poor gold price, foreign investor caution, and the overhang of SA payments for foreign acquisitions. Once the overhang is absorbed, however, the rate is expected to improve.

Any political settlement should also bolster confidence. Thus it is up to the politicians to improve foreign investor confidence.

On a trade-weighted average, the rand is expected to depreciate by six to seven percent. Its performance against individual currencies will depend on the dollar and adjustments to the European Exchange Rate Mechanism (ERM).

After one of the most volatile years in two decades, foreign exchange experts contend that the dollar will gain ground in 1993.

Our panel of global forecasters consisting of major foreign exchange players in London, Tokyo,

FINANCE STAFF

New York, Hong Kong, Zurich and Frankfurt expects that much of the dollar's appreciation will take place against European currencies.

After its sharp jump in the past 10 days, the panel, on average, expects the dollar to rise by five to ten percent against the Deutsche mark, British pound and Swiss franc in the next 12 months.

European currencies are predicted to undergo yet another upheaval in the months ahead.

Devaluations of the Irish punt and Italian lira are inevitable, say the panelists.

Odds are shortening on a French franc devaluation, despite central bank intervention and higher interest rates.

Trauma in the European ERM and a weakening German economy will encourage corporations and fund managers to buy dollars on dips, say panelists.

Indeed, it is dangerous to be dogmatic about the dollar. Year on year, the weighted average of the US currency rose by eight percent, helped in no small measure by a surge of 22 percent against sterling and the Italian lira and a 10 percent gain on the Canadian dollar.

It even rose by four and three percent against the mark and yen respectively.

Bulls

Six months ago it was a different story.

Dollar bulls were sweating profusely as the US unit collapsed to new lows against the Dmark and European currencies.

Our panelists advised holders to hang on, saying a recovery was overdue, but at the time the currency appeared to be on a downward spiral.

Purchasing power parity calculations show that even after its recent rally, the dollar is not expensive.

Reserves fall R1,4bn on higher imports

GOED and foreign assets declined by R1,46-billion between November and December to finance higher imports and year-end capital outflows, figures released on Friday show.

Economists say the declining surplus on the balance of payments decreases the likelihood of an early cut in interest rates. Maize imports are expected to continue to put pressure on the balance of payments during the next few months.

There was a R1,4-billion decline in government deposits between November and December to finance normal government expenditure.

Commercial banks took advantage of the increase in money market liquidity created by higher government spending to window dress their year-end balance sheets. Foreign assets decreased by R1,15-billion for several reasons:

- higher maize imports because of the drought;
- repayment of a R120-million government loan;
- short-term capital outflows as international banks attempted to reduce their foreign loans and increase cash holdings.

By CIARAN RYAN and TERRY BETTY

"There is a normal year-end decline in government deposits to finance expenditure," says Reserve Bank governor Chris Stals. "This adds to the money market liquidity."

Notes in circulation increased by R237-million to R12,4-billion. Notes represent about 6% of total money supply. Government holdings of securities declined by about R620-million, which Dr Stals attributed to normal market operations.

Afrikaanse Handelsinstituut economist Nic Barnardt says the reserves traditionally dive in December as quarterly and year-end dividends, interest payments and other transfers leave the country.

He says the falling reserves decrease the scope for another interest rate cut that has been punted to happen early in 1993.

The volume of gold reserves fell 5% during December, but this is not unusual as December gold production is generally low because of Christmas holidays.



MARKETING TO

The dollar looks firm for '93

S/Times [BUS] 10/1/93 (74)
BANK Credit Analyst's Outlook 93 expects the global economic recovery to continue through this year but at a rate that will still be considered disappointing. Gross domestic product growth will be between 2% and 3%, less than half the rate of post-war recoveries in their early stages.

BCA says new US President Bill Clinton's team does not have much room to stimulate without spooking the financial markets and that the jury is still out on whether the American supercycle can be extended further.

America's economic recovery has occurred because monetary policy has been extraordinarily expansionary and budget deficits have ballooned as a result of massive bail-outs and fiscal stabilisers.

It is not clear whether a more severe economic shakeout has been avoided or

merely postponed. If the US government debt ratio continues to spiral upward, as seems likely, the economy and financial institutions would be put at great risk in a few years and the long-term decline in living standards would continue.

The dollar will remain firm for most of 1993, primarily because America's business cycle is ahead of those of other major countries. However, BCA says the secular long-term trend of the dollar remains bearish.

Other industrialised economies will lag America. They are depressed and either do not have the policy levers to stimulate or, in the case of Germany, do not want to.

The bull market in American equities is not yet over, but it is very mature. It is still being fuelled by low interest rates and Federal Reserve expansion-

ism, both of which have sustained mania-type conditions. However, valuations are very rich and some cyclical indicators have started to deteriorate.

China and most of south-east Asia will continue to boom, although not as rapidly as last year.

BCA says inflation will remain low, averaging under 3% for the year, but says that short-term interest rates have seen their lows. Rates are likely to drift moderately higher in 1993 because credit demands are strengthening.

Long-term treasury bonds will move in a narrow band with a risk of moving higher if the economic recovery gains a lot of momentum.

BCA does not regard anywhere in Africa as worthy of its research. Yet SA will not operate in isolation. The tack for South African investors is to act on the information to the best advantage.

Govt lobbies for GATT reclassification

GOVERNMENT has started lobbying leading trade partners to have SA's GATT classification changed from that of a developed country to a developing one.

Reclassification could ease GATT requirements applied to SA.

Informed sources said the Trade and Industry Department and Foreign Affairs had started behind-the-scenes moves to lobby SA's major trading partners, including the EC, US and Japan.

As GATT tries to take decisions on a consensus basis, there is no formal procedure laid down for a country to follow in order to be reclassified. If SA was to be classified as a developing country, GATT

PETER DELMAR

would take its lead from those countries with which SA trades most. (74)

The sources said SA ambassador to the EC Niel van Heerden was spearheading a bid to win over the community's officials to accept reclassification. (S)

Recent IMF reports on SA would be used in SA's reclassification effort.

The SA mission in Brussels is also exploring the prospects of a special trade accord with the EC. Most of SA's neighbours enjoy preferential access to EC markets through the Lome convention.

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BIPM

Bank's forex and gold down R1,5bn

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BIDM 11/1/93

TIM MARSLAND

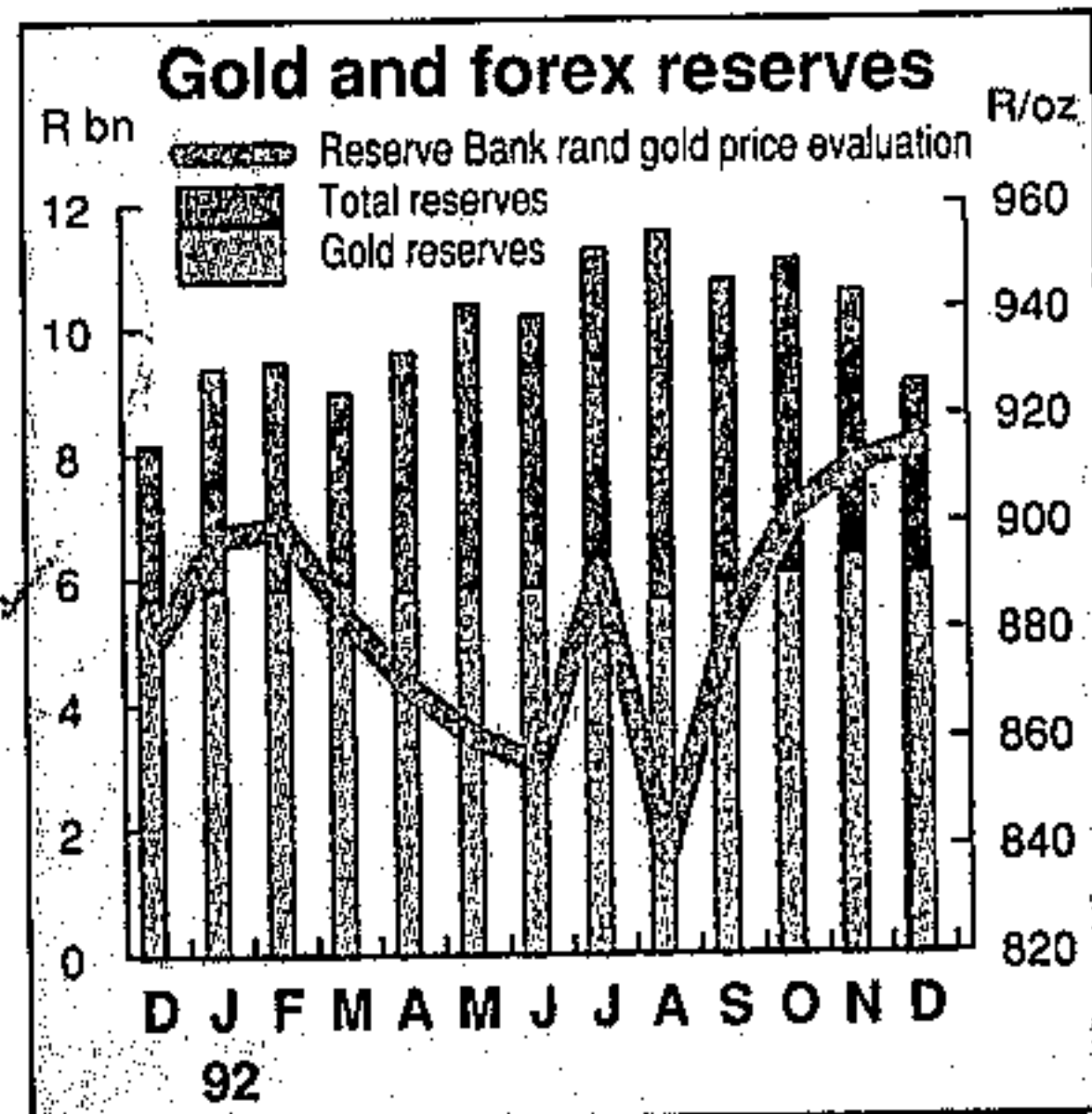
RESERVE Bank holdings of gold and foreign exchange fell R1,5bn in December to a nine-month low. Economists blamed the fall on seasonal factors.

Reserve Bank figures released on Friday showed that total reserves fell to a nine-month low of R9,104bn compared with R10,587bn in November. The value of gold holdings dropped to R6,082bn from R6,389bn. The gold was valued at R915,13/oz from R911,09. The currency component fell R1,156bn to R3,021bn.

The Bank has been aiming to hold reserves equal to three months' imports cover of about R15bn.

Nedbank chief economist Edward Osborn said at the weekend that the fall could have been end-of-year window-dressing by offshore banks to eliminate SA liabilities — as reported by the Bank at the same time last year. Foreign banks try to limit offshore liabilities at the year-end to shore up their balance sheets.

He said maize payments, and cover against dollar/third currency forward ex-



Graphic: LEE EMERTON Source: SA RESERVE BANK

change contracts being rolled over, could also have had an effect.

Another economist said the figures indicated large seasonal outflows as a result of dividend and interest payments.

Osborn said that on a year-on-year basis,

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Forex and gold

74 ~~77~~ □ From Page 1

the Bank's foreign exchange holdings had increased by about \$150m. The value of the gold holdings had increased by about \$60m.

"Although this was a small increase in reserves, it had to be set in a context of exceptional adverse factors bearing upon the balance of payments, namely poor international commodity prices, depressed gold and platinum prices, a sustained level of imports, very high costs of importing maize, and a high level of debt redemption payments." He said the reserves had begun declining in the third quarter, but had fallen sharply in the last quarter when the bulk of maize payments fell due.

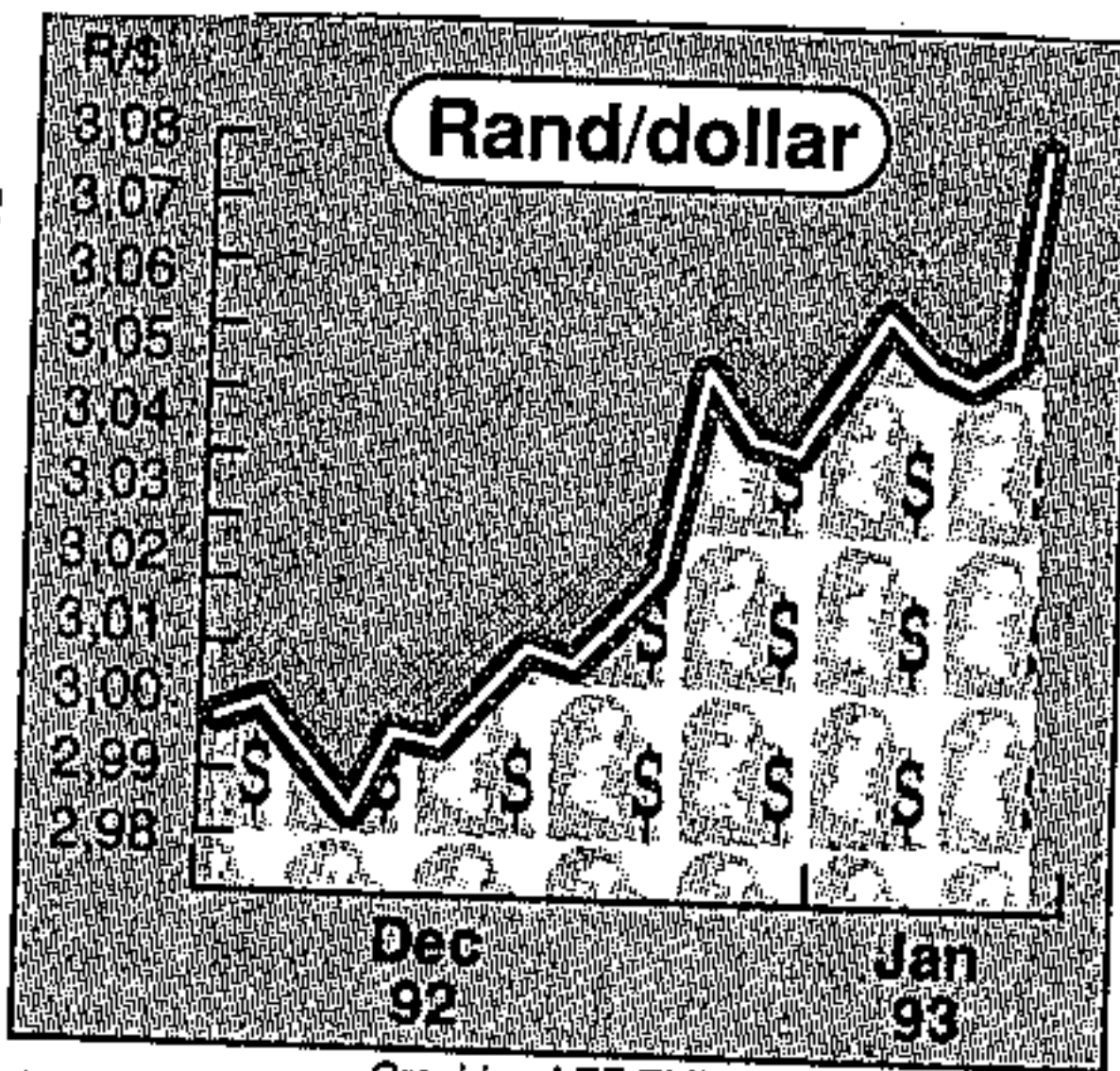
An economist said the figures highlighted poor trade figures for December. Imports had been high due to the drought while exports had been low as a result of global recession. They also indicated producers had switched to local financing

rather than offshore financing to take advantage of lower domestic interest rates. He believed this would have a one-off influence. He said the figures "create concern" that Reserve Bank Governor Chris Stals had less room to ease interest rates, despite other encouraging indicators such as the decline in inflation.

Notes in circulation, a loose indicator of economic activity, rose to R12,445bn in December from R12,207bn.

The economist said this showed a year-on-year growth of 6,5% in December compared with 11,7% in November.

Osborn said this could indicate December's economic activity had not been as strong as hoped for. Economists had resigned themselves to a poor festive season by November, and the latest figures bore out their pessimism, he said.



Graphics: LEE EMERTON Source: I-Net

Rand sheds 2c in fall to record low

TIM MARSLAND (74)

THE rand slumped to a record low of R3,0940 against the dollar on Friday, losing almost 2c from its previous low set earlier in the week. *Blom 11/11/93*

A dealer said the Reserve Bank appeared to have sold dollars into the market, helping the rand off its lows to end at R3,0888 from Thursday's R3,0668 close.

He said the Bank was forced to intervene to maintain the rand's relative strength against the basket of currencies.

But the rand also lost ground against sterling, closing at R4,7401 against the pound from R4,7228.

A senior dealer said the rand was set to fall further this week as the bull run on the dollar continued.

Dealers forecast a low of about R3,12 to the US unit.

One dealer said signs of a US economic recovery and uncertainty surrounding Iraq provided strong demand for the dollar.

He said a correction in the dollar was likely before it resumed its bull run.

The financial rand lost 10c against the dollar in active two-way trade. The unit ended at R4,9000 against the dollar from a previous close of R4,8000.

A dealer said there had been active selling after overnight sell orders were triggered.

However, offshore buying of SA gilts prevented the unit falling below the R4,9000 level.

He said the unit remained stuck in a range — a pattern he saw continuing until political sentiment improved in the country.

Sweden gives details of aid to ANC

STAR
11/11/93

By Peter Wellman

74

The Swedish embassy has furnished details of its previously secret funding to the ANC, which totals about R50 million for the year ending in June this year.

As with all Swedish aid programmes in South Africa for this period (R110 million in total), the focus was on assisting the democratic process as well as development and education for the victims of apartheid, said an embassy spokesman in Pretoria on Friday.

In particular, Sweden was assisting ANC efforts in the negotiations process as well as ANC educational projects, the spokesman said.

In the next two years Sweden's total South African aid package would be trimmed because of financial constraints.

Also, some aspects of ANC support were already being phased down, the spokesman said. This included bursaries and support for students abroad who were due to return home, and students finishing studies inside South Africa.

There would be bigger cuts in aid to the ANC once the democratic process had produced elections or a new constitution, the spokesman said.

The total international project aid package for South Africa last year was R1 billion, said a UN Development Programme report, the first of its kind on SA.

The biggest chunk (R328 million) went to education.

And the biggest single donor was the European Community with R302 million, followed by the US (R224 million), Sweden (R159 million), Britain (R76 million) and Germany (R50 million).

A spokesman for the Australian embassy, which provided R15 million in project aid, said reports that R88 000 went for outright aid to the PAC were not correct.

As with most countries, aid was commonly channelled through non-governmental organisations, he said.

PAC members were among the beneficiaries.

Some were members nominated by the PAC, but aid was given purely for humanitarian and developmentally sound projects.

The embassy rejected violence, whether it came from the PAC's armed wing, Apla, or any other side, and favoured peaceful resolution of conflict, the spokesman said.

The most curious item in the UN report is R680 000 from the German embassy, in small grants, to support "the black arts and black media development".

The black arts usually means the dirtier side of espionage: extortion, blackmail, and murder, known as mailfist operations.

Some people also refer to Satanism as the black art — but the grants are for art and culture projects in black communities.

Foreigners' cash swells SA banks 74

GRETA STEYN SS

NON-residents' deposits with banks rose by almost R3bn in the year to October to R9,5bn as foreigners piled into the money market, latest Reserve Bank figures show.

According to the Bank, about R6bn of the total deposits came via the financial rand with the rest in commercial rands.

Bankers said the flexibility of the SA money market had become increasingly popular with foreign investors. The market was often used when foreigners wanted to sell gilts or equities without taking their funds out of SA. At a time of finrand weakness this was especially attractive as investors could avoid a capital loss on the currency after exercising one leg of the transaction. Money market investments also did not entail a long-term commitment to SA — an important factor.

A treasurer said the build-up of money market deposits at weak levels of the finrand signalled foreigners expected the finrand to have bottomed, and regarded yields as good value. He added this build-up could be sustained only as long as SA maintained high interest rates relative to other countries. The problem with such a massive build-up of short-term funds was that political turmoil could spark a run on the finrand.

B 10AM 12/1/93

A puzzling aspect to the figures was the extent of commercial rand deposits. A banker said factors that had been present for years were emigrants' blocked rand deposits, and debt inside the standstill net that had been on-lent after repayment by the original borrower. A more recent occurrence was foreigners who entered SA via the commercial rand because the currency was less restricted than the finrand. Foreigners were also making good returns on short-term dollar loans for working capital purposes.

GATT status to be negotiated

8/10/83 12/1/93 (74)
THE change of SA's economic status to that of a developing country would be negotiated with major political parties, government said yesterday.

A Trade and Industry Department spokesman confirmed that government wanted SA's classification changed.

He said SA would have to negotiate with its developed trading partners individually for preferential trade agreements within the GATT framework. No such talks had begun yet, and it was impossible to

PETER DELMAR

say what their likely outcome would be.

Before such negotiations could begin, it would be necessary to obtain consensus from the major parties involved in the political negotiating process, the spokesman said.

Reclassification would assist SA in obtaining access to markets of developed countries on a preferential basis, while similar concessions from SA would not be expected.

Full Lomé membership mooted

EC urged to give SA trade concessions

74
B/DAM 12/1/93.

PRETORIA — Influential European think-tanks have proposed that SA be given preferential access to EC markets, and suggested that negotiations on future trade relations with the EC begin urgently.

Two new studies say SA could look forward to trade concessions with the EC and hint it might seek and gain full membership of the Lomé convention, an agreement allowing a host of poor countries preferential access to European markets.

The two studies, produced for the EC by the London-based Institute of Development Studies and the Overseas Development Institute, show that although existing member countries might oppose full Lomé membership for SA, such membership might in fact assist those countries' trade with the EC.

Full membership of Lomé would allow SA fresh and processed fruits and vegetables, fish products, clothing and leather goods, among other products, to enter EC markets with substantially reduced tariffs.

One of the studies says only half of SA's top 10 exports to the EC currently are subject to most favoured nation tariffs. Less than a fifth of SA's current exports would benefit substantially from preferential tariffs, suggesting the impact on the EC would be less than initially thought.

This study, entitled EC Trade Prefer-

TIM COHEN

ences and a Post-Apartheid SA, points out that in spite of the small number of products that might benefit, reduced tariffs could result in large benefits to certain market segments. For example, SA exports of cut flowers to the EC are subject to a 20% tariff, while those from Colombia enter duty-free. Grapes are subject to an 18% duty, while the rate for Turkish grapes is zero.

The sectors that might benefit would include several labour-intensive fields, thus easing SA's unemployment problem.

The study hints that SA should seek full membership of Lomé, and indicates the ANC, as a likely future government, should start negotiating this now.

The study considers four possible scenarios for European trade status for SA. These range from the Lomé convention system, which covers developing countries with a wide range of incomes, to the Generalised System of Preferences (GSP), enjoyed by the Mediterranean states. In between is Super GSP, which currently applies to four countries in northern South America.

Bilateral association agreements are also in force.

The study suggests any SA trade deal

To Page 2

EC trade

B/DAM 12/1/93.

with the EC should be negotiated quickly, which would rule out a bilateral association agreement.

The second study (Trading with SA: Policy Options for the EC) rejects associate membership of Lomé for the same reason — no such status exists and would therefore have to be negotiated.

GSP status could be quick to arrange because it would entail a small degree of preference and because it is normally presented on a non-negotiable basis by the EC.

But an SA requirement would be that preferential tariffs should be as extensive as possible and cover the bulk of SA's most important existing and potential exports.

These criteria are better satisfied by Lomé than by Super GSP, the study says. There is also no reason to believe it would be more difficult to negotiate entry to Lomé than participation in Super GSP.

Lomé also has another substantial advantage. The convention has provisions for "regional cumulation", which encourage countries in a particular region to collaborate in producing goods for eventual ex-

port to the EC.

All trade preference schemes incorporate rules of origin, and one of the criticisms levelled at EC schemes is that these rules are unduly onerous.

However, the Lomé convention's origin rules allow two or more members to produce different parts of a product. This would allow, for example, an SA company supplying textiles to a Zimbabwean clothing company to satisfy the rules.

The study suggests that the potential loss that existing members of Lomé might suffer as a result of SA membership, might be counterbalanced by this facility.

The only legal, rather than political, basis on which SA could be denied membership of Lomé is the article which states that requests for access to the convention should be limited to states whose "economic structure and production are comparable with those of the ACP (African, Caribbean, Pacific) states".

A decision on this would be taken by the EC-ACP council of ministers, on application by SA.

From Page 1

Sagging reserves could force fourth debt deal

By Sven Lünsche

SA's debt repayments

SA's declining gold and foreign exchange reserves and mounting converted debt could force the authorities into a fourth interim debt arrangement with foreign creditors.

The current (third) interim debt agreement expires at the end of this year and it was hoped that a last debt accord could be reached by negotiating final repayments of existing loans over a certain time period.

However, recent economic developments have effectively ruled out this option.

Nedbank economist Edward Osborn says the key variable, which will place enormous pressure on the balance of payments — and thus the ability to meet debt payments — is the expected surge in converted debt over the next few years.

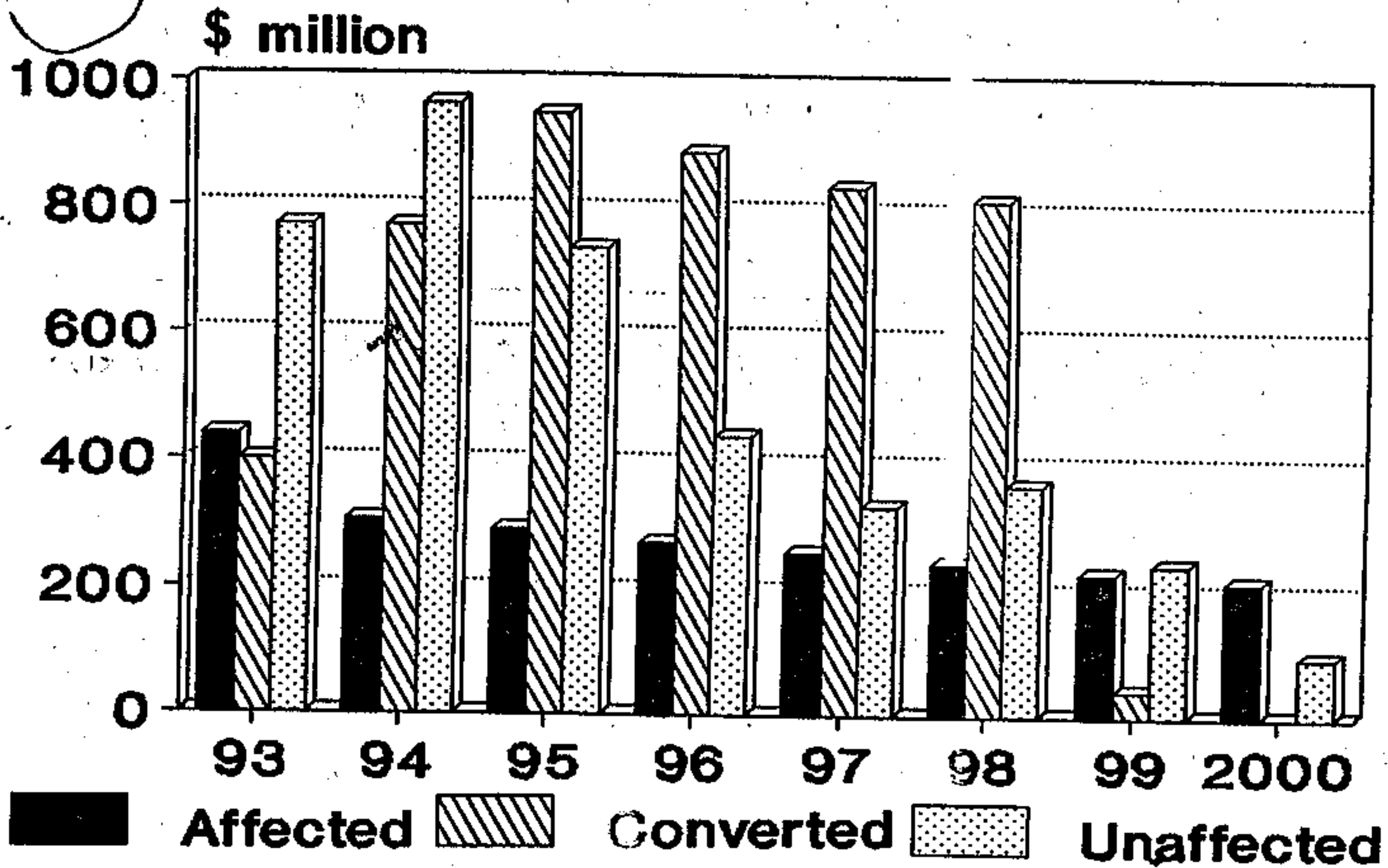
Converted debt comprises debt previously trapped within the standstill net and converted into longer-term debt.

This year over \$400 million of converted debt falls due, but this will rise to average of \$770 million to \$950 million over the next five years.

Altogether, says the head of the Reserve Bank's foreign exchange division, James Cross, \$5 billion of debt inside the net has so far been converted to long-term loans repayable over ten years.

Furthermore, debt repayments outside the standstill net — estimated by Osborn to reach \$770 million this year — are likely to rise over the next two years.

The only positive development on the debt front is an expected gradual decline in debt repayments inside the net from \$440 million this year to just over \$200 million by 2000.



The graph, prepared by Nedbank's Economic Unit, shows estimated debt repayments until the end of the decade. Affected debt refers to debt inside the standstill net, unaffected debt to debt outside the net and converted debt comprises debt previously rolled over into longer-term loans. The estimates do not take into account debt converted in 1992 and assume three percent capital growth on the remaining balance every half-year.

"Unless substantial amounts of these debts are once again converted into longer-term debt repayments, we could face severe pressure on the balance of payments," Osborn says.

The falling level of reserves, hard hit by higher agricultural imports and slow export growth, is another reason for concern, he adds.

Since last August gold and foreign exchange reserves have plunged from R11,55 billion to R9,01 billion in December, their lowest level in nine months.

This is not even sufficient to

cover the equivalent of two months of imports and is well below the three months' import target set by the Reserve Bank.

Cross says the authorities are preparing for the negotiations, but that no date has been set.

Altogether, he says, the repayment of \$5,1 billion of foreign debt will have to be negotiated.

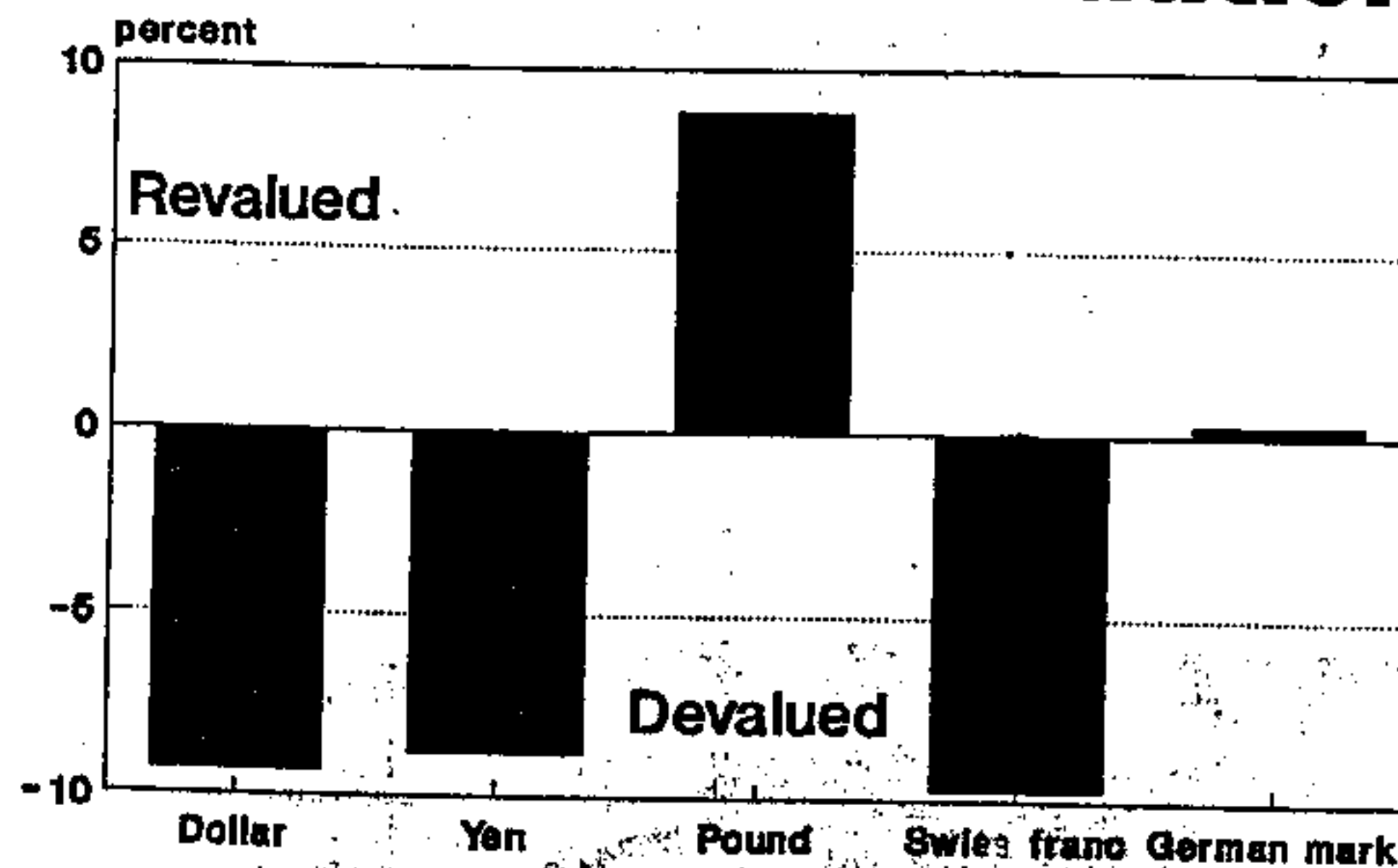
While refusing to divulge details, he says factors such as access to IMF finance and the level of the reserves will determine SA's approach. He adds that whether reserves are at R8 billion or R12 billion "is not that signifi-

cant".

Other economists say Pretoria might conclude that another interim debt accord, in which further limited payments are made over a specific period, would be more advisable, given the volatility of foreign investor sentiment towards SA.

Assuming that a final debt agreement is reached, involving a combination of immediate and staggered loan repayments — believed to be the option favoured by many creditors — access to foreign credit facilities could dry up if perceptions of political developments turn negative.

A beneficial devaluation



STAR 13/1/93
By Derek Tommey

Rand moves since June 1992
74

Three major gold mines yesterday reported higher earnings and profits for the December quarter, despite a steady drop in the dollar gold price — and several other gold mines are also expected to announce better results in coming weeks.

This happy improvement in the state of the troubled gold mining industry is the result of the rand's quiet devaluation in the past six months.

It has lifted the rand price of many key exports by around 10 percent — and should lead to an upturn in industrial activity in coming months, if it has not done so already.

Appreciated

Since the end of June the exchange rate of the rand has fallen by around 10 percent against the US dollar and by a similar amount against the Japanese yen.

However, the rand has appreciated fractionally against the German mark and gained around 10 percent against the British pound.

The rise against sterling was not the result of action by South Africa, but stemmed from Britain's decision to devalue its currency by 18 percent.

The area where the rand's devaluation against the dollar has shown up most clearly is in the gold price.

Although the dollar price of gold dropped from \$343,40 at the end of June to \$333,20 at the end of December, the rand price climbed from R951,83 to R1015,61.

The devaluation of the rand has obviously benefited the gold

mining industry and should also help producers of other minerals.

Export prices of coal, platinum, palladium, diamonds, copper, manganese, ferro-alloys, and products such as plastics, paper and packaging materials, chemicals and timber products have all risen by about 10 percent.

The benefits should soon start showing up in increased business activity and in the profits of these producers.

Brokers say platinum producers Impala and Rustenburg, chemical manufacturers Sasol, AECI and Sentrachem, and paper and pulp producers Mondi and Sappi should see some better results this year.

As the main recipients of the higher earnings from these products are the large mining houses such as Anglo American, JCI, Gencor, and Anglovaal which have substantial share holdings in these producers, brokers are also forecasting that it should be a good year for their shares as well.

However, there is nothing free in this world and South Africans must expect to pay for the increase in economic activity from the devaluation in lower living standards.

For example, petrol and other dollar-denominated imports will cost more, as will Japanese electronic goods and anything imported from the US.

The Reserve Bank can be expected to keep a tight rein on the economy to stop inflation taking off.

In fact, only if the devaluation results in increased exports and the generation of greater wealth will it be worthwhile in the long run.

MIDDLE East trade with SA is set to expand rapidly during 1993 as countries in the region continue to seek new suppliers, export markets and foreign investment opportunities.

In the wake of the single European market which came into force on January 1, Gulf and Maghreb states are concerned at growing protectionism for petrochemicals and limited access for agricultural products to the EC.

Despite the fact that the Arab League has yet to lift a ban on trade relations with Pretoria, a number of countries, including the six Gulf Cooperation States (GCC) states — Saudi Arabia, Kuwait, the UAE, Oman, Qatar and Bahrain — and Egypt, Morocco and the Yemen, are increasing official and business ties with SA. Other Middle East countries such as Turkey, Iran and Pakistan are also keen on capitalising on new opportunities in SA markets and on attracting foreign investment and technology transfers.

Moroccan Foreign Trade, Investment and Tourism Minister Hassan Abouyoub confirms that Morocco is keen to boost bilateral trade with SA and to attract investment and joint venture partners in the mining, hotel management and food processing sectors. Abouyoub, who has twice visited SA, is due to lead a trade delegation here early this year to promote Morocco as a foreign investment location and to explore markets for Moroccan goods.


"SA is the best market in Africa for Morocco, and the co-operation and joint development we can achieve with the country is fantastic. We see great potential for co-operation in tourism, downstream mining and agricultural industries," said Abouyoub.

Morocco, the Yemen, Saudi Arabia, Turkey and Iran are all keen to develop their mining and minerals sectors in an effort to diversify their economic base away from either oil and gas or from primary agricultural production. They are keen to attract SA mining expertise and technology. SA firms are already in-

Burgeoning trade opportunities open in the Middle East

8/1004 13/1/93.

MUSHTAK PARKER



involved in Saudi Arabia's Mahd Al-Dahab gold mining project and in a similar project in the Yemen.

Moroccan trade with SA totalled about R40m last year — mainly imports of SA processed and canned foodstuffs and mining equipment. But both countries see a much greater potential for bilateral trade. Morocco was one of the first Middle East countries that received President F W de Klerk after February 1990.

Rabat has, over the past few years, launched a major economic liberalisation programme and a foreign investment and export promotion drive. "Morocco is not only a country of oranges and lemons but also of advanced technology and value-added goods," says Abouyoub. Rabat is giving priority to accelerating its privatisation programme and 115 state-owned enterprises are earmarked for the big sell-off this year. Morocco, says Abouyoub, expects healthy foreign participation in its privatisation programme.

Egypt offers even better prospects. It has a large consumer market of 60-million people (compared with Morocco's 24-million). But Cairo's pivotal role in the Gulf war, its reappearance into the Islamic and Arab fold after years of isolation after signing the Camp David accord

and its founder membership of the OAU, makes it a powerful political ally for SA.

Egypt too, with the blessing of the IMF, has embarked on major economic reforms and a foreign investment drive. South Africans are already taking advantage of new air links with Egypt. The cash-starved country is keen to do business on a countertrade basis and there are good opportunities for groups like Eskom and Iscor.

Undoubtedly, the best prospects for SA exporters and investors are in the GCC states, especially Saudi Arabia, Kuwait and the UAE. After the success of the recent SA products exhibition in Dubai and the visit of Bahraini Development and Industry Minister Yousef Ahmed Al-Shirawai to SA in November, Gulf private sector interest in SA is set to take off.

One of Saudi Arabia's largest conglomerates, the Dallah Albaraka Group, with assets of more than \$18bn, already has a presence in Durban and Cape Town through its equity stake in the Albaraka Bank. Albaraka Group chairman Sheikh Saleh Kamel confirms he is bullish

about business prospects in SA although his group's expansion plans here would depend on progress towards an interim government and the right investment climate.

Saleh, who is close to the Saudi royal family, has set up reconstruction funds for several countries including Kuwait, Lebanon, Pakistan and the six central Asian Muslim republics. These funds range from \$50m to \$500m and Albaraka is not averse to setting up a similar fund to help SA Muslim private sector projects. Gulf investors are also exploring SA investment opportunities in horse breeding and real estate.

Gulf Air, which operates a service to Johannesburg, reports a healthy interest in the route, especially from business travellers. "We are keen to capture the business travel market on this route in anticipation of increased links between the GCC states and SA," says Gulf Air Europe regional manager Khalid Al-Thani.

He says Gulf Air is negotiating with SAA to fly on from Jan Smuts to another SA destination such as Durban. The airline, jointly owned by Bahrain and the UAE, is also interested in a fifth freedom rights agreement with SAA. Gulf Air is already creating a niche market for itself carrying SA Indians to Bombay via Abu Dhabi. It also aims to capture a

huge slice of the annual SA Haj (pilgrimage) market to Mecca.

Another Gulf carrier, the Dubai-based Emirates Airlines, the fastest growing airline in the Middle East, is planning to fly to SA. Airline chairman Sheikh Ahmed Ibn Sayed Al Maktoum signed an agreement with SAA during a visit to SA last year.

The good news for SA companies is that the Arab states are still major importers of machinery, foodstuffs and consumer goods.

According to the Abu Dhabi-based Arab Monetary Fund, the total Arab food import bill by the end of the decade will rise to \$300bn if countries do not invest more in developing their agricultural sectors. Of this, the GCC annual food import bill accounts for \$100bn. Saudi food imports in 1992 totalled \$30bn.

Another area of interest for SA would be gold exports to the Gulf. The GCC states are among the world's largest importers of gold and, according to the World Gold Council, imported 200 tons of gold last year, of which Saudi Arabia bought 120 tons.

Despite all these prospects, SA firms must not harbour illusions: the Middle East, especially the GCC, is a tough and competitive market.

Sir Richard Beaumont, chairman of the Joint Arab-British Chamber of Commerce in London, says: "If one accepts the scenario that the price of oil will increase in the mid-'90s, then the amount of capital in the Middle East will increase. The desire to industrialise will increase. The desire for some kind of economic independence from the West for sources of supply will increase."

Any prudent Western exporter will keep a wary eye open to see whether the opportunities for exports are as good as they have been in the past, or whether there should be a switch to some kind of local manufacture or joint venture, says Beaumont.

"Many of the individual Arab markets are too small, and investment there, say in Jebel Ali free port in Dubai, would be better as an export base for the region and Asia."

Parker is a freelance journalist.

Slightly stronger rand 'tracks' dollar

TIM MARSLAND ⁷⁴

THE rand ended easier against the dollar yesterday, with the market closing too late to be affected by news that US-led forces were about to attack Iraq.

The rand ended at R3,0716 to the dollar from R3,0658. It was broadly higher against the cross rates.

It ended at R4,7459 to sterling compared with R4,7774 the previous day.

A dealer said exporters sold dollars earlier in the day, which provided the rand with some support. *B/DAM*

"The rand basically tracked the dollar during the day and missed the US action in Iraq," a dealer said. Dealers said that the Reserve Bank stayed out of the market.

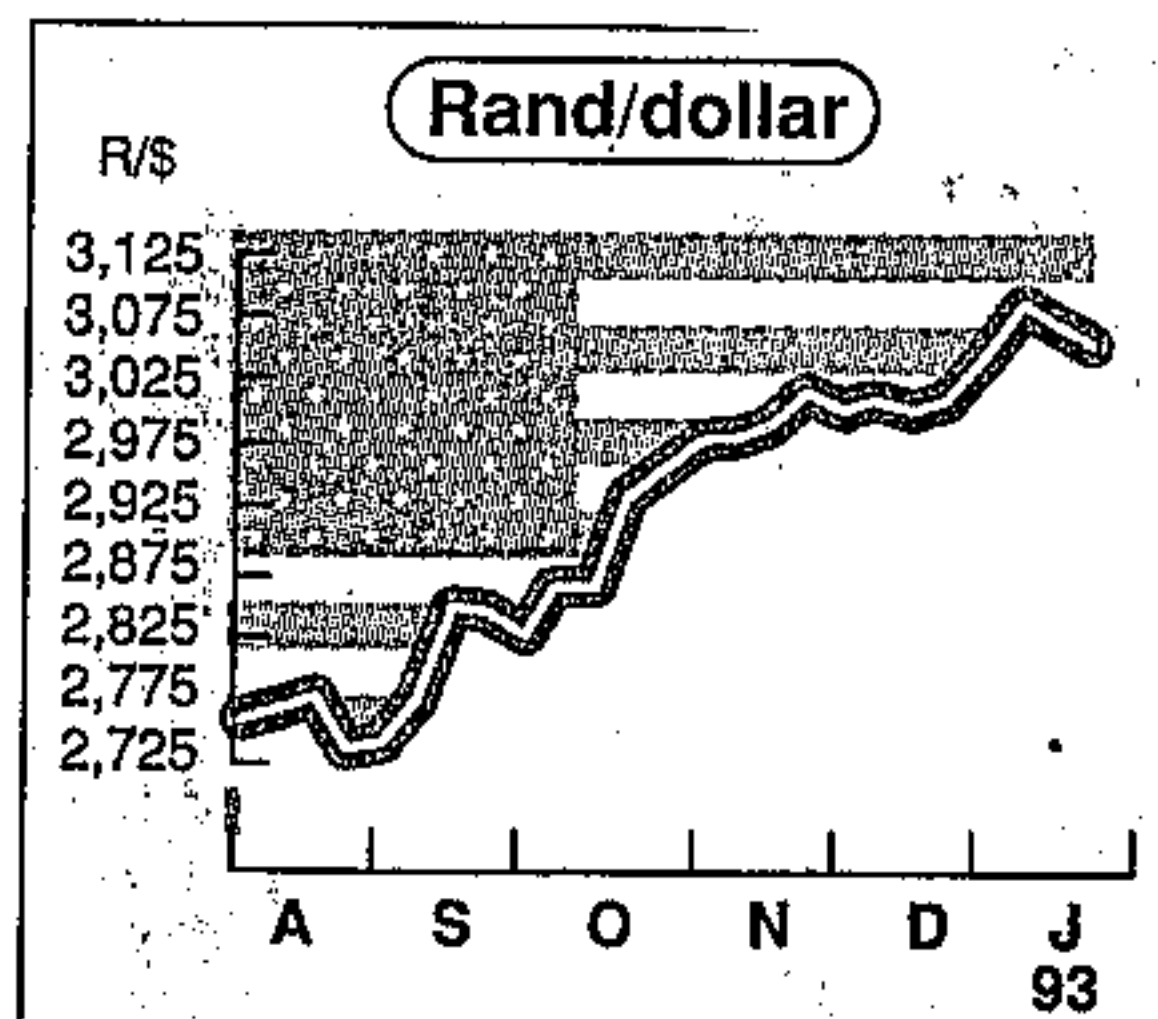
The market heard rumours during the day about the possible action, but learnt when the US-led forces last attacked Iraq to wait for fact before acting, a dealer said.

"I think the market wanted to see an actual strike before doing anything about it," he said. *14/1193*

Global currency markets were unusually quiet for this time of year and were waiting for the inaugural speech of US President-elect Bill Clinton before deciding on strategy, he said.

The financial rand, which has shown steady demand over the past few days, ended at R4,8239 to the dollar from R4,8250.

A dealer said this demand, mostly from Europe, was related to the gilts and equities market.



Graphics: LEE EMERTON Source: I-Net

Major dollar sales boost the rand

74 TIM MARSLAND

TWO major dollar sell orders helped the rand end stronger against the US unit yesterday, but a major commercial bank suffered heavy losses after misreading the market, dealers said.

The rand ended at R3,0703 to the dollar from an overnight R3,0716. The pound closed at R4,7198 from R4,7355.

The dollar ended weaker against major currencies. *Blom 15/1/93*

A dealer said one commercial bank had sold dollars aggressively into the market on behalf of an oil firm which had an order of about \$30m, while another bank handled a sell order of about \$40m.

The banks selling took positions in line with the deals, which conspired to push the rand even higher.

However, one commercial bank suffered major losses.

"The firms behind the sell orders saw the rate at around R3,0600 this morning, decided 'this is a bargain', and sold.

"But the commercial bank was hoping for a weaker rand," the dealer said.

It was forced to cut its losses in the afternoon when it became clear the unit would not weaken as expected, he said.

Another dealer said the coalition attack on Iraq had had little effect on the market.

The financial rand was well bid, although there were "sellers in the wings" around the R4,82 level.

A dealer said the unit had picked up earlier in the week on rumours that an interim government would be in place by March.

However, reason prevailed and the unit came back down again, he said.

The investment unit ended unchanged at R4,8250 to the dollar.

RESERVES (70) (74)

More than seasonal

FM 15/1/93.
December's large decrease in gold and foreign exchange reserves, by R1,5bn to R9,1bn (\$3bn), may be more than seasonal. Outflows are common in December as interest, dividend and profit transfers are made before year-end; and foreign banks often reduce their outstanding claims in other countries at this time of year, a trend that is usually reversed in January. In December 1991 the outflow was R918,5m and the flow was turned around in the following month.

This time, however, the situation may not be as easily reversed. In 1991 reserves had risen steadily from R7,7bn in July to R9,1bn in November. But in the latter half of last year the position declined to its present level from a high of R11,5bn in August. Most of the damage over the period had been to foreign exchange, which fell from R5,9bn in August to R4,2bn in November.

So the fall of R1,5bn (\$515m) to R3bn (\$990m) in December was the continuation of a trend.

An important factor was the narrowing trade surplus. This fell from R1,8bn in August to R113m in November — the result of rising agricultural imports and falling export volumes. Absa economist Dominick Sutton says import cover, as calculated on gross reserves, had dropped from two-and-a-half months in July to under two months in November.

Sutton adds that Reserve Bank intervention in the foreign exchange market in recent months may have contributed to the decline in reserves.

He sees problems ahead: "A higher level of reserves will make recovery more sustainable. (Reserve Bank Governor Chris) Stals will keep this in mind in deciding on Bank rate cuts."

Gold reserves, at R6,1bn (\$2bn) in December declined in the month by R306,4m (\$122m). Gold holdings at the Bank fell from 7m oz at the end of November to 6,6m oz at the end of December. The valuation of these holdings fell from R911,09/oz to R915,13/oz over the same period. The London afternoon fix dropped from \$334,50/oz to \$332,90/oz.

In the month the rand moved from:

- US33c to US32,8c;
- DM0,526 to DM0,531;
- Y41,24 to Y40,91;
- Ffr1,79 to Ffr1,81;
- SwFr0,475 to SwFr0,481.

The financial rand weakened against the US dollar — from 20,67c to 20,57c. ■

Zaireans put Jo'burg back on world map

SOUTH 16/1 - 20/11 93

Proof that South Africa is once again part of the African continent can be found in the number of Zaireans flocking to Johannesburg, reports

Justin Pearce:

DEEP in the underground shopping centre in Hillbrow, a vociferous argument is going on — in French.

The angry voices are echoing out of a tiny shop, where the woman behind the counter is debating a point with a visitor.

The argument continues at full throttle as a customer walks in to browse around the richly-coloured printed fabrics. The cloth, some of it priced at R100 for two metres, has been brought by the shopkeepers from their homeland, Zaire.

The sound of French voices on the streets of central Johannesburg is becoming more and more common as Zaireans flock to the city to escape from political instability at home — make some money.

The irony in seeking political stability in a country like South Africa is not apparent to the new immigrants. However bad things may be here, they are much worse in Zaire.

There has been no census of the Zairean community in Johannesburg, but they are estimated to

number several thousand.

Bertim Shamamba came to complete his masters degree in mathematics at the University of the Witwatersrand after President Mobuto Sese Seku closed the university where Bertim had been studying in Zaire.

Moreover, the Zaireans seem isolated from the realities of life as they are experienced by most black South Africans.

Bertim and his brother Phillipe have never been to Soweto. Like most of their compatriots in Johannesburg, the Shamamba brothers live in the inner-city flatland of Hillbrow and Berea, where the Group Areas Act is already a distant memory.

They say they have made contact with black and white South Africans, and have not encountered any racism. Nevertheless, the Zairean community remains a close one, linguistically isolated from the rest of Johannesburg life. Newcomers fresh off the plane from Kinshasa can find a home and support from other Zaireans until they have established themselves and learned some English.

The brothers agree that they are better off in South Africa than in Zaire. They make about R200 a day at their stall in the fleamarket outside the Market Theatre. Their wares include masks, musical instruments, traditional weapons (not the Inkatha variety), and wooden carvings. Most prices are in the region of R70.

Phillipe says most of the articles are between 40 and 100 years old. Boldly carved and unpolished, the wooden items are continents away



MADE IN ZAIRE: Phillippe Shamamba with the masks he imports

from the glossy curios normally sold in souvenir shops. More ornamental are the knives which look as if they once had a ceremonial function, the blades delicately engraved and the handles decorated with animal fur.

Phillipe, who hopes to enrol at Wits to study business management, imports the goods himself, buying them in the villages of Zaire and

bringing them by air to Johannesburg.

South Africa's borders and laws were once this continent's own iron curtain. Now the activities of the Zairean traders are one way in which Johannesburg is slowly establishing itself as a city of international significance. In this sense at least, Africa has come back.

Hope that flowing rivers may ease pressure on trade surplus

BIDM 18/1/93

74

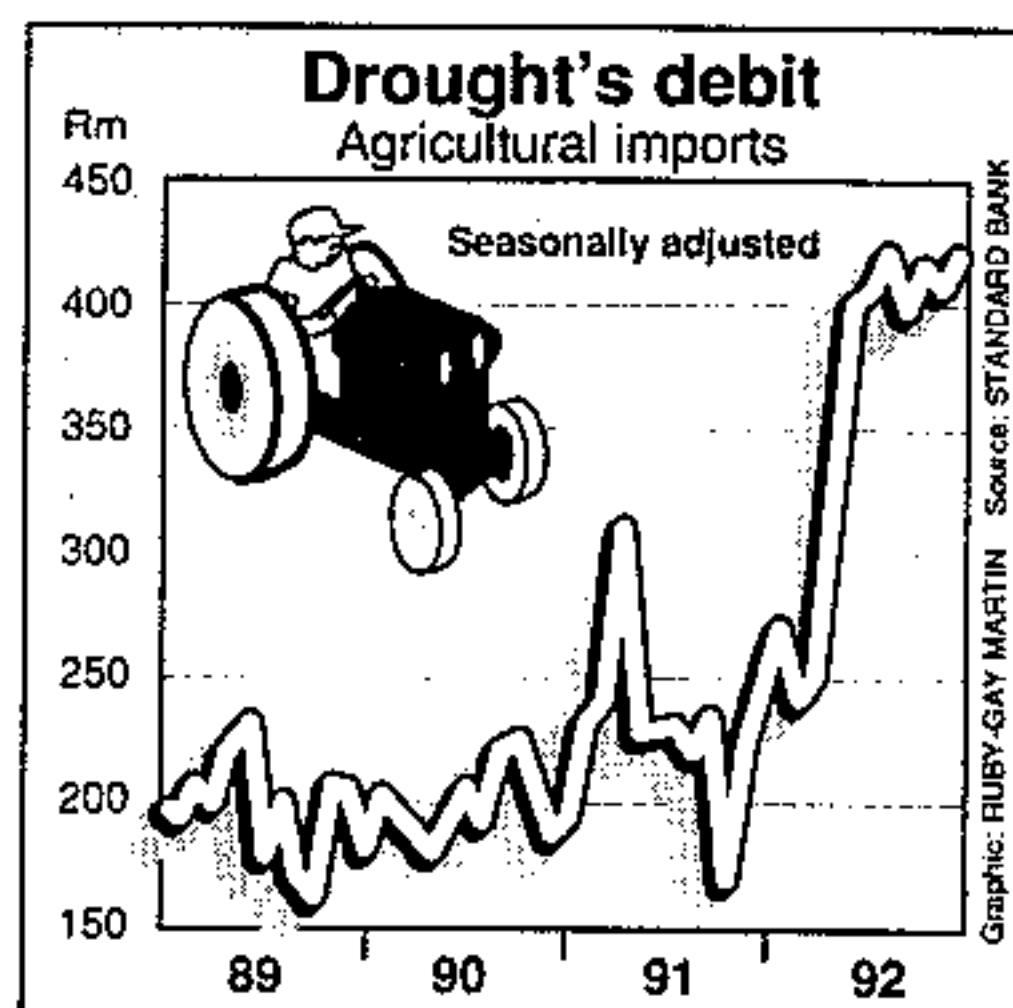
NOW THAT floods are occurring again and water is running in some long-dry river beds, there is reason to hope that drought-related pressures on the merchandise trade balance may have peaked.

The simultaneous impact of drought on both imports and exports in November came close to causing a monthly trade deficit. The benefits of closer to normal rainfall may not yet be obvious in the December trade figures due this week, but they should show up gradually in the coming months.

The trade surplus dwindled to R113m in November as the effects of drought attacked it from both sides. Agricultural imports edged up further from their already high October level, while farm exports dropped as production was diverted to the domestic market.

As the chart shows, agricultural imports since the middle of last year have been running at around double the levels of a year earlier, almost entirely as a result of the decimation of local harvests by the 1991-92 drought. The small consolation visible in the chart is that farm imports appear to have levelled off at their new high and, given a more normal 1992-93 agricultural season, should decline soon.

A return to regular local agricultural output should, in turn, restore the availability of domestic surpluses for export and help boost the other side of the trade account. Until farm production is normalised, however, the external accounts — including the gold and foreign exchange re-



serves — will have to continue to accommodate the various stresses of reduced rainfall.

The unfortunate coincidence in the November trade figures of drought-affected farm trade on both sides of the account and a drop in separate exports such as textiles and base metals need not have recurred last month. There should, therefore, be room for a rise in the surplus from November's eight-year low.

Internationally, the inauguration of President Bill Clinton on Wednesday could have an economic as well as a political dimension. If the new president includes in his inauguration speech any new indications of his administration's taxation and spending intentions, the likely effect on the US budget deficit and on economic growth could feed through to US interest rates and the dollar.

The only significant US data release this week is December housing starts, out on Friday. At an annual rate of 1.24-million in November, starts were still below their August 1992 level after a third-quarter slow-

down once the effect of the half-point discount rate cut at the beginning of July had worn off. Housing permits fell in November, suggesting a starts revival could be deferred until the new year.

Figures with a heavy bearing on the level of German interest rates are due for release this week.

German money supply growth in December will probably be first, overshooting the 1992 target range for broad money growth one last time. German M3 increased in November at an annualised 9.3% from its base in the fourth quarter of 1991; the target range for last year was 3.5%-5.5%. Economic slowdown and reduced foreign exchange intervention should mean an extended decline this year, from last October's 10.2% high to levels nearer the 1993 M3 target range of 4.5%-6.5%.

Later this week the German inflation rate for January should be published, but will probably militate against any easing in interest rates by rising above 4% from December's 3.7%. The German VAT rate rose a point to 15% from the beginning of the month, and this is expected to show up in consumer prices straightaway.

On Thursday Japanese money supply data for December are due, and are set to show an unprecedented fourth consecutive year-on-year fall in the officially monitored M2 aggregate. The Bank of Japan may be holding off lowering discount rate until it sees the final form of the draft 1993-94 budget published last month, but a cut in the rate — currently 3.25% — does not look far off.

Trade area merger likely

HARARE — The Preferential Trade Area (PTA) is to push ahead with a merger with the Southern African Development Community (SADC) at its annual summit meeting in Zambia this week. (SADC) (74)

PTA secretary-general Bingu wa Mutharika, speaking from Lusaka, said the merger with SADC was inevitable despite the smaller body's opposition. BIDAM

"For us the merger is on. We do not care what SADC says. The goal will be achieved because eight out of 10 members of SADC, who are also members of PTA, are supporting the idea," he said. 18/1/93

Mutharika said a draft treaty for the transformation of the PTA into a common market was already with the council of ministers. The merger would take place soon.

However, SADC in August last year passed a motion directly opposed to the PTA's commitment to a common market for eastern and southern Africa.

The 17 members will debate the transformation of PTA into a common market and review progress being made in trade between member countries.

"We are going to see how we can proceed to lay new goals and targets for next year so as to achieve regional economic integration," Mutharika said.

Also on the summit's agenda is the participation of SA in the trade and investment regional grouping. — Sapa.

STAR 18/1/93

Merger plan going ahead

HARARE —The Preferential Trade Area (PTA) is to push ahead with a merger with the Southern African Development Community (SADC) at its annual summit meeting in Zambia this week.

74 ~~PTA~~
PTA secretary-general Bingu wa Mutharika said on Friday the merger was inevitable.

“For us the merger is on. We do not care what SADC says. The goal will be achieved because eight out of ten members of SADC support the idea,” he said.

Mr Mutharika said a draft treaty for the transformation of the PTA into a common market was already with the council of ministers. — Sapa.

BIDAY 19/1/93.
**New world trade
treaty 'on track'**

GENEVA — A senior EC official said yesterday he saw a very good chance a new world trade treaty could be concluded within the early weeks of the new US administration.

And Geneva trade diplomats indicated they were confident an accord could be postponed beyond an apparent US deadline to avoid causing major political problems in France and a resulting crisis within the EC.

"There is now a very good chance the negotiations can be concluded in the coming months. The basis is there. The beginning of March or some weeks after is a realistic hypothesis," the senior EC official said.

The official, who asked not to be identified, was speaking on the eve of a meeting of the guiding body of the six-year-long Uruguay Round discussions, the Trade Negotiations Committee (TNC). (S) 74

The round involves a total of 108 states, but agreements between the EC and the US set the parameters for a final agreement on manufactured goods, services, patents and textiles.

Last week a senior US official said that despite a major new year effort to bridge differences with the EC, they were still far apart.

Today's TNC meeting, expected to be brief, was called by GATT director-general Arthur Dunkel.

Senior officials on both sides made clear they were aiming to get the basis of an accord completed before the new Democratic administration of Bill Clinton takes over in Washington tomorrow.

Negotiators on the US side may now change, as well as the top posts in the office of the Trade Representative and GATT diplomats say they are unsure what policy the Clinton team would follow.

But EC officials are understood to believe that the major political deadline of the administration's "fast track" authority to present a round treaty to Congress would be considerably more flexible with a Democratic president. — Reuter.

Rival trading groups unlikely to merge

STRA 19/11/93

74 ZETI

LUSAKA — Leaders of one of Africa's main trade groups, holding their annual summit in Lusaka this week, face a heated debate over a proposed merger with a rival organisation.

The 20 members of the Preferential Trade Area (PTA) for Southern and Eastern Africa, stretching from Djibouti in the north to Lesotho in the south, will also discuss relations with South Africa — the region's economic powerhouse.

PTA secretary general Binga wa Mutharika said the group would continue to push for a merger with the Southern Africa Development Community (SADC), its main rival for shrinking development aid from the

West.

"For us the merger is on, we don't care what the SADC says," Mutharika said. "The goal will be achieved because eight out of 10 members of SADC, who are also members of PTA, support the idea."

Unwieldy

But SADC leaders meeting in Namibia last year voted against merging with the PTA, which some SADC members — including Zimbabwe — regard as unwieldy and inefficient.

One Zimbabwean official said: "We want to consolidate SADC before embarking on more ambitious projects."

The PTA — Angola,

Burundi, Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Rwanda, Somalia, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe, Zaire and Namibia — begins the three-day meeting tomorrow.

Eric Leisner, an analyst with the Pretoria-based Africa Institute think tank, said efforts to promote economic integration were "a mess".

"There is the overlapping membership of the PTA and SADC, and the question of what role post-apartheid South Africa will play," he said. "It's all very confused."

The eventual goal of the PTA is to form part of a continent-wide

common market by the year 2025 — a plan many analysts regard as hopelessly over-ambitious.

A common currency unit has been created but has yet to gain wide acceptance. Little progress has been made in eliminating trade barriers. Only six per cent of total PTA trade is carried out within the group itself.

The SADC, originally set up to lessen economic dependence on apartheid governments in South Africa, has had to redefining its role to take account of Pretoria's progress towards non-racial democracy and now largely duplicates the goals of the PTA.

The SADC has in the past attracted more foreign aid than the PTA

but some of its donors, with growing commitments to eastern Europe, have warned it of cutbacks.

Leisner said regional businessmen felt the PTA's integration plan was failing because individual members were unwilling to yield sovereignty over their economies and there was little interest in backing common programmes.

Tourism

"Countries should rather promote cooperation in areas where it already exists, such as transport, power grids and tourism. Tourism is an example where everyone benefits from cooperation and no one loses," he said.

South Africa, whose gross domestic product is three times the total of the SADC states, will follow the debate in Lusaka closely.

The issue of whether to invite South Africa to join the regional groups, and on what terms, is divisive in both the PTA and the SADC.

Some countries are already developing close economic links with Pretoria, but others fear their domestic industries would suffer if curbs were lifted on South African imports.

"South Africa's role will be crucial," said Leisner. "Even without being a member of either group, what it does has an impact." — Sapa-Reuter.

Black business group to visit US

WILSON ZWANE

74

SEVERAL black businessmen, including KwaNdebele cane-furniture manufacturer Habakuk Chikwane, will be members of a trade mission to the US in March.

The mission, organised by the American Chamber of Commerce in Southern Africa, will be the first to the US since the imposition of sanctions. It will be funded partly by government through its export marketing allowance scheme.

Its purpose is to afford local business people opportunities to penetrate the US market. *BIOM*

Chamber executive director Michelle Cohen said yesterday those taking part in the mission should be registered exporters. *19/1/93.*

Cohen said chamber research showed there were small markets in the US for SA products such as textiles, foodstuffs, knocked-down furniture, and mining equipment.

These markets were in states or cities where sanctions against SA were not too "punitive".

"The main thrust of the mission will be to establish networking contacts for the individual participants and to find buyers or distributors for the participants' products or services." She added that 10 companies, among them black-owned ones, had indicated willingness to join the mission.

Trade missions flocking to SA

Blom 19/11/93 74
FOREIGN trade delegations have shown continuing interest in SA, and there have been an increasing number of visits since the country's return to international acceptability.

A Department of Trade and Industry (DTI) spokesman said that since April last year the department had handled visits by about 350 people from 60 countries.

The Johannesburg Chamber of Commerce and Industry (JCCI) — which received many of the leading business missions — said that any fall off in foreign business visitors this year compared with 1992 would be minimal. Last year the chamber had received more than 100 business teams from abroad.

It planned to meet 13 missions in the first half of the year. Included were teams from Nigeria, Hungary, Korea and Germany. The Dutch, who had been reluctant to open trade and business links, would send two delegations to SA.

Delegations were expected from Malaysia, Mauritius and Ivory Coast.

Last year Morocco, Chile, Italy, Brazil, Mauritius, Hong Kong, China, Norway, Pakistan, France, Portugal and Argentina were among the countries which had sent trade missions.

A JCCI spokesman said the more than 100 missions the chamber met last year included 50 "major" ones. These excluded the steady stream of individual businessmen who visited SA to explore trade and investment opportunities.

Organised trade missions were not the chosen method of all countries, particularly Germany. Its business-

men favoured individual visits and taking part in trade shows.

While other organisations received "notebook" delegations, the chamber dealt exclusively with visiting teams looking to do business or find investment opportunities. The chamber had been surprised at the amount of business visiting missions did while in SA.

Visiting businessmen were invariably taken by surprise at the amount of commercial activity in SA and the "air of affluence" relative to other African countries.

Meanwhile, the British consulate announced that eight British trade associations were interested in sending missions to SA this year. Three of these were being planned by the UK-SA Business Association.

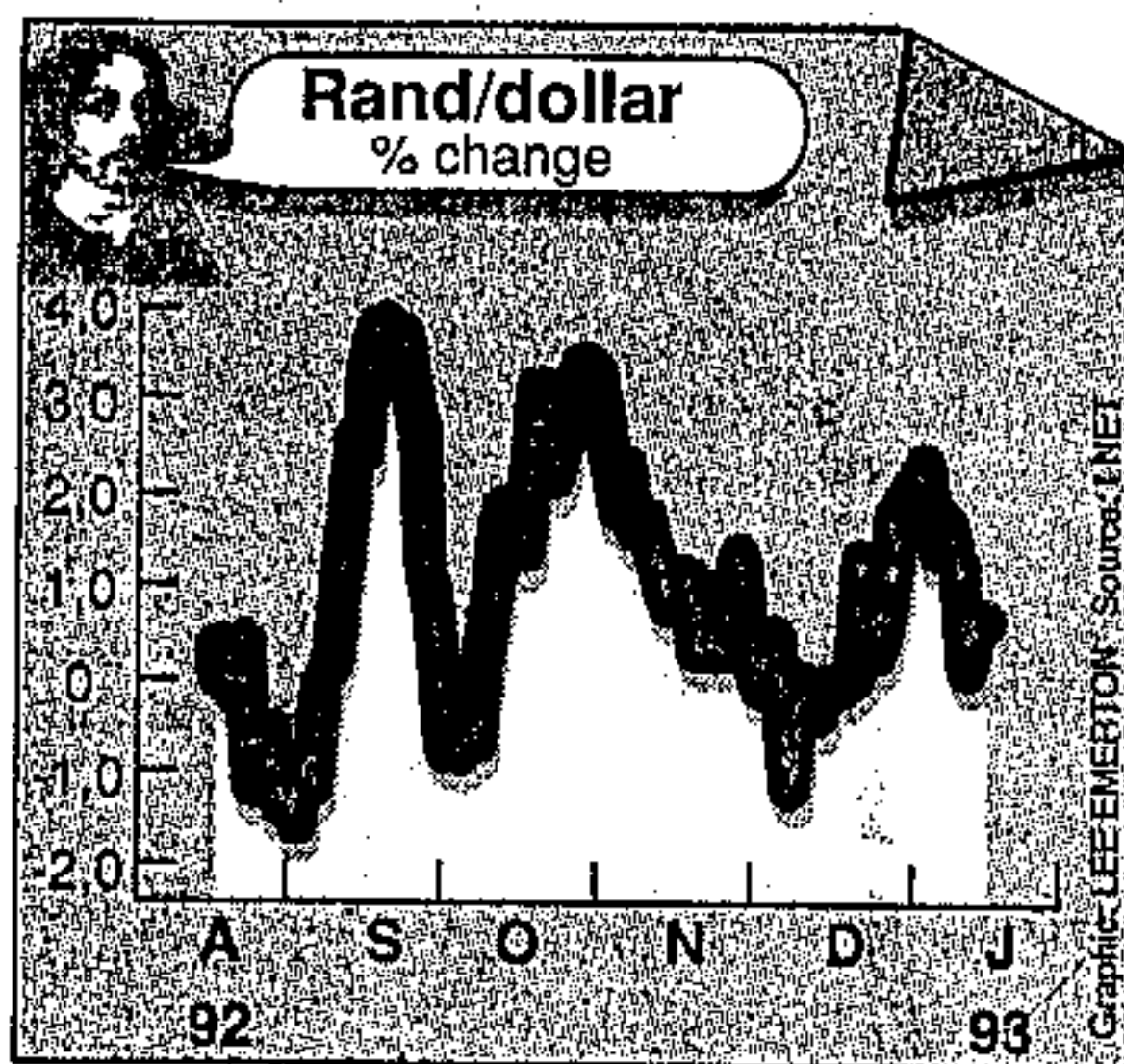
An international trade adviser from the European-based Trade Access firm, which would hold an SA trade exhibition in Nigeria in June, said yesterday Nigeria could lift economic sanctions against SA within the next four months, opening sub-Saharan Africa's second-biggest economy to SA traders.

The trade advisor said his sources in Nigeria had been assured that sanctions would be lifted before the trade fair in Lagos, Sapa reports.

"We can't hold the trade fair in Nigeria unless the government ends sanctions against SA ... and we're sure the fair is going ahead," he said.

Nigeria's merchandise imports at the beginning of the '90s were about \$5,7bn. The country belongs to the Economic Community of West African States, which has a market of more than 200-million people.

PETER DELMAR



Rand makes slight gain against dollar

TIM MARSLAND

74

THE rand opened near its record low against the dollar yesterday before gaining ground to close marginally firmer at R3,0763 to the US unit.

In morning trade the rand fell to R3,0900 against the dollar, which was 0,5c off its record low set earlier in the month. On Friday the rand ended at R3,0778.

A dealer said there had been a number of export orders in the market which helped the rand appreciate against the dollar.

Exporters, he said, were quick to take advantage of the weaker exchange rate. However, most of the rand's strength was due to the weaker dollar.

The dealer said the rand was weaker against the cross rates, and against sterling it ended at R4,7655 from R4,7414.

One dealer said the dollar weakened on "all sorts of rumours" following renewed attacks by the allies against installations in Iraq. *BIDAM 19/1/93*

Dollar trade was quiet because of a holiday in the US, where some markets were closed.

He noted the absence of central bank activity in the market.

Another dealer said the rand was likely to remain under pressure against the dollar and expected it to fall to R3,15 in the short term.

The financial rand traded in a narrow band to end at R4,8285 from R4,8240.

A dealer said things were quiet as players waited to see the effect of planned changes to the market in mid-February.

These included the inversion of the unit, which he said was expected to bring stability to the market. The inversion entails quoting dollar/finrands as against the present system of finrand/dollars.

B/DAM 20/1/93

Merger ruled out

THE Southern African Development Community had ruled out any merger with the Preferential Trade Area, SADC executive secretary Simba Makoni said in Harare yesterday. ~~2/1/93~~ (74)

However, Makoni said the SADC would look at ways of forging economic links with the larger south and east African trade and investment promotion body.

Computer fault scuppered SA's November trade figures

Finance Staff

74

STAR 20/11/93

Computer problems at the Department of Customs and Excise have led to a substantial upward revision of the trade surplus in November.

A Customs and Excise official said this morning that November's surplus of R113 million, which would have been the lowest in over 20 months, would be revised upwards as imports of machinery and pulp and paper products had been overstated by about R560 million that month.

However, economists expect the November sur-

plus could be boosted even further by R800-R900 million. This would lift the surplus above R1 billion, more in line with the surpluses recorded in the preceding months.

The same computer problems have also held up the release of December's trade statistics, due earlier this week. The official said details of November's revised figures would be released in conjunction with the December statistics.

The upward revision is good news for the country's foreign exchange reserves which have been falling sharply recently.

Interim govt is key to World Bank loan

STARZ 20/11/93.
By Neil Behrmann

LONDON — The World Bank is likely to issue a loan to South Africa in mid-year, if substantial progress is made towards an interim government.

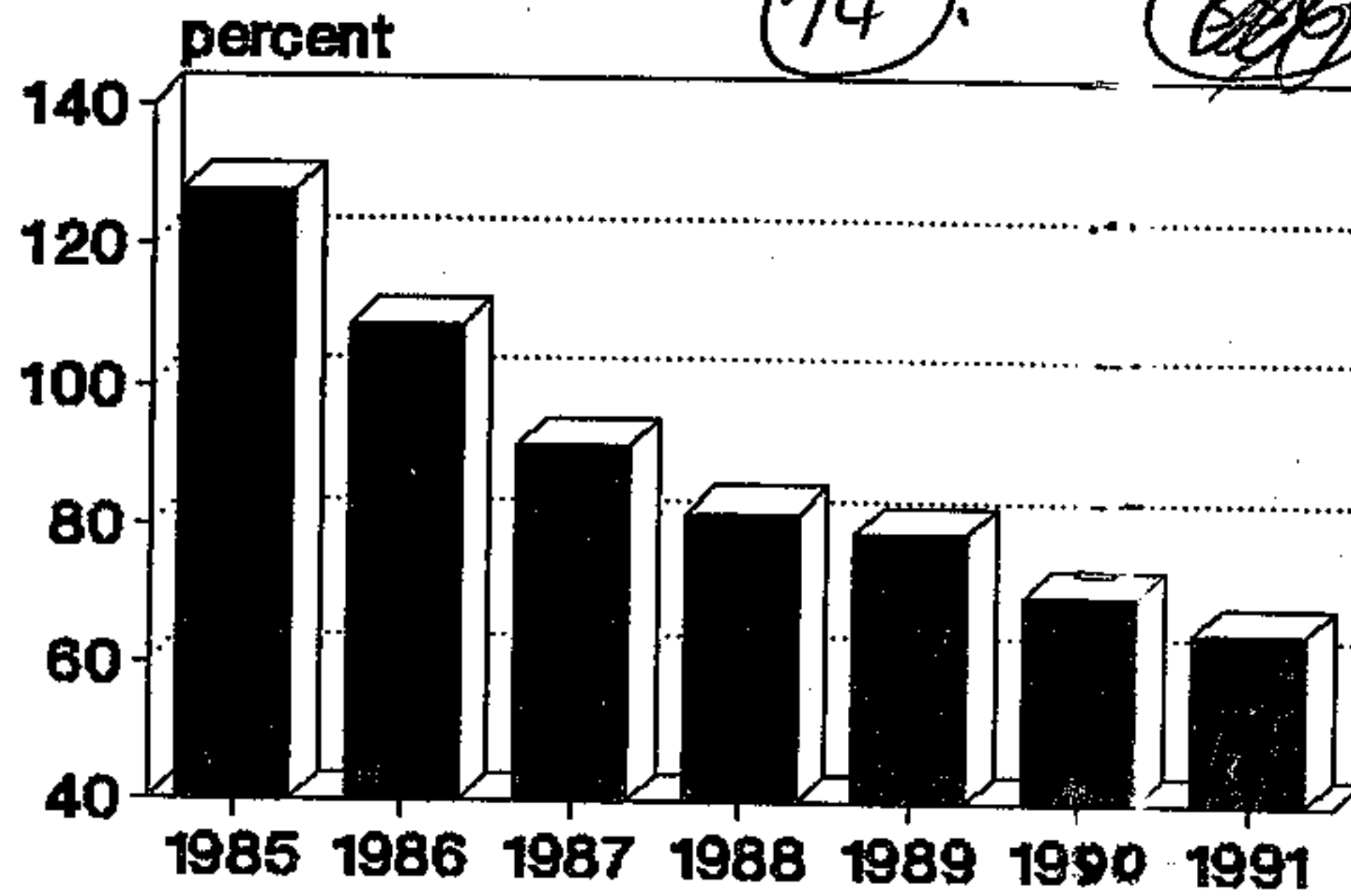
Yet South Africa will continue to postpone public issues on the international capital market until an interim government is formed, Dr Elias Links, special financial representative to Europe for the Department of Finance told a seminar of the South African Foundation.

In the meantime, SA foreign loans falling due for redemption this year will be rolled over privately.

Foreign banks, mainly Swiss and German, tend to arrange sales of SA issues for their private clients.

Dr Links did not specify the loans that needed to be rolled over, but said public issues would be far too expensive.

South African Deutschmark bonds, for example, are trading above 10 percent, more than two percent higher than other sovereign Deutschmark issues, traders say.



SA foreign debt as a percentage of exports

Private placements, however, are also expensive, say bankers. Clients will only accept SA paper on high yields.

Recent Department of Finance statistics indicate that around \$520 million (R1,6 billion) of SA foreign currency-denominated capital market issues are due for redemption this year, compared with \$320 million (R980 million) in 1992.

Redemptions next year are estimated to be only \$80 million (R246 million) and zero in 1995.

In 1996 and 1997, however, about \$550 million (R1,7 billion) of foreign bonds are due for repayment.

It is thus evident that SA foreign reserves will be under pressure this year, unless the loans are rolled over on favourable terms. So political accord is vital.

South Africa's total foreign debt was around \$18 billion, said Dr Links and about \$1,5 billion was due to be repaid this year under current debt-standstill arrangements.

A new agreement with bank creditors must be negotiated by the end of the year, but in the meantime informal talks have already begun.

There were several options, said Dr Links. There could be a fourth agreement on rescheduling or repayment negotiations with individual banks.

SA's foreign debt statistics, however, are impressive.

In 1985, the ratio of debt to export earnings was 128 percent and now that ratio is down to only 65 percent.

"As a ratio to gross domestic product, South Africa's foreign debt, of around 17 percent, is only half that of Western hemisphere nations.

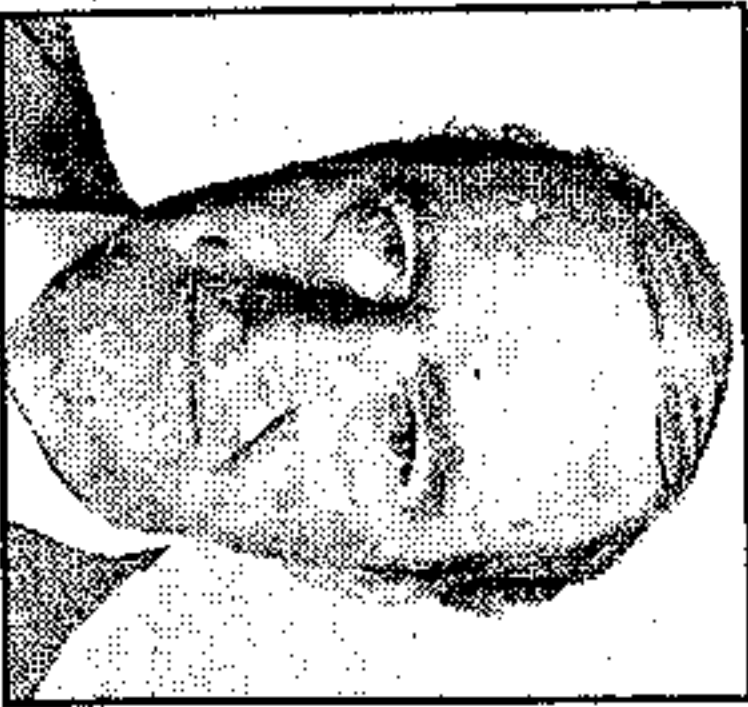
"About 70 percent of Nigeria's exports service its foreign debt. Yet the same proportion of SA's exports would repay all of our debt," said Dr Links.

Delegates at the seminar said that SA's dual exchange rate system was still a disincentive to foreign investment.

Dr Links hoped that the financial rand would eventually be abolished, but said it would take at least 18 months before the authorities could unify the exchange rate. Much would depend on an assessment of capital flows.

Let the trading dance begin, but not in haste

STH 21/1/93



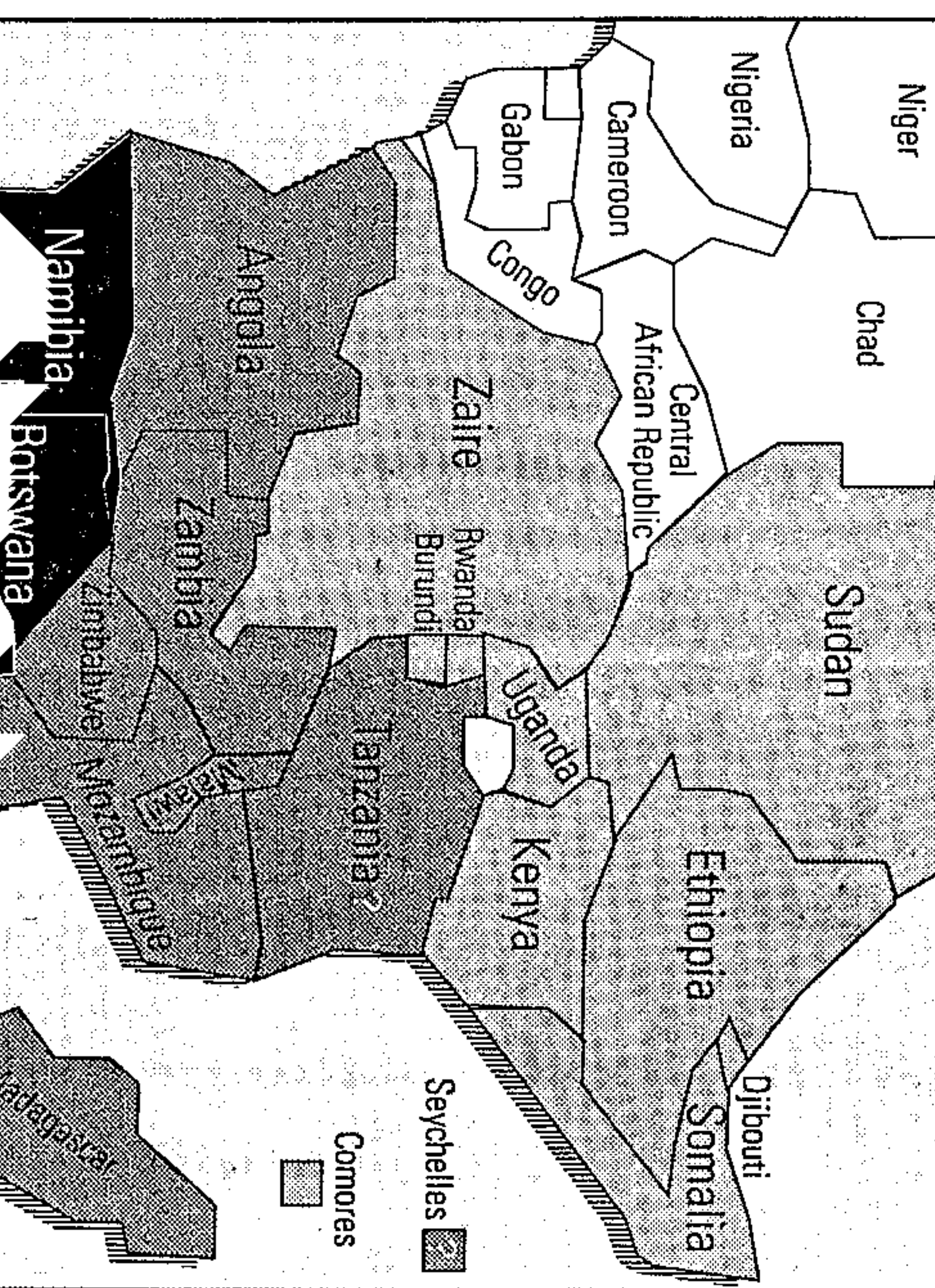
As South Africa emerges from political isolation it must decide on which route to take in a search for new economic partners. MICHAEL CHESTER reports on a new study commissioned by the SA Chamber of Business.

WHEN the sanctions blockade began to crumble it was widely expected that the release of South Africa from political isolation would automatically mark the launch of a massive common market spreading from the Cape right up to the equator and beyond.

Visionaries saw the almost instant creation of a new trade bloc, embracing all the nations of the sub-continent, to join forces and tackle the economic problems of Southern Africa. Utopia may be more elusive than first imagined, however.

All of a sudden, South Africa is being advised to be cautious before it rushes out and signs economic pacts with as many neighbours as possible. The need for caution has been heavily underlined in a special study commissioned by the SA Chamber of Business and compiled by the influential Africa Institute based in Pretoria.

It had been assumed that South Africa would immediately far the firmness of the foundations of such an edifice. The study suggests that at the outset South Africa lays down assurances that it wants prosperity and stability in the region and seeks cooperation with neighbours that will be mutually beneficial — without any domination by South Africa, which is a natural source of suspicion and resentment among neighbours.



Practical cooperation should start on matters that caused no impairment of national sovereignty, such as measures to facilitate the movement of people, goods and funds between countries — and strengthen existing links in transport, telecommunications, power, water, tourism, research and other public services.

South Africa should also cultivate contacts with both the SADC and the PTA — “but insist on the rationalisation of their relations with one another as a precondition...” Here the caution is repeated: “Proceed step-by-step and pragmatically, bearing in mind that all participating countries must perceive tangible benefits.”

Most important, before South Africa pledged all its eggs to the Africa basket alone, SA should negotiate a cooperation agreement with the European Community — by far its biggest trading partner and where more permanent close economic links were vital. Sacob has assigned a special sub-committee of experts to examine the report from all angles before it announces its own stance on how South Africa should mould its future international trade policies. The conundrum has been complicated by statistics. Tables compiled by the SA Foundation show that the members of the European Community accounted for no fewer than six out of the Top 10 of South



Commissioned by the SA Chamber of Business.

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The need for caution has been heavily underlined in a special study commissioned by the SA Chamber of Business and compiled by the influential Africa Institute based in Pretoria.

It had been assumed that South Africa would immediately seek membership of one of two existing trade clubs — the Southern Africa Development Community (SADC) or the even larger Preferential Trade Area for Southern and Eastern Africa (PTA).

In fact, both of them have made overtures to SA now that apartheid has been removed as a barrier and the democratic reform process is under way.

But the Africa Institute urges caution about leaping in to join either of them, particularly while they continue to fail to reach agreement on a merger into a far more logical single unit without all the overlapping that exists at the moment.

The researchers have no problem with the concept of the ultimate aim of a pact to create what they term a Southern African Community of States. They recommend that South Africa goes as far as commitment to such a target as a longer-term goal.

What concerns them is the timetable and the precise route to be decided — and in particu-

lar the firmness of the foundations of such an edifice.

The study suggests that at the outset South Africa lays down assurances that it wants prosperity and stability in the region and seeks cooperation with neighbours that will be mutually beneficial — without any domination by South Africa, which is a natural source of suspicion and resentment among neighbours.

Indeed, it proposes the creation of a special forum — modelled on the Organisation for Economic Cooperation and Development run by the global industrial giants — "where issues of regional interaction can be thrashed out".

That brings the researchers to a reminder about the subtle but significant differences in the definition of what everybody means by "cooperation" and by "integration" — terms that can often be used indiscriminately.

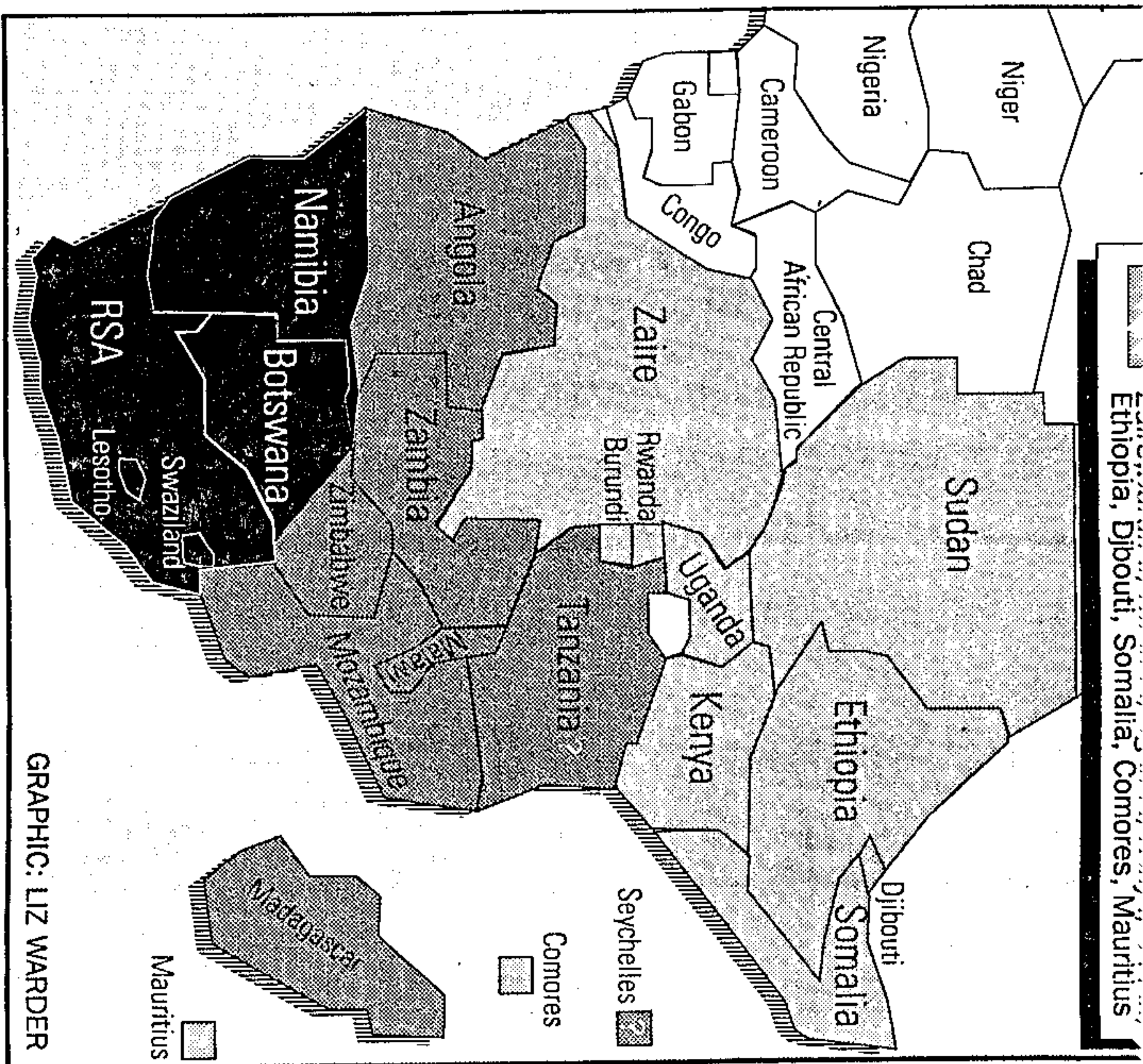
The Africa Institute sees "cooperation" as agreement between neighbours over such matters as transport, power, water and health services — leaving each participant state to make its own decisions on national affairs.

On the other hand, "integration" runs much deeper along the stepping stones from free-trade areas and the removal of any trade barriers to the final status of full economic union with a universal stance on monetary, fiscal, welfare and trade policies.

And that is where a word of warning comes. "In practice," says the study, "economic integration poses formidable political and economic problems."

"Africa in particular, where integration has been assiduously propagated by the UN Economic Commission for Africa (ECA) since the early 1960s, is a veritable graveyard of schemes that have failed or never got off the ground.

"The typical clustering or polarisation of investments and economic activities, generally around the regional growth poles, largely at the expense of



GRAPHIC: LIZ WARDER

the less advanced areas and centres, invariably leads to dissent.

"In Southern Africa, where the South African economy towers over the other countries, the portents for economic integration are not favourable.

"While sound in principle, therefore, the striving for closer integration in Southern Africa must proceed with caution and sensitivity. The unpleasantness that preceded the disintegration of the East African Community and the many disputes within SADC and PTA illustrate the tensions apt to result when barriers to trade and labour movements between countries are dismantled.

"A gradual step-by-step approach is essential — an approach based on everyday economic and political realities... rather than a blind chase after lofty ideals or vistas of sumptuous summit meetings."

What, then, is South Africa advised to do? First, says the Africa Institute, South Africa should concentrate on writing out a list of "natural partners".

That, by coincidence rather than design, would mean all the members of SADC with the possible exception of Tanzania — Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Zambia and Zimbabwe — with the addition of

Madagascar, Mauritius and maybe the Seychelles.

But early moves towards actual hard-and-fast economic integration should be cautious about stretching too far. The researchers believe the objective should be to develop the initial nucleus of regional integration between members of the Southern Africa Customs Unions — South Africa, Botswana, Lesotho, Swaziland and Namibia.

That, they say, would clear the decks for an exercise to conclude bilateral trade agreements with more neighbours in the region, with a systematic enlargement of the area covered and the range of goods

public services. South Africa should also cultivate contacts with both the SADC and the PTA — "but insist on the rationalisation of their relations with one another as a precondition..."

Here the caution is repeated: "Proceed step-by-step and pragmatically, bearing in mind that all participating countries must perceive tangible benefits."

Most important, before South Africa pledged all its eggs to the Africa basket alone, SA should negotiate a cooperation agreement with the European Community — by far its biggest trading partner and where more permanent close economic links were vital.

Sacob has assigned a special sub-committee of experts to examine the report from all angles before it announces its own stance on how South Africa should mould its future international trade policies.

The conundrum has been complicated by statistics. Tables compiled by the SA Foundation show that the members of the European Community accounted for no fewer than six out of the Top 10 of South Africa's main trade partners, at the latest count taken in 1991.

Another pause is caused by a pie-chart printed in the 1991/92 annual report from Safto. It puts the share of total SA export trade that goes into the rest of Africa as little higher than 9 percent. The share shipped off to Europe was well above 34 percent.

"Judgment about the importance to South Africa of trade relations with neighbours in the rest of Africa must go deeper than cold statistics," argues Ron Haywood at Sacob.

"There are many more realities to be considered — not least the perception of Southern Africa as an economic force on its own rather than as a problem zone."

"We now need to chart an entirely new course.

"The bottom line is that all members of any regional trade grouping must feel confident about the fair distribution of mutual benefits without any dictatorial rule by a dominant partner." □

Mugabe calls for faster PTA economic integration

LUSAKA — Member countries of the Preferential Trade Agreement (PTA) had to overcome their difficulties and integrate their economies at a fast pace, Zimbabwe's President Robert Mugabe said yesterday.

Addressing heads of state of the regional economic grouping, Mr Mugabe said in Lusaka that as the organisation celebrated its 10th anniversary, the region was experiencing difficult times, including drought, armed conflicts, inadequate local and foreign investment and an unfavourable trading environment.

"These difficulties, no doubt, retard growth of our economies and progress towards achieving our stated goals of total regional integration," Zimbabwe's Ziana national news agency quoted him as saying.

"As the region, we have no choice but to overcome these difficulties and move forward to integrate our economies at a

much more accelerated pace than before."

Member states should not underestimate the effects of armed conflicts which retarded collective efforts towards regional integration, he said.

"Many of the economies in this region are grinding to a halt because of armed conflicts.

"This saps the energy and reduces the progress of our organisation, not to mention the human suffering that ordinary people have to endure."

The PTA, he said, needed to take bold measures to feed the famine-stricken areas of the region.

He pledged Zimbabwe's continuing support for the PTA which, he said, had made significant strides in fostering development in the region.

Mr Mugabe is heading the Zimbabwean delegation to the Preferential Trade Agreement summit in Lusaka. — Sapa.

571112 21/1/93



Potential seen for African economic community

By Leigh Hassall

The recent political and economic changes in Southern Africa have created the potential for an African economic community, says Grant Thomas, executive chairman of Malbak.

"A significant post-war phenomenon has been the development of primarily continent-based trade groupings or economic units.

"I believe the African continent can't stay the odd man out," adds Thomas.

He was speaking after delivering the keynote address at the launch of a trade fair into the sub-Saharan countries organised by Trade Access-West Africa.

Thomas says the markets of West Africa — an estimated 200 million people — to a large extent meet the key criteria for imports from South Africa.

It is a high-volume concentrated market with established levels of imported products and the hard currency resources to pay for them.

Thomas says South African

companies with serious commitments to exports have, in many instances, been highly successful.

However, he cautions that exports require a real commitment and persistent follow-up.

Ambassador Louis Guirando of the Ivory Coast said in an interview that the door had opened to South Africa and that his country wanted to co-operate with South Africa both in imports and exports.

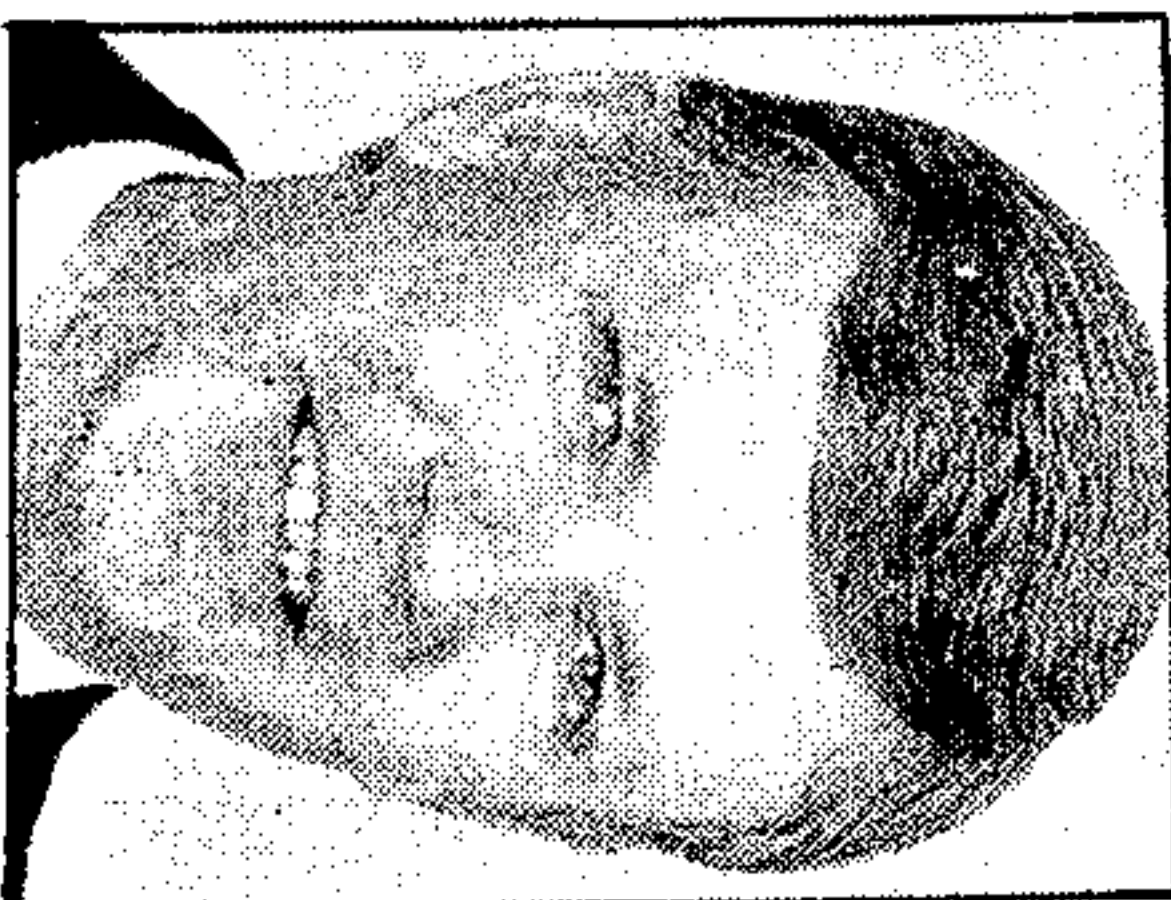
He did not rule out the possibility of Ivory Coast offering in-

centives and facilities to encourage SA exporters.

Traditional West African imports include consumer products, food, agricultural and industrial products, mining equipment and technology.

Suppliers are from Europe, Asia and the Far East, with SA currently contributing only a very small portion.

The trade show will be held in Abidjan, Ivory Coast; Lagos, Nigeria; Accra, Ghana and Dakar, Senegal.



Grant Thomas . . . exports require a real commitment

B/10/193

'Yes' to Namibia (74)

THE Preferential Trade Area authority, meeting in Lusaka yesterday, deferred accepting Zaire into the regional economic grouping after objections from Angola, which claimed that Zaire was supporting Unita.

Namibia's application was approved at the meeting.

Mandela raises \$300 000 during US trip

8(DAY) 22/1/93
WASHINGTON — ANC President Nelson Mandela heads back to SA today having raised at least \$300 000 for the movement during his four-day visit to attend US President Bill Clinton's inauguration.

Apple Computer chairman John Sculley, who met Mandela on Wednesday to discuss his firm's return to SA after a six-year absence, contributed \$10 000.

ANC international department deputy director Aziz Pahad said "actual cheques" had been donated, rather than breakable pledges.

Much of the money was contribut-

SIMON BARBER

ed at a welcoming lunch for Mandela at Washington's Metropolitan Baptist Church on Tuesday after the Rev Jesse Jackson announced he was soliciting donations for the ANC.

Mandela, who kept a low profile during his stay, met Clinton briefly at an inaugural ball on Wednesday night. He was scheduled to see newly confirmed Secretary of State Warren Christopher yesterday.

Sculley, who has played a key role in rallying Republican-leaning cor-

porate chiefs around Clinton, appeared anxious to see Mandela.

Apple has been seeking the ANC's blessing to return to SA without breaking US state and local sanctions. It is anxious to salvage market share from manufacturers of IBM-compatible equipment and software.

Pahad said Mandela was meeting a number of US corporate representatives and was using his stay in the US less to conduct official business than to drum up future investment in SA and material support for the ANC's election drive.

Africa think-tank begins

STAR 22/1/93

CAPE TOWN — Statesmen attending the Interaction Council summit have called for a conditional cancellation of Africa's foreign debt and have emphasised the need for a free press to check rampant corruption on the continent.

The council, a think-tank of eminent international leaders, yesterday began three days of talks on Africa's marginalisation and ways of reintegrating African states into the mainstream of the international system.

Former British prime minister Lord James Callaghan is chairing the summit. Other former heads of state include Nigeria's General Olusegun Obasanjo, Zambia's Dr

Kenneth Kaunda, Portugal's Maria de Lourdes Pintasilgo and Angola's Lopo Fortunato do Nascimento.

President de Klerk, ANC deputy president Walter Sisulu, Inkatha leader Mangosuthu Buthelezi, Nobel Peace laureate Archbishop Desmond Tutu and Mr Justice Richard Goldstone will brief delegates on the political transition in this country.

The Cape Town summit, the first to be held in Africa, is mandated to discuss problems such as Africa's economic decline, poverty, illiteracy and ethnic tensions, and to recommend viable measures to bring about changes for the better.

The summit's findings and recommendations will be communicated to government leaders.

At yesterday's session speakers emphasised the need for stability and security. They concurred that the welfare of the continent's people — not weapons — was the best guarantee for security.

The improvement of basic, secondary and tertiary education and the need for regional training were also stressed.

Speakers expressed alarm at the incidence of Aids in Africa. By the year 2000, health officials expect to have more than 6 million registered Aids cases compared with the current 1,7 million. — Sapa.

and had gone into business

WORLD ECONOMIES ^{FM}
22/1/93
Head to head (74)

With the political demands of the Cold War out of the way, the global powers can now devote their resources to competing on an-

Continue →

ECONOMY & FINANCE

FM 22/1/93 (74)

other front.

For the foreseeable future, the countries that made up the former USSR are out of the international race, whatever its nature. So Lester Thurow, described by the London *Financial Times* as "one of America's leading celebrity economists," examines the major three economic trade blocs in his book *Head to Head: the Coming Economic Battle among Japan, Europe and America*.

He concludes the key to victory will be the ability to meet new challenges.

The unexpected twist in his analysis is that Japan and America will have difficulty adapting, in spite of their enormous strategic strengths.

He identifies America's problems. It must:

- Reduce consumption and the deficit and increase investment;
- Reform its abysmal school system; and
- Downgrade "financial short-termism" and upgrade concern for human resources.

The dimensions of the fiscal problem emerge from former President George Bush's final budget, which projects a deficit of \$300bn or more for the foreseeable future. This is assuming a freeze on discretionary spending in cash terms from 1995. Without the freeze, the deficit could rise to \$400bn by the end of the decade. This means a budget deficit of 4%-5% of national income — modest by SA standards but potentially destabilising in any economy.

The other problems may be even more difficult to solve, if only because of the ab-

sence of a clear yardstick for measuring performance.

Japan must:

- Convert from export-led growth to domestic-led growth because the rest of the world will compel it; and
- Accept all the consequences of a regional market in the Pacific, including freedom of investment.

It may be that the new economic plan, approved by the Japanese Cabinet in June, will go some way towards meeting the first requirement. According to a recent *Fuji Economic Review*, its principal goal is to transform the country into a "lifestyle superpower" as well as an economic superpower.

Pleasure-seekers

The Economist Tokyo bureau chief Bill Emmott, in his book *The Sun Also Sets*, argues that Japan is being transformed from a nation of producers to a nation of consumers, from a nation of workaholics and savers to a nation of pleasure-seekers. This should shift demand from offshore importers to domestic consumers and reduce the huge trade surplus.

But the need for freedom of investment could be obstructed indefinitely by what *Fuji* refers to as "vested interests and the regulations that support them."

Thurow believes that, with no immediate imperative, these countries are less likely to come to grips with their problems than

Europe which, he says, will have the best chance of emerging as victor because it will be forced into change.

The Europeans may go forward or they may go backward, he says, but they cannot avoid making choices.

It is ironic that the speculative pressures and the uncertainty, which have swept monetary union on to the rocks, may prove beneficial in the long run. They have established that the present halfway house is inherently unstable and the financial and political stress thrown up by market pressures merely proves the need to strengthen it.

What Europe will have to do, he says, is:

- Go to the end of the logic of economic integration; and
- Embrace the emerging market economies of eastern Europe.

He also believes Europeans will do what is necessary "not because they are wise and far-sighted but because they have no choice."

His line of argument is that even if monetary union is postponed this will not invalidate the broader array of convergent interests that have driven the European movement for the past 40 years. Each phase of integration will be politically more stressful than the one before. But, since it is almost impossible to imagine the core states wanting to reverse the process, one must suppose they will gradually solve the difficulties of going forward. ■

World Economies' Influence in 1993

SOUTH 23/1 - 27/1/93


Although South Africa may be on the tip of the African continent, we are still part of the international environment and trends overseas have a major influence on our economy. The reason for this is that we are defined as an "open" economy. This is because approximately 25 percent of goods and commodities produced in South Africa (i.e. domestic product) are sold overseas.

On the other hand, roughly a quarter of goods used in South Africa are imported. In addition, the economies of our main trading partners are far larger than our own economy, resulting in us having little influence over world markets.

Because of South Africa's open economy trends impact in a variety of ways. Firstly, overseas growth determines the demand for our exports and thus the amount of imports that we can afford to buy. Secondly, world growth determines the price of commodities which we import or export. Thirdly, international sentiment determines South Africa's access to overseas capital and, as illustrated in the case of sanctions, access to overseas trade markets.

Although South Africa exports a variety of goods, ranging from textiles to base metals, the major part of our export income is earned from commodities such as gold, base metals and diamonds - accounting for 74 percent of our total exports. Gold remains our biggest export (although it has declined in importance in recent years). It accounts for around 30 percent of our total exports while base metals and minerals account for around 15 percent and 12 percent respectively.

Manufactured exports have grown in recent years as a result of the general export incentive scheme with chemicals and

74 
textiles being some of the biggest manufactured exports. Unfortunately, South Africa has very little control over the export performance of these goods. The decisions to buy these goods are made by major overseas countries and these decisions are strongly influenced by the state of their own economies. Our major export markets are Europe and Asia. Within Europe, the United Kingdom, France, Germany and Switzerland are the most significant countries. In Asia, Japan and Taiwan are important. Europe and Asia became increasingly important during the sanctions years as American markets were closed off to us. Trade to the USA fell from 9.5 percent (as a percentage of the total) in 1985, to around 5.4 percent by 1990.

The view on the future prospects for our exports is that they will benefit, on a lagged basis, from the expected recovery in the world economies in 1993. This growth is expected in terms of both volume and prices. In addition, the abolition of sanctions and export incentives should also provide a positive stimulus to our export market.



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— every step of the way*

Relief as trade surplus widens

ET 26/1/93

74

By AUDREY D'ANGELO
Business Editor

SA's trade surplus for December widened to an encouraging R1,76bn, as vehicle and minerals exports helped offset high agricultural imports.

This is well up on the October figure of R783,5m and on the revised figure of R1,04bn for November, Customs and Excise figures released yesterday show. A figure of R113m released earlier for November, which suggested the trade surplus had sunk to an eight-year low, was discovered to be due to a computer glitch.

The revised figures mean that the trade surplus for 1992 was R15,54bn compared with R17,89bn for 1991.

The fall was due mainly to high imports of maize and other food.

Exports were slightly higher at R67,46bn (R66,23bn). But imports soared to R51,92bn (R48,34bn) in spite of the fall in demand for consumer goods.

Exports in December were

worth R5,54bn compared with R5,48bn in November and R4,84bn in December 1991. Imports fell to R3,78bn (R4,44bn, R3,57bn).

Nedbank chief economist Edward Osborne, describing the figures as "very satisfactory", warned that "they will not carry on at this level."

"The balance of payments position is going to be very tight this year. An upturn in commodity prices will not occur with any vigour, because of the tendency of Russia to dump commodities.

"This is depressing the prices of base metals such as ferrochrome and aluminium. Our other commodities are not looking too good.

"If we adjust for currency depreciation on a trade-weighted basis, exports in 1992 increased by only 0,9% in real terms and imports by 2,1%. We may well have the same pattern this year.

"That will be bad news in terms of pressures on the capital account. This year is going to be

pretty tight and pretty grim." Old Mutual chief economist David Mohr said the trade surplus was "pretty big" with the fall in demand for imports — apart from food for drought relief — reflecting the weakness of the economy.

"There is no need to worry about the current account position. We should see a current account surplus of R4bn this year."

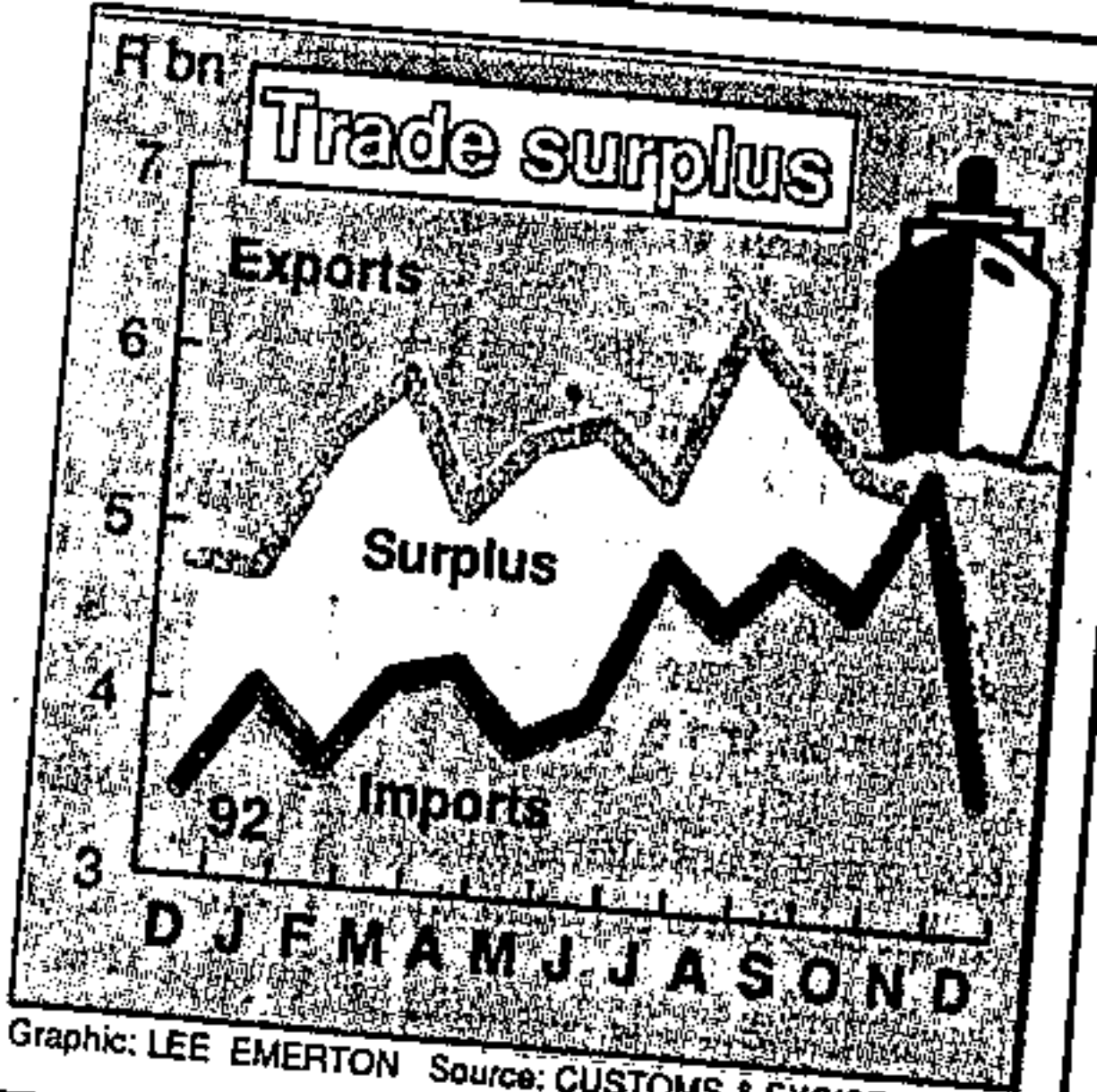
Absa economist Dominick Sutton said the figures were "at the sort of level one expects."

In view of the revised trade surplus for November, it was puzzling that reserves of gold and foreign currency had dropped from R11,1bn in November to R9,1bn in December.

"We seem to have lost R2bn in reserves. But there is usually an outflow at this time of year when banks square their books and dividends are paid."

He thought the drop could be due to foreign investors withdrawing their funds temporarily over the holiday period.

Exchange Rates



Graphic: LEE EMERTON Source: CUSTOMS & EXCISE

Rise in exports lifts trade surplus

TIM MARSLAND and SHARON WOOD

THE trade surplus widened in December to R1,76bn from November's revised R1,04bn as vehicle and minerals exports helped offset high agricultural imports.

Customs and Excise figures released yesterday showed imports in December dropped 14,9% to R3,78bn from November's R4,44bn, while exports rose 1,7% to R5,54bn from R5,45bn. *8/09*

For the year, the cumulative trade surplus declined by 3,8% to R15,54bn from R16,15bn in 1991. Imports rose by 7,7% to R51,92bn last year from R48,21bn, and exports trailed, increasing by 4,8% to R67,46bn from R64,36bn. *26/1/93*

Nedbank chief economist Edward Osborn said this was satisfactory in view of low commodity prices, particularly among base and precious metals.

Absa economist Dominique Sutton said exports had done quite well in a tough year. He did not expect conditions to improve for exports this year because SA's markets would be growing slowly or not at all and prices would be under pressure. Osborn said on a currency adjusted basis, imports rose 2,1% year on year because of maize imports. Exports rose only 0,9% in part because of maize re-exporting.

Low commodity prices depressed base metal and unclassified exports (mainly gold), which made up about 52% of total

□ To Page 2

Trade surplus

exports last year. Base metals exports shrank 1,4% to R9,40bn from R9,53bn. Unclassified exports (including gold, platinum, uranium and armaments) fell 2,7% to R24,31bn from R24,98bn in 1991. *26/1/93*

But exports of precious and semi-precious stones showed a healthy increase of 11,7% to R7,57bn from R6,78bn.

Mineral product exports (mainly coal) rose 3,8% to R7,56bn from R7,28bn.

Vegetable product imports more than

74 □ From Page 1
doubled to R2,55bn from R1,14bn and live animal and animal product imports jumped 62,7% to R440m from R270,3m.

Sutton said a positive sign emerging from the December trade data and the revision of November's figures was the increase in the year-end import cover to 2,4 months from October's 2,3 months.

Osborn estimated a balance of payments surplus of R5,2bn for 1992, compared with 1991's R7,4bn.

Spotlight on trade policies

5/10/93
26/11/93
PETER DELMAR (74)
TRADE policies in SA will come under the international spotlight in April when the main GATT decision-making body meets to consider two landmark reports on SA.

A GATT spokesman confirmed yesterday that the GATT council would meet on April 19 to consider a report by the world body's trade policy review division on SA. A three-member delegation from the division visited the country in September for talks with 21 government, parastatal and business groups.

The spokesman said the GATT report was being prepared and would be released only on April 19.

As part of the proceedings, the meeting — at which all GATT members would be represented — would consider an SA government report, being prepared by the Trade and Industry Department. This report was expected to outline government's latest thinking on trade policies.

The reports, particularly that by the GATT review team, were expected to have important consequences for SA's relations with its trade partners. It could also have an impact on efforts to have SA reclassified from a developed to a developing country.

Exchange controls should stay

JOHANNESBURG. — SA's exchange controls should not be abolished before economic and political restructuring had proven to be successful and sustainable, a senior finance ministry official said.

Speaking on implications for the local financial markets of economic restructuring, Estian Calitz, deputy director-general of the Department

of Finance stressed that care should be taken in relaxing restrictions on foreign capital flows.

He cautioned that the path to trade liberalisation should be "trodden carefully, especially in 1993 — a year in which the third interim foreign debt arrangement with our creditors expires and new arrangements will have to be concluded". — Sapa

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Global revival to top Davos agenda

BLOOM 28/1/93

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ZURICH — Ways to revive a flagging world economy and help troubled East Europe will dominate a major conference of political and business leaders in the Swiss ski resort of Davos today.

Organisers expect about 1 500 participants — including 20 heads of state — at the 23rd annual World Economic Forum, which will run until Tuesday.

With US President Bill Clinton in his second week in office, there will be strong interest in the likely economic strategy of the new administration.

"Clinton needs to revive the Uruguay Round of GATT and he needs to revive cooperation among G-7 countries," says David de Pury, a top Swiss industrialist attending the forum.

The only Clinton official confirmed as attending is Lawrence Summers, who has been nominated Treasury Undersecretary for International Affairs. Organisers said yesterday other members of the Clinton team might also attend.

The long-stalled GATT negotiations to liberalise world trade will be a key talking point in Davos, as they were last year when speakers said a new trade treaty was essential to stimulate the global economy.

Twelve months later the outlook is for only a feeble recovery of global output of goods and services in 1993 and a further rise in unemployment.

GATT Secretary-General Arthur Dunkel will be in Davos again to rally support for

a quick end to trade talks, still held up by differences between the US and the EC.

As last year, there will be a focus on how to help former communist economies of eastern and central Europe and, as one Swiss businessman put it, "stop them going down the drain".

Russia is sending a delegation led by Prime Minister Viktor Chernomyrdin and four deputy prime ministers.

Other leaders from the ex-communist bloc will include Presidents Zhelyu Zhelev of Bulgaria, Nursultan Nazarbayev of Kazakhstan, Leonid Kravchuk of Ukraine and Stanislav Shushkievich of Byelorussia.

Czech Prime Minister Vaclav Klaus and his Slovak counterpart Vladimir Meciar will answer questions about the recent division of Czechoslovakia into two separate states.

The Davos forum traditionally provides an opportunity for political leaders to discuss bilateral disputes away from the attention of their national media.

There will be no special initiative to help solve the Bosnian conflict, although there will be a session on the Balkans.

Israeli Foreign Minister Shimon Peres and his Egyptian counterpart Amr Moussa will be in Davos. They might take the opportunity to discuss Israel's expulsion of more than 400 Palestinians.

Both men are scheduled to address a briefing session about the Middle East tomorrow. — Sapa-Reuter.

Waiting for the dust to settle

The shocks of 1992 have yet to be fully absorbed by cautious world investors

In spite of the late-year rallies, a ragged, yo-yo 1992 for the global equity markets ran out in an uncertain, questioning mood. After the initial exuberance the past 12 months proved a sobering experience: economic recoveries in the US and Britain that failed to match expectations, recessions which started in Japan and Germany and a European currency crisis.

Inflation may be off the top of the agenda but there are no guarantees that the slow resumption of economic growth now forecast for the main industrial nations will be smoothly achieved.

Even in the US, where confidence in a rebound in corporate earnings is highest and record amounts of cash have poured into stocks and bonds, there is concern that Wall Street, lynchpin of equity markets, is discounting too much. In addition the honeymoon with the imminent Democrat administration could wear off once President Bill Clinton's economic policies become more visible.

In Tokyo traders stood and clapped the end of 1992 — but more in relief than celebration of the third successive year in which the market has shown a net decline.

Equities fell 2% in the final session to leave the Nikkei Dow 29% below the high reached on the first day's trading and under the 17 000 mark which is now considered the benchmark line.

But at least the meltdown, threatened when the Nikkei Dow index collapsed by 40% to 14 309 in August, appeared to have been averted by the government's US\$86bn spending measures and its arm-twisting of public- and private-sector fund managers.

European markets, like their economies, were held in the thrall of German monetary policy. No fewer than 11 Euro equity indices hit their lows as the flight into high yielding D-marks put pressure on currencies, a lid on economic growth and, in October, the crack in the European Monetary System.

The upheaval, which saw Britain and Italy devaluing out of the system with Spain and Portugal realigning exchange rates within it, lifted equities off the worst.

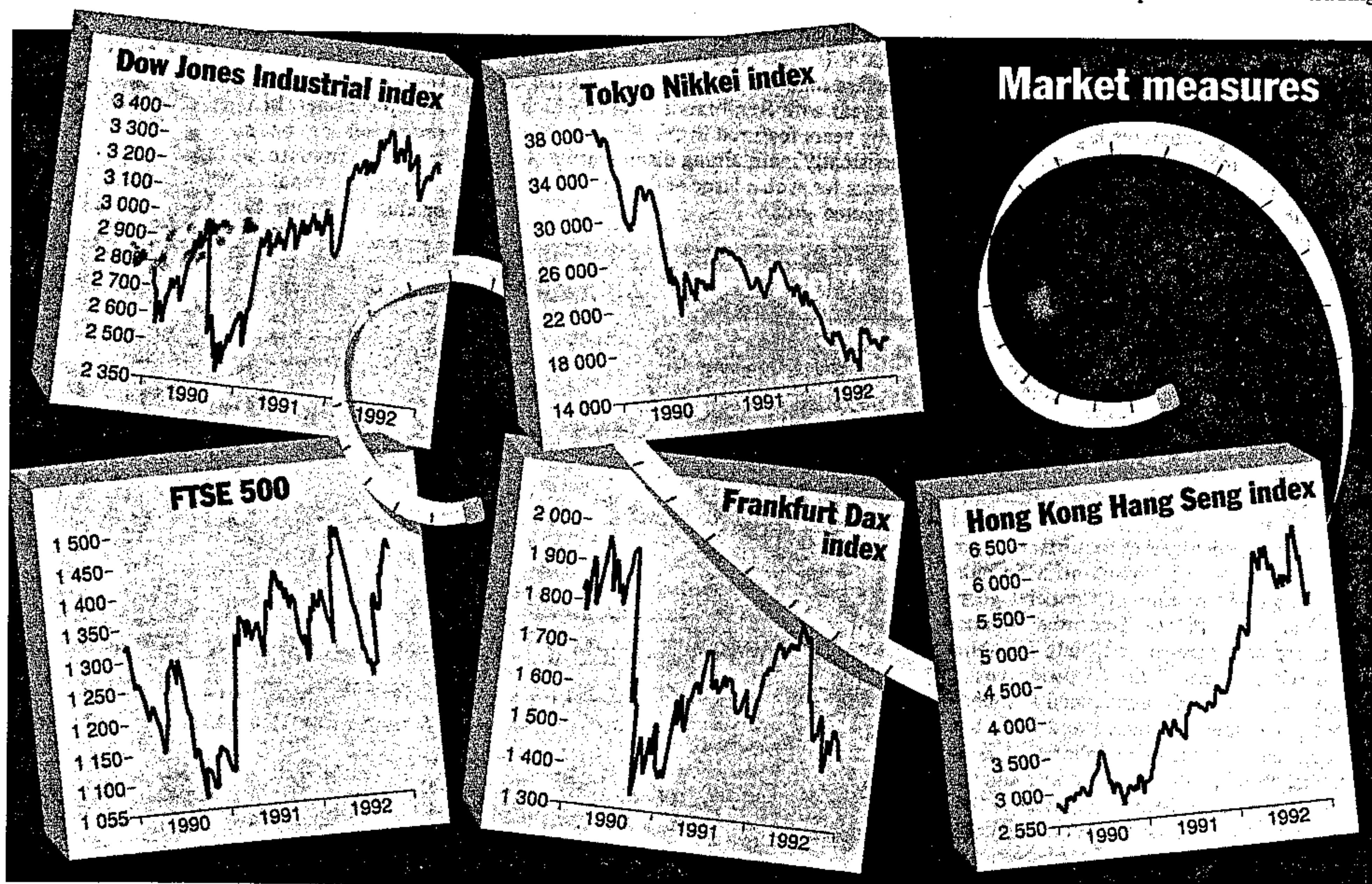
In the UK's case, the 15% devaluation of sterling ignited share prices with a 25% charge in little more than six weeks, pushing the FTSE 100 index to a record high, trimmed slightly by the start of a price war among the big food retail chains.

Switzerland remained the most serene field for investors. The Zurich market had its low point in January and it bobbed through the rest of the year, ignoring gloomy forecasts of isolation resulting from Swiss voters' narrow rejection of membership of the new single European trade area, to close at the top.

The fastest climbing exchanges had mixed fortunes. Hong Kong was up by 50% at one stage before the row between Britain and China over increased democracy for the colony cut it back; Thailand fell back from a 35% gain to a net 25% and Mexico lost more than half its initial improvement.

Politics also put the skids under Taiwanese stocks — falling 28% despite forecasts of 20%-25% corporate profits growth — after the first fully free elections since 1948 gave the opposition Democratic Progressives nearly a third of parliamentary seats.

Looking into the coming 12 months no leading market matches Wall Street for anticipation even though the fall from grace of IBM, which has halved to an 11-year low, has dampened the performance of the Dow Jones Industrial Average of 30 blue-chips. The Dow has bumped in a narrow trading



Source: I-NET

range under a ceiling around 3 400, prompting worries of a technical sell-off if it fails to break out.

By contrast the Nasdaq (over-the-counter) stocks have again had a sparkling year with a 15% climb (on top of the 57% achieved in 1991) to bow out at its best on December 31.

Corporate America has again capitalised heavily to rebuild balance sheets with cheap debt and equity. For the second year running funds have flooded into the market: a record US\$838bn (up 42%) was raised by companies of which \$72bn (up 29%) was equity with 600 new listings.

A net \$9bn also flowed into equity-based mutual funds during the first 11 months — nearly the previous year's equivalent figure.

Investment houses, which two years previously were laying off staff, again rolled up a new record in underwriting fees — \$6,7bn against \$4,5bn.

Profit forecasts are good after the restructuring costs, in general, absorbed in 1991 when earnings fell by a quarter. It is estimated that 1992 earnings were up 35% and this year growth will be 20%.

But there are anxieties that on a prospective earnings multiple at the end of 1993 of nearly 17, share prices already reflect this growth — the average p/e of the past 10 years has been 12.3. The danger, according to some analysts, is that the New York

market has been driven by liquidity rather than performance and any disappointment with the Clinton government could lead, at best, to a consolidation.

The prospects for Japan are almost universally bleak with economic growth down from 3.5% to 1.6% and estimates that bad debts in the banking sector could be at least \$162bn — almost double the fiscal boost.

Corporate earnings for the fiscal year to March 1993 are forecast to be 30% down after falling by 36% in the previous 24 months, and zero growth is foreseen during 1993-1994.

With an average prospective p/e of 55 on Japanese stocks, and no recovery in earnings predicted for another 18 months, occidental analysts expect the Nikkei Dow index to hover between 15 000 and 20 000 — with the top end provoking heavy profit-taking. Japanese securities houses are patriotically more hopeful after a collapse in their business with daily turnover averaging only \$127m — only a sixth of the "bubble" year of 1989 when the Nikkei Dow was 130% higher.

The view of London is that with government policy floundering, the economy growing by only 1% this year, shares are already fairly valued and may already be discounting the next cut in interest rates, expected to bring bank base rate down to 6%. Profits which dropped 20% in 1991, may show a 6%

gain for 1992 and estimates for the current 12 months suggest 10%-15% growth.

London also had a miserable year for takeovers which fell by a quarter to just £7,5bn (the peak was £55bn in 1989). In sharp contrast to Wall Street, London's community of financial advisers saw their fees slump by 24% to £110m. They were £1,4bn just three years earlier.

UK equities could be hampered by their already high average p/e of 17 and the fact that, with unemployment continuing to rise, government borrowing to fund the £47bn-£50bn budget deficit will keep up long-term interest rates.

However, much still depends on Germany for Britain — even though no longer tied to the D-mark — and the other European exchanges. Twelve months ago a cut in German interest rates was considered inevitable but the Bundesbank proved obstinate.

This year the move seems even more inevitable with the German recession deepening and, if inflation is to be contained, it will require a reining in of wage demands and steadiness of the D-mark against the dollar. Even though German company profits are seen as sliding further the prospect of cheaper D-marks, and the ripple effect this would have on all European countries, has led investment strategists to recommend an increased weighting of portfolios towards the UK and the Continent. ■

AFFIRMATIVE ACTION

FM 8/1/93



A test of experience

Leading US academic Thomas Sowell debunks the myth of the deprived

There is a story, which I hope is apocryphal, that the Paris police were chasing a criminal who fled into a building. Their first thought was to surround the building, but they realised that the building was so large and had so many exits that they didn't have enough policemen. So they surrounded the building next door, which was smaller and had fewer exits.

Much academic research in the social sciences follows this pattern of reasoning.

Often we don't have information on the variables that matter, so we surround other variables, using statistics that the Census Bureau, the Congressional Budget Office or someone else has supplied.

Last year, for example, the media and politicians seized on statistics which showed that US blacks received less pre-natal care and had higher infant mortality rates than whites. The obvious answer was more government spending on pre-natal care. Yet the same study showed that Mexican Americans received even less pre-natal care than blacks and had slightly lower infant mortality rates than whites. Pre-natal care was the building next door.

Recently, looking back over my life, I realised that the variables which economists and sociologists can measure are not the variables that matter. Sometimes friends and colleagues introduce me as someone who came out of Harlem and went on to the Ivy League (or better yet, the University of Chicago). But this presents as unique something that was far from unique.

It was not the norm for people in Harlem to go on to college, but neither was it so rare — not among children who grew up in Harlem in the Forties as I did. I am neither the best-known nor the most prosperous person to come out of that neighbourhood in that era. Nor were all of the others basketball players.

All the places where I lived while growing up in Harlem were within a 10-block radius of 145th Street and St Nicholas Avenue. Within that radius lived a boyhood friend named Eddie Mapp, who is today dean of one of the colleges in New York City.

In a building on the corner of 145th Street and St Nicholas lived Leonti Thompson, who grew up to become a psychiatrist, owned property in California's Napa Valley and is

today retired and living abroad, while I still have to work for a living. In the same building lived an older boy who also made a name for himself — Harry Belafonte.

Within the 10-block radius, at the same time, another fellow grew up to make money and a name — James Baldwin. Someone else who went to college within this 10-block radius, though he lived elsewhere, was a young man named Colin Powell.

Were all these simply rare individuals? Perhaps, but more black men passed the difficult entrance examination for Stuyvesant High School in 1938 than in 1983, even though the black population of New York was much smaller in 1938.

As for the masses of students in the Harlem public schools at that time, their test scores were lower than those of students in affluent neighbourhoods, but not dramatically lower like today, and they were similar to the test scores of white students in other working class neighbourhoods.

Ability grouping was common in Harlem schools in those days. A youngster who was in the top-ability class at his grade level received a solid education that would allow

State to support textile exports

8/10/93 29/11/93
CAPE TOWN — Cabinet has approved a scheme to support clothing and textile exports for one year from April 1 to replace the export incentives under the structural adjustment programme which ends in March.

Trade and Industry director-general Stef Naude announced yesterday that exporters of clothing would earn duty-credit certificates valued at 30% of the free-on-board value of their exports, while fabric and yarn exporters would receive 15% and 10% respectively.

"The qualifications for participation in the scheme will be the same as those applicable to the current system, including those applicable to sources of inputs and the products.

"Credits on import duty will apply to imports of the same range of products," Naude said. Certificates would be issued at the end of the period.

He said the scheme was intended to provide a phasing-out period for the current system of duty free imports based on exports to maintain the current export effort and restrict job

LINDA ENSOR

losses until a long-term strategy had been devised and implemented.

The long-term strategy would focus on improving the competitiveness of the clothing and textile industries.

"Textile and clothing firms are at present faced with a severe internal recession and increased exports have helped significantly to curtail decreases in turnover and retrenchments.

"The international market for these products, is, however, oversupplied and severe competition is being experienced, particularly from manufacturers in countries that subsidise their industries, very low wage countries and non-market economies that apply arbitrary pricing."

Naude said the scheme would be administered by the Trade and Industry Department.

Measures would be introduced to prevent abuse and the granting of the benefits would be subject to manufacturers' full and unconditional compliance with these measures.

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Hint of breakthrough lifts market

IMPROVED sentiment on SA's political outlook ahead of today's opening of Parliament by President F W de Klerk spurred domestic markets yesterday and gave a sharp boost to the financial rand.

The unit climbed to R4,66/69 against the dollar from Wednesday's R4,72/76 close on expectations that a date would be set today for an interim government.

The rise was also ascribed to foreign buying of SA gold shares, and helped lift the JSE all gold index 31 points to 875, bringing its gains to 8,2% over the past three days. (74) (92)

Fergusson Brothers' George Bennett said London and US demand for golds came on the back of rumours that De Klerk would set a date for an interim government today. This was seen as bullish and accounted for the financial's sharp increase.

Bennett added that a positive survey on SA in London's Financial Times had further aided foreign sentiment.

MERVYN HARRIS
and GRETA STEYN

In the capital market, rates eased by about 12 points at the long end as better than expected inflation figures and political factors sent the bears into retreat.

However, a dealer said: "It's buy on rumour, sell on fact. If De Klerk does not deliver the goods, we could see the start of a bear run."

Frankel Max Pollak Vinderine's David Shapiro said today's CPI figures had helped lift the industrial market and encouraged a return of institutional buyers.

Capital market dealers also noted institutional interest after a protracted period of jobbing activity.

Meades, De Klerk's David Meades said overseas investors were looking for substantial investments in gold shares but there was not much stock available. More people were realising gold shares had been undervalued for a long time.

25/1/92
BLOOM

There is money in diplomacy

South 30/1-3/2/93



(74)

Lynda Loxton con-

cludes a two-part series on the challenges facing foreign policy in a new South Africa:

ECONOMIC issues will dominate South Africa's post-apartheid foreign policy as the country seeks to achieve the sustainable growth needed to support major social reconstruction.

Not only will the domestic economy have to be drastically restructured, but external economic links will have to be fashioned anew to ensure maximum benefits.

Domestically, the manufacturing sector will have to emerge as a more significant earner of foreign exchange. It will have to change from being an import substitution sector serving a wealthy minority in the domestic market.

It depends on imported machinery, equipment and technology, and these imports are financed, not by the sale of manufactured goods, but by the sale of primary products, particularly mineral products.

According to Centre for Southern African Studies co-director Professor Peter Vale, there is a growing recognition that this path is not only inequitable but that it cannot be sustained in the years ahead.

"The manufacturing sector will have to become orientated to the needs of the majority of the people and become a very significant generator of foreign exchange," he said in an interview after a three-day conference on professional diplomacy in a changing world. The conference was held in Cape Town recently.

"In a world in which the terms of trade are moving rapidly against primary products, South Africa and the other countries of Southern Africa need to become more significant producers of benefitted min-



The most powerful countries act like a headmaster in an unruly school'

eral and other primary products," Vale said.

At the same time, South Africa's destiny is inextricably linked to that of southern Africa. The country is also an inseparable part of a continent which is facing the threat of

marginalisation in the global political economy.

South Africa will be affected by the overall regional environment and it needs to become involved in promoting stability in the region — a region which is characterised by extremely inequitable relations and which is still feeling the effects of South African destabilisation.

"Achieving this restructuring will require a major diplomatic effort in the years ahead," said Vale.

But this will not be easy. "It is important to recognise that we are not operating in a global environment which is immediately favourable to the interests of a

country like South Africa.

"We are entering the era of global liberalisation and there is a danger that this liberalisation may become a highly unequal process where the countries of the South are expected to liberalise and open up their economies. This might not necessarily be matched by liberalisation by the countries of the North towards the South, which will not promote growth.

"Therefore, the kind of foreign policy that we will need, will have to reach beyond the kind of neo-mercantilist, export promotion of the sell-sell kind. "What South Africa will need is

an approach that seeks to maximise the potential advantages and gains of existing relations and institutions. But it must also work in concert with countries affected in similar ways to change the rules of the game of the global economy in a way that is more favourable to a country like South Africa and the rest of Africa.

"More specifically, what is going to be required is a diplomatic effort that seeks first to maximise the available post-apartheid dividend and seeks to secure the best possible terms in a number of the major marketplaces of the world, for example, the European Community and North America and the South East Asian countries.

"Secondly, we are going to be required to forge a mutually beneficial and equitable new relationship with the southern African region that takes account of the interests of other countries and the imbalances in existing relations."

Vale said it was clear that the end of the Cold War had ushered in a new era of "issue diplomacy", in which the previous obsession with security had been replaced with a wider ranging concern with issues that affect the daily lives of people around the world.

Solutions to these issues could only be achieved through ensuring that organisations such as the United Nations truly represented the interests of all nations and were no longer controlled and manipulated by one or two great powers.

This would be difficult because of the "rather uncertain attitude of the world's richest and most powerful countries. They all say that they are for multilateral co-operation in international organisations, but they sometimes tend to see themselves rather as the headmaster in a rather unruly boys' school," said Vale.

One suggestion was that South Africa join the Organisation of African Unity and the Non-Aligned Movement to press for a greater representation of the South on the Security Council of the UN.

The present Security Council was an anachronism and represented a balance of power that had long ceased to exist, said Vale.

Japan looks to South Africa for 'serious investments' in the mining industry

New trade frontiers

1/2/93

(74)

TOS WENTZEL
Political Staff

(74)
Apr 11 21

MAJOR investments in South Africa from the Far East, especially Japan, are on the way and announcements of Japanese investments in mining are expected later this month.

In a wide-ranging interview Mr Rusty Evans, Director-General of Foreign Affairs, said this was one of the spin-offs of major breakthroughs in trade and diplomacy that were being made in the Far East and the Middle East since the scrapping of apartheid.

Mr Evans said the Far and Middle East were South Africa's "new frontier" in diplomacy and trade.

He said that in the past the country had been oriented to the West in every respect. Even tourism had been Western-oriented.

For a long time Orientals had been classified in terms of apartheid and this had caused a division.

"Fortunately, that obstacle to fully-fledged relations with these regions has disappeared and we have discovered how far behind we are, especially in economic ties.

"For the past two years we have worked assiduously at building diplomatic bridges with the Far East.

"It is already heartening to see the proliferation of new passenger aircraft lined up at Jan Smuts.

Our relations with that region have been restricted to Israel and this close relationship has made South African entry into the Arab world difficult.

"This has changed dramatically in the past 12 months. It is now commonplace for trade delegations from Saudi Arabi, the giant in the region, the United Arab Emirates, Bahrain and Jordan to visit South Africa.

"We have had a major trade exhibition in Dubai and South African businessmen are continuing to explore prospects in that area.

"There are a number of factors facilitating a closer trade relationship such as financial and banking infrastructure.

"There is an urgent need to establish a presence in the region and nothing prevents our doing so in any number of countries, such as Oman, Abu Dhabi, Bahrain, Qatar and Jordan.

"The reason we held back is that we cannot afford a multi-presence and our relations with Saudi Arabia are such that opening of an office is not possible at present.

"One also has to include Egypt in this region and we need to consider our priorities in the long term before opening a mission."

Referring to the Asian sub-continent, Mr Evans said because of political developments, it had been possible in the past year to begin to develop channels to New Delhi.

"Restrictions on trade have been lifted in terms of the Commonwealth Harare declaration and India recently announced it intended to open a cultural office in South Africa.

"Bearing in mind that South Africa has a major cultural link with India, this is a development we support, but we will not establish an office from our side until relations have been restored.

"This is a possibility after transitional government has been established.

"As a result of dramatic improvements in relations with Turkey over the past three years since we established trade promotion office in Istanbul, diplomatic relations at embassy level were announced just before Christmas."

"The benefit to South Africa can be calculated in real terms. Japanese investors are on the point of getting involved in the mining industry in South Africa in a significant way.

"Japan's Metals and Mining Association is opening offices in Johannesburg in March. This association is the equivalent of the SA Chamber of Mines and it is an indication of how seriously the Japanese are regarding direct investment in the mining sector.

"For years our trade with the Far East has been dominated by the export of raw materials. While this has been lucrative, it has not attracted joint ventures or other forms of foreign involvement in the beneficiation of our raw material.

"New missions have been opened in Singapore, Taiwan and Thailand and an embassy is planned for South Korea in two months.

"These missions, with Japan, Taiwan and Hong Kong, have as their primary aim expanding economic links with the Pacific Rim and Asia."

Referring to mainland China, Mr Evans said there was phenomenal economic development in the coastal provinces where much of the manufacturing of Far Eastern goods now took place.

Japan and Taiwan, with their exceptional foreign reserves, were major investors in south China.

"The importance of the region is an economic reality and for this reason we have begun to explore tentative relations with mainland China.

"A South African office has been established in Beijing, especially to assist South African businessmen and develop trade.

"Mr Pik Botha visited Beijing last year, but our relations should be seen in the right perspective.

"We have full diplomatic relations with the Republic of China, which is our second largest trading partner with more than R4,5-billion worth of annual trade. In no way would we jeopardise this relationship. There is therefore no prospect of direct links with Communist China until such time as the 'two Chinas' problem has been resolved."

Mr Evans said almost as exchanging and of direct benefit to South Africa were recent overtures in the Middle East.

Mr Evans said the South African Embassy in Ankara would also be accredited to the Turkish republics of the former Soviet Union. This region was totally unexplored with surprisingly good prospects for mutual exchanges, particularly in the mining sector.

To page 5

The world has not forgotten SA, at least not entirely. But as weightier economic problems preoccupy the 1300 government and business leaders from around the world cloistered here at the annual meeting of the World Economic Forum in the Swiss ski resort of Davos, it is difficult not to fear that SA is being confined to the netherworld of the no-hope nations.

The meeting thrusts world business leaders together in an intensive think-tank. Ideas that emerge are those most likely to colour international business attitudes and strategies for the next 12 months.

The leaders come mainly from the industrialised countries or those countries whose economies are developing rapidly. The fact that the only Africans are from SA and a handful of countries bordering the Mediterranean, seems depressingly significant.

SA is itself inadvertently to blame. The length of our negotiating process is seemingly incomprehensible to business leaders with other things on their minds; endless reports of violence reinforce views that we are headed for perdition, and our own recession and limited immediate prospects persuade prospective investors that our country does not deserve a second glance.

Prospective investors are deterred by perceived country risk. And they have more weighty matters on their minds.

The world's economists, finance ministers, bankers and business leaders are mesmerised by the persistence of the world recession, the intractability of economic distortions and the sheer difficulty of changing the situation.

The theme of Davos this year is "Rallying all the forces for global recovery". But the problems seem overwhelming at times. Forum president Klaus Schwab put it gloomily as he opened the formal proceedings: There has been a complete breakdown of credibility in political leadership almost everywhere; the economic recession is deepening in most countries; and the

SA nudged aside as Davos confronts weightier matters

Bloom 1/2/93

JIM JONES in Davos

ghosts of the past are rising, notably in central Europe, where war rages in the former Yugoslavia.

But while the problems look the same, the world has changed. Schwab listed the shift to multipolar geopolitics, the increasing difficulty of managing global interdependence, and the accelerating rates of social and technological change.

Schwab suggested topics which needed to be addressed. But then, on the platform and during workshops, the Americans blamed the Japanese, and the distortions caused by that country's growing trade surplus; the Japanese retorted that the Americans' own propensity to import rather than manufacture was the true cause of distortions.

The Europeans talked about free trade and expanding the EC but found it difficult to disguise the tensions which still affect relations between the community's present members and others on the periphery who are hoping for membership and expanded markets.

Everyone wanted the others to open their doors further to imports while they themselves quietly contemplated further barriers to foreign competition in domestic markets. And then there was growing concern at the emergence of new trading blocks apart from the EC and the North American Free Trade Area.

Deep national rivalries surfaced

regularly.

From the platform, Akio Morita, Sony's patrician chairman, robustly rejected US suggestions that the solution lay in Japan stimulating its economy and absorbing greater volumes of imports. Rather, he argued, the US should return to the business of manufacturing the goods its own industries and consumers demand.

His wisdom was echoed by others

and reflected the realisation that much of the wealth creation of the '80s was an illusion, based on speculation and trading in financial assets rather than the creation and trade of tangible products.

Morita said he would not welcome an economic recovery if that simply meant a return to the last decade's speculative ways.

Others agreed with Morita, stressing the view that long term recovery and growth were what were needed. But there was no easy agreement on how that would be achieved.

Portugal's Prime Minister Anibal Cavacao Silva called for the early establishment of a European central bank as a means for governments to co-operate against currency speculators. His suggestion was rooted in a fear that the poorer European countries such as Portugal and Greece would have a limited say in the EC's financial policies if Germany's Bundesbank extended homogeneity.

High profile US economist Lester Thurow wanted fast growth for his country's economy. He pointed out that President Bill Clinton needed that for his 1996 re-election hopes. But Thurow talked of growth that either did not draw in imports or which was protected from them. He endorsed Clinton's emphasis on building infrastructure but raised hackles among the free marketeers in Davos with the implicit suggestion

that the US should raise barriers to imports to protect any recovery from foundering on rising trade imbalances.

Fred Bergsten of the Institute for International Economics, the US economic think-tank, placed the blame for the world's and US's problems on Japan's persistent trade surpluses.

He called for tax cuts in Japan to stimulate domestic demand and thereby to cut Japan's trade surplus. And he wanted that to be underpinned by a global accord managed by the G-7 nations which would prevent the yen from again becoming undervalued. He also wanted fiscal tightening in Germany, which would lead to lower interest rates as Germany would meet deficit financing for its unification.

Morita's retort: Rebuild your industries. "Japan did not force Americans to buy imported products," he snapped. Former Bundesbank president Karl Otto Poehl cautioned Thurow against the Keynesian approach to stimulate investments. He preferred the creation of an environment favourable for growth.

Of course, Japan had its own fears. A representative of Japan's Ministry of International Trade and Industry (MITI) expressed concern about the mooted formation of an East Asian trading block from which Japan might be excluded. Singapore's foreign minister Kan Seng Wong hastened to assure the man from MITI that the proposed block would not restrict trade. And he was vigorously supported by Rafidah Aziz, the head of Malaysia's own MITI, who claimed that the east Asian arrangements were designed simply to facilitate co-operation and development among the countries of the region.

Wong talked for his country and region. So, too, did Argentina's President Carlos Saul Menem, who appealed for an urgent completion of the Uruguay Round to keep Latin America from being returned to "the dark age of disintegration and instability".

How could a stagnant and turbulent SA possibly hope to compete successfully for the world's attention against all those scenarios?



□ POEHL

'Interest rates may be kept high'

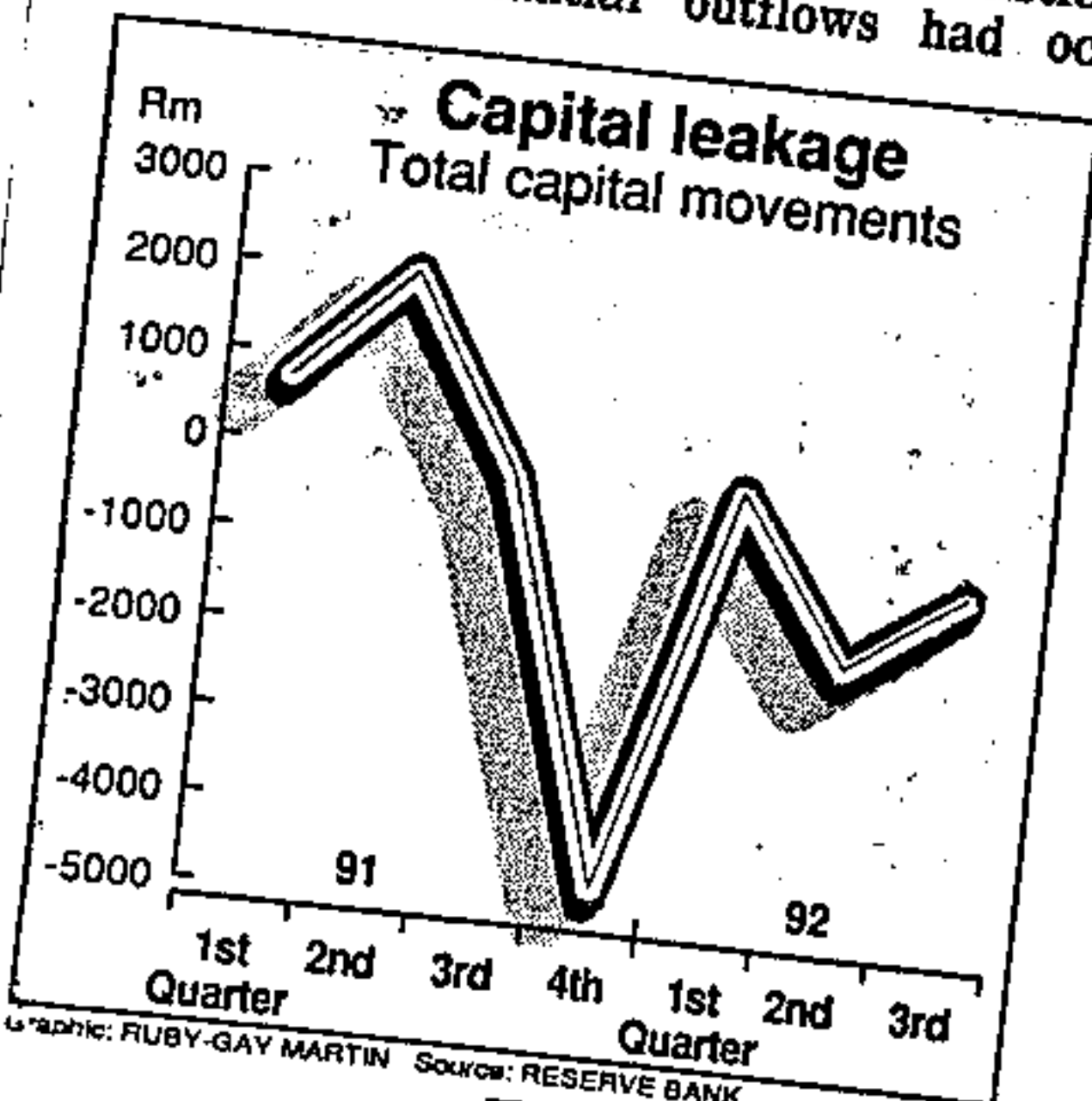
Net capital outflows eat into reserves

B/DAY 1/2/93

LARGE net capital outflows — possibly exceeding R1bn — battered SA's gold and foreign exchange reserves during November and December, economists said at the weekend.

They said the fragile capital account of the balance of payments (BoP) could dash hopes for a significant easing in monetary policy this year. Concern over the capital account overshadowed recent favourable developments on the trade front. Reserve Bank Governor Chris Stals could keep interest rates high to protect the BoP.

Standard Bank economist Nico Czipionka believed the Bank was preoccupied with the capital account after large net outflows in November and December. While no statistics were yet available, Czipionka argued the available BoP statistics indicated substantial outflows had occurred.



Graphic: RUBY-GAY MARTIN Source: RESERVE BANK

GRETA STEYN

He said the fall in the foreign exchange reserves in spite of a healthy trade balance was evidence of capital outflows.

Czipionka speculated the capital outflows were the result of SA parastatal borrowers' inability to secure rollovers on two large long-term debt payments.

He did not think short-term capital outflows had been a major problem. Keeping interest rates high would not reverse the trend, as the effect was mainly on short-term capital, which was not the problem.

However, AHI economist Nick Barnardt warned that the recent weakening in the rand/dollar exchange rate could trigger short-term capital outflows. This could have been a factor in December, when the rand was under major pressure. Quarterly rollover of forward cover on third currencies had probably meant substantial dollar outflows in December. A prolonged dollar bull run could also trigger "leads and lags", adding pressure on the BoP.

Customs and Excise figures showed the combined trade surplus for the last two months of 1992 was R2,8bn, which implied a current account surplus of about R1bn (after subtracting net service payments from the trade balance). However, the Bank's holding of gold and forex reserves fell by almost R2bn over the same period, indicating huge outflows. Barnardt said technical factors not related to actual capital outflows could also have led to a fall in the reserves, so that the calculation should be used only as a rough estimate.

Gloom pervades economic forum

Star 11/2/93.

DAVOS (Switzerland) — With the world economy stubbornly weak, business and political leaders are looking to US President Bill Clinton to lead the way to global recovery.

A bold proposal that Clinton should call a special summit of the Group of Seven (G7) rich industrial nations early this year to forge a programme for growth was welcomed at the weekend by many of the 1500 participants at the annual six-day World Economic Forum in Davos.

But a US decision to levy dumping penalties on foreign steel has raised anxiety that Clinton may start to move the US along the road to protectionism.

"They're worried about the new US administration," Massachusetts Governor William Weld said.

The idea for a G7 meeting came from Fred Bergsten, a top US economist and former government official, who said the G7 had fallen into disrepair and needed reinvigoration as the world entered its third year of "virtual stagnation".

His recipe for growth included substantial extra Japanese fiscal stimulus, a 20 percent yen appreciation, fiscal tightening in Germany, and interest rate cuts in all major countries.

Former Bundesbank (German central bank) president Karl Otto Poehl said he strongly supported the idea for more G7 co-ordination.

Henry Kaufman, a leading US economist, once known as Dr Doom for his gloomy predictions, also gave his backing, particularly for a co-ordinated "de-escalation of official interest rates".

Halfway through the conference, the 10 percent devaluation of the Irish punt in the European Community's exchange rate mechanism came as a reminder of the strains that Germany's high interest rate policy had put on its EC partners.

The general mood at the conference, which ends tomorrow, is of gloom about the state of the world economy and the stalling of the six-year Uruguay Round talks to liberalise world trade.

The US steel dumping decision last Wednesday has made many question whether Clinton can be counted on to help rescue the

trade talks, which have stumbled mainly over differences between the US and the EC.

But others cautioned against reading too much into the dumping decision.

They said it was preliminary and the outcome of a process begun under the previous Bush administration.

That said, there was general agreement a new world trade treaty could not be reached before the present US deadline for an accord ran out in four weeks.

GATT director-general Arthur Dunkel did not say how he thought the situation could be resolved, but senior EC officials said Clinton aides had signalled the deadline could be put back.

Argentine President Carlos Menem summed up Latin American worries about the lack of progress on the Uruguay Round of trade negotiations.

"Failure would force us to repeat past errors, increase poverty in our countries and lead to the formation of trading blocs. The promise of a new economic order would rapidly fade," he said.

As at last year's forum, the need to help the economic and political reforms of the former communist countries of eastern and central Europe was high on the agenda.

West European speakers said that while the EC pursued its goal of economic and political union based on the Maastricht accord, it must not lose sight of the potential dangers on its eastern doorstep.

"If eastern and central Europe go down the drain, if political instability and war start to erupt in those regions, I don't think it will help much to talk about Maastricht because we might lose a lot of what we gained in the West," David de Pury, co-chairman of Swiss-Swedish engineering group ABB, said.

New Russian Prime Minister Viktor Chernomyrdin, on his first foreign trip since taking office six weeks ago, assured the conference he would push ahead with radical economic reform.

Dispelling speculation that he might switch from market policies, he said: "We are not only for reform, but we intend to deepen and broaden it." — Sapa-Reuter.

Trade bank on cards

STAR 2/2/93

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CAIRO — African central and commercial banks have agreed to plans to set up an import-export bank with a capital of \$500 million to boost trade within the continent and with the rest of the world.

"An understanding has been reached concerning a new bank — the African Export-Import Bank (Afreximbank) to be created to finance and facilitate trade among African states and with the rest of the world," says the project's main sponsor, the African Development Bank (ADB).

Afreximbank aims to help exporters hamstrung by Africa's weak commercial banking network and the high cost of financing trade through banks outside the continent.

A two-day meeting in Cairo of African central and commercial banks and ministers last week gave no date for establishing the bank, but agreed to set up a 12-member committee to

finalise details.

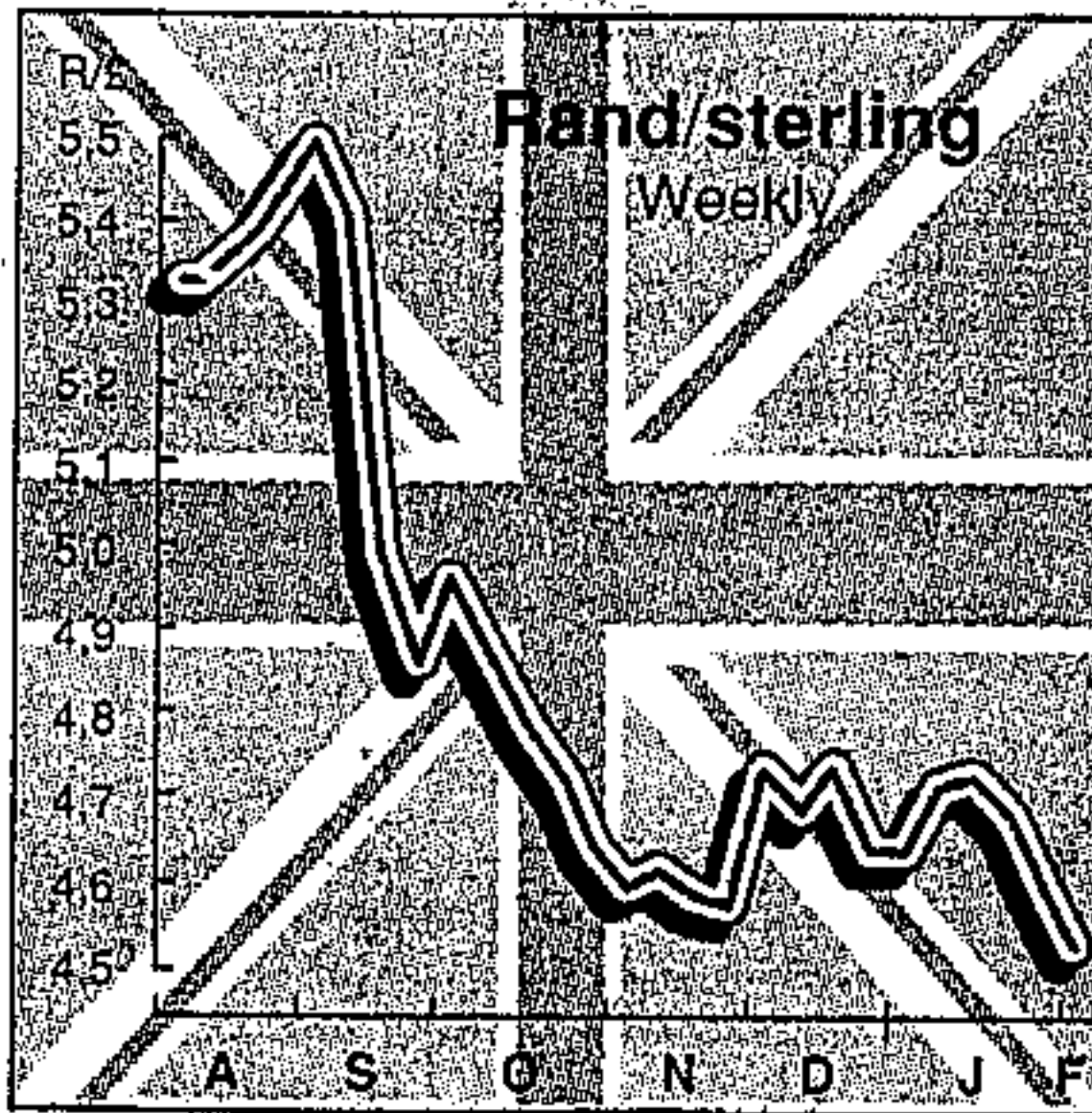
"There is a genuine institutional and financial gap in Africa's trading framework to be addressed by the establishment of the Afreximbank," said an ADB official at the end of the meeting.

Afreximbank aims to increase official intra-African trade from its present low level of nearly five percent of the continent's total trading volume to about 20 percent over the next few years, ADB officials said.

One aim is to promote non-traditional exports to complement the commodities and raw materials Africa already supplies to industrial nations.

The bank will be set up with a minimum capital of \$500 million by an agreement among African states.

ADB president Babacar Ndiaye said governments' shareholdings would be limited to prevent them from controlling the bank. — Sapa-Reuter.



Graphic: RUBY-GAY MARTIN Source: I-NET

Sterling's big slide strengthens rand

TIM MARSLAND

THE rand appreciated to a two-and-a-half-year high of R4,5084 against the pound yesterday as sterling continued to reel after last week's cut in UK interest rates, dealers said. *BIOM 2/2/93*

The pound also fell to a new low against the Deutschmark at DM2,3550 before recovering to DM2,3740.

A dealer said the market had lost confidence in the UK monetary authorities.

Last week's one percentage point cut in the key interest rate to 6% created the perception that UK authorities were worried about the economy, he said. This did not bode well for sterling.

The market was also concerned that the Bank of England appeared to be toeing the government line on interest rates, rather than acting independently.

Reuter reports currency experts said the latest plunge was also sparked by a

To Page 2

Sterling *BIOM 2/2/93*

London Sunday Times report that Prime Minister John Major was planning further big cuts in interest rates.

The prime minister's office vehemently denied the unsourced story, which also said Major planned to take over control of the economy from the Treasury.

A local dealer said weak sterling was good news for importers, who would consider sourcing imports from the UK rather

than the US.

But, importers usually took a longer term view and were unlikely to be swayed by short-term movements.

The rand ended weaker against the dollar at R3,0898 from R3,0673.

A dealer said it had tracked the stronger dollar. Against the basket of currencies, though, the rand was stronger mainly as a result of weak sterling.

From Page 1

Keys to have talks with trade minister

ARG 23/2/93

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Political Correspondent

FINANCE Minister Mr Derek Keys will meet Zimbabwean Industry and Commerce Minister Mr Christopher Ushewokunze in South Africa and not in Zimbabwe as originally planned.



Mr Derek Keys

But a spokesman at Mr Keys's office yesterday dismissed speculation that his planned visit to Zimbabwe was called off because of President Robert Mugabe's hostility.

The spokesman said that Mr Ushewokunze had invited Mr Keys to meet him in Zimbabwe.

However, Mr Keys himself had asked for the meeting to take place in South Africa because he did not have time to visit Zimbabwe.

Sources said the purpose of the meeting was to continue negotiations about renewing the trade pact giving Zimbabwe most favoured nation status.

South Africa had refused to do so for the past two years because of Mr Mugabe's insistence on retaining sanctions.

BUSINESS

Fears for southern Africa

BIDAY 3/2/93

FEARS that SA and the entire southern African subcontinent may be forgotten by industrialised countries could be well founded.

While SA delegates attending the World Economic Forum were fighting to persuade the rest of the world that SA would be a viable investment opportunity in the future, events at the Southern African Development Community (SADC) consultative conference in Harare last week showed the organisation had not progressed since the Windhoek summit and signing of the treaty to form a regional development community. The treaty had not been ratified by all its member countries and SADC had not begun to set up protocols and a plan of action.

When the treaty was signed in Windhoek last year, SADC's executive secretary Simba Maconi said the organisation would come up with a plan of action to present to its donors at the Harare conference.

But SADC did not respond to the need to impress donors in order to raise the at least R40bn it needs now.

An Africa analyst said one reason the organisation did

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SHARON WOOD

not get its act together was its defeatist attitude. Member countries appeared to believe the donor conference would not go well because donors would put their money into other regions thought to have a brighter future. Concern about the region's marginalisation was a central reason to form a development community.

The role of business appears increasingly important. While the grand plan is formulated by the governments of the 10 member countries, business can lay the building blocks by expanding trade and setting up joint ventures within the region.

At another level, infrastructural development remains paramount and makes Eskom's and Transnet's initiatives into the region all the more important.

A move away from government level towards a business-orientated approach was made. Observers were encouraged by the attendance of non-governmental organisations (NGOs) — donors appear to prefer channeling funds through NGOs than through governments.

The issue of membership and the co-existence of SADC and the Preferential Trade Agreement in the region remained unresolved. At its meeting recently, the PTA made it clear it wanted to join forces, but the SADC remained hesitant. However, observers say the SADC has not completely ruled out the possibility.

SA's role in the region was discussed, but the opinions were unchanged from the Windhoek summit. The stemming of violence, the resumption of negotiations and the installation of an interim government were cited as prerequisites for SA membership of SADC.

Abu Dhabi eager for SA trade, tourism links

ABU Dhabi, the largest and wealthiest state in the oil-producing United Arab Emirates, was dedicated to securing strong trade and tourism ties with SA, Civil Aviation under-secretary Sheik Ahmed Bin Saif Al Nahyan told a media conference yesterday.

Heading the first Abu Dhabi trade and tourism mission to SA, Al Nahyan said interest in SA as a trading partner was growing rapidly.

The future supply of some of SA's oil reserves was one of the first official deals between the two governments, SA Foreign Affairs represen-

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74
STEPHANE BOUTHMA

tative Malcolm Ferguson said.

The mission will be in Johannesburg until tomorrow.

Customs duties of between 1% and 4% and no taxes made Abu Dhabi a very attractive market for SA manufacturers and exporters, the conference was told.

Abu Dhabi Chamber of Commerce representative Mohamed Abdul Jalil Al-Fahim said the emirate imported six to seven times its needs for export

810M 4/2/93
to neighbouring countries as far as India, Pakistan and Africa.

About 60% of imports were exported and of the 50 tons of gold imported last year, 80% went to neighbours.

Authorities recently sanctioned all international hotels in the UAE to issue entry visas, valid for 14 days, to SA business visitors.

Meanwhile, top-ranking delegations from 26 countries, including SA, will attend the International Defence Exhibition in Abu Dhabi between February 14 and 18.

Expo sets out to encourage trade

BIOAM 4/2/93

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WASHINGTON — ANC-aligned Thebe Investment Corp is backing a major trade expo in Johannesburg next September to promote US exports to SA once the ANC has called off remaining state and local boycotts.

The event, titled Made in USA, is being organised by SA marketing specialist David Altman, who set up last year's successful Contact Kenya expo for SA exporters in Nairobi.

"The logic behind it is that if SA wants to attract US investment, it must first encourage trade," he said.

He has sent lavishly produced mailings to 20 000 US firms, trade associations and state trade development agencies, hoping to attract exhibitors with a \$14 900 package deal that includes booth facilities at the World Trade Centre, air fares and side trips to a game reserve and the Lost City.

One of his key selling pitches is that billions of dollars in external finance will begin flooding into SA as soon as an interim government is in place.

He claimed this would include \$2,6bn in project finance from the World Bank and other development agencies between 1994 and 1996, \$2,1bn in balance of payments support from the IMF, and \$5,5bn in new loans from the private capital market.

He said the expo would also promote regional opportunities.

SIMON BARBER

Representatives from 34 African countries were due to attend.

The mailing contains a statement from Thebe, an official co-sponsor, inviting US firms "to take a look through the window of opportunity that exists in SA...."

"Our management team wishes to offer their expertise to international partners," it says.

Because the ANC has yet to call for the end of the sanctions, Thebe stops short of endorsing trade now, but says that the expo "could lay a foundation for future co-operation".

Altman said he was financing the project out of his own pocket, with some "in-kind" assistance from SAA.

Sally Miller, director of the Commerce Department's southern Africa division, said: "It looks like a first class operation."

She added that the department had authorised Altman to use its name in promoting the event.

A 20-minute video distributed with the mailing features Weaver Simmons, director of international business for Soft Sheen, a major US producer of "ethnic" hair care products.

Simmons, an African American based in Johannesburg to prepare for his company's full-scale entry into the SA market, praises SA's business potential but, like Thebe, he is careful not to run foul of the ANC's policy on sanctions.

Dollar pushes rand to new low

BIDM 4/2/93
 THE rand hit a new low against a rampant dollar yesterday as it broke through the key resistance level of R3,10.

The rand ended at R3,1023 to the dollar from an intraday low of R3,1060 and an overnight R3,0940.

Against the pound, the local unit contin-

(74)
TIM MARSLAND

ued to make strong gains, ending at R4,4619 from R4,5224.

A dealer said the weaker pound helped the rand remain "more or less" steady against the basket of currencies.

He said worries about new tensions over the exchange rate mechanism of the European monetary system were behind the dollar's gains.

Investors bought the dollar as a safe haven, he said.

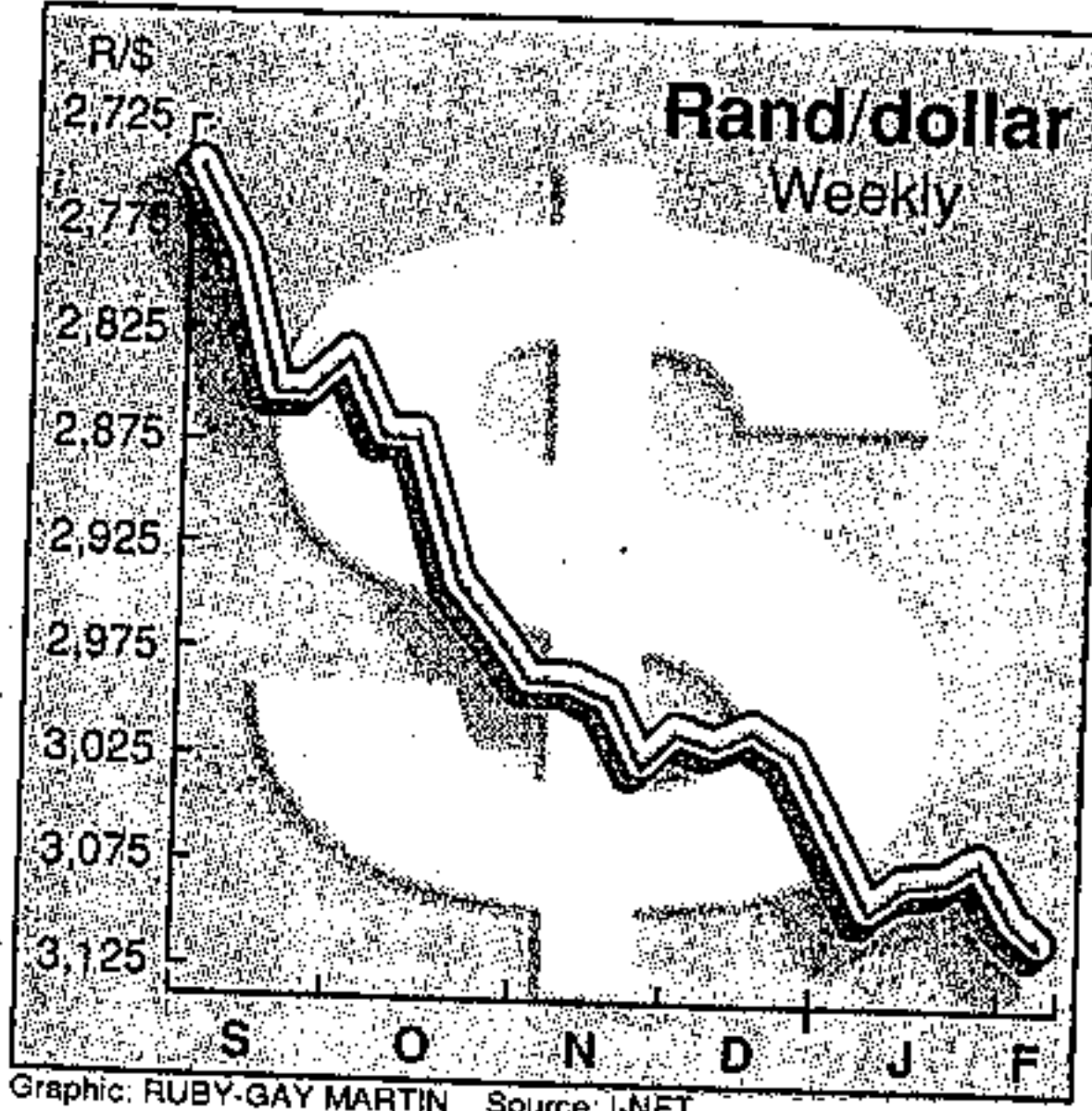
Another dealer said exporters, who sold dollars for rands, prevented the local unit from weakening further against the US currency.

He said while exporters dominated activity, the rand mostly tracked dollar movement during the day.

Volumes had been "choppy", with corporates having covered their positions on Tuesday in anticipation of a stronger dollar.

Dealers said they had not seen the Re-

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Graphic: RUBY-GAY MARTIN Source: I-NET

Rand

BIDM 4-12/93
 serve Bank in the market, which they took as a sign that it was happy with the rand's current level.

The financial rand ended slightly weaker at R4,7169 to the dollar from its overnight level of R4,6900.

The discount between the commercial and financial rands remained steady at about 34%.

(74) **From Page 1**

A dealer said there had been a sell order of about R24m early in the day, but strong demand for the finrand from London and the Continent prevented it from weakening significantly.

He said the unit could come under pressure in the next few days as investors took advantage of the weak pound.

● **See Page 11**

definition TV in Tokyo. The screen is said to
ent more contrast than previous models —
000 yen (R29 000).

Bank to boost African trade

CAIRO. — African central and commercial banks
have agreed plans to set up an import-export bank
with capital of R1.5 billion to boost trade within
the continent and with the rest of the world.

"An understanding was reached during the meet-
ing concerning a new bank — the African Export-
Import Bank (Afreximbank) — to be created to fi-
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rican trade from its present low level of nearly
five percent of the continent's total trading volume
to about 20 percent over the next few years, ADB
officials said.

One aim is to promote non-traditional exports to
complement the commodities Africa already sup-
plies to industrial nations. — Sapa-Reuter.

CCI briefing on trade mission to South America

MORE information on the Cape Chamber of Industries trade mission to Argentina and Chile in April/May is to be given at a meeting on February 18.

Jeremy Wiley of the South American-South Africa Trade Association (SASATA) has been invited to address the meeting, at 2pm in the chamber.

Mr Wiley is to discuss business opportunities in South America so chamber members may evaluate

SI Times (Cape west)
the benefits of joining the trade mission.

It was the success of the first chamber mission, to Kenya last year, that prompted the CCI to organise the latest excursion.

The CCI notes that in taking part in a trade mission, there are great benefits to be gained through the government's assistance scheme, in addition to those of earning official recognition abroad.

"According to delegates on the

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first mission, gaining first-hand knowledge of the country, its economy and people proved immensely informative. Being able to conduct personal meetings with prospective business partners — which were arranged on behalf of delegates beforehand — was invaluable," said CCI deputy director Colin Boyes.

For more information about the trade mission meeting on February 18, contact Yvette Robbins at the CCI on ☎ (021) 21 5180.

Top govt post could go to businessman

CAPE TOWN — Finance Minister Derek Keys is likely to be asked to drop his Trade and Industry portfolio soon, sparking speculation about whether President F W de Klerk will look to the private sector again to fill the post.

De Klerk is unlikely to ask Keys to relinquish the Trade and Industry portfolio before the Budget is presented on March 17.

When Keys was asked to add the finance portfolio to his responsibilities last year, De Klerk made it clear this was a stop-gap measure which could not be maintained.

Deputy Finance Minister Theo Alant, a former Deputy Trade and Industry Minister, is considered the front-runner in government to be asked to take on the post.

However, there is speculation that De

Klerk might draw on the expertise of another private sector member.

The prime candidate would be SAB executive chairman Meyer Kahn, who has advised government on trade issues before. Kahn's appointment would be welcomed widely by the private sector.

Pepcor chairman Christo Wiese could be another contender, but this is unlikely following his recent appointment as IDC chairman.

De Klerk indicated last week that a restructuring of senior levels of government would be necessary because of the abolition of the Ministers' Council.

BIDM 8/2/93

TIM COHEN

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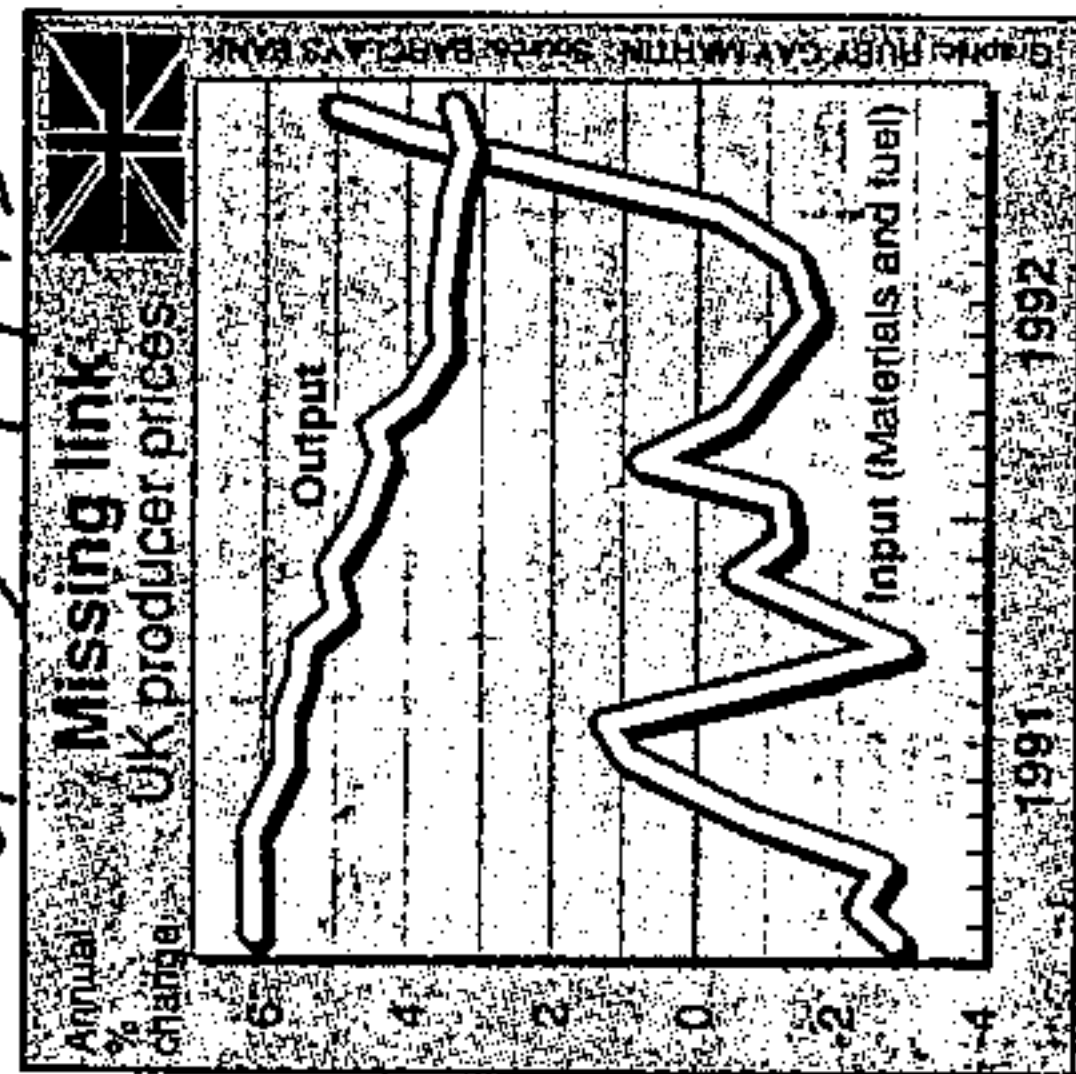
Are the days of inflation numbered?

A DECADE ago, scientists announced that smallpox had been eradicated from the face of the earth. Further evidence that economists might soon be able to say the same about inflation should be published this week.

An increasing number of governments and central banks in the developed world are committing themselves publicly and irrevocably to worst-case inflation ceilings of around 2%. One-time inflation disaster areas in the developing world, which used to measure their annual price increase percentages in hundreds or thousands, are halving and quartering their inflation rates.

Western academics are questioning whether nil inflation and statistically stable prices are, in fact, a good thing. Tentative recommendations are surfacing in official memos that perhaps inflation should not be killed off too quickly, as negative real interest rates (which are only possible if prices are rising) might still be useful for pulling economies out of recession.

Preparations in the developed world for administering the last rites to one of the most persistent bogeymen in 20th century economics are rather deflating local elation at attaining single-digit inflation for the first time in 14 years. But data released this week should show that domestic and international inflation rates at least share a trend, if



not yet a level.

The week's most spectacular disinflator is likely to be the UK, when the British January Inflation rate is published on Friday. UK consumer prices rose 2.6% in the year to December, a six-year low. If, as is probable, UK prices repeat their December monthly fall of around half a percentage point, the headline annual inflation rate should be dragged down to just over 2% — a 25-year low.

UK headline inflation, like SA's, is currently being massaged firmly downwards mainly by lower prices among one or two top-weighted commodities in the consumer price index (CPI) basket. Reduced housing costs, a reflection of lower mortgage rates, are now the main contributor to UK disinflation,

which is why the Whitehall authorities are targeting an underlying inflation rate that excludes mortgage interest payments.

Core UK inflation rose to 3.7% in December from 3.6% in November, showing that underlying inflation has been more resilient than the overall figures are stating. UK underlying inflation may again lag the likely fall in the January headline rate, but should still be within the government's 1%-4% target range.

UK producer inflation for January is due out tomorrow, and the remarkable feature of these data is the ease with which they appear to have absorbed the 15%-20% fall in sterling since September last year. As the chart shows, the rate of change of the largely imported input component of the UK producer price index (PPI) has duly reflected the weaker pound by soaring from mid-1992 lows. However the output PPI, which measures the prices of goods at the factory gate, has remained stable.

This indicates that UK industry, mindful of sluggish retail sales, has not dared to pass on the higher costs to the shelves for fear of poleaxing what is left of consumer spending in the recession-blighted British economy. The fresh fall in sterling this month suggests that further upward pressure on the input PPI is imminent. But, in another indication of inflation's fading menace, it seems a stiff recession can

interrupt the normal transmission of upward price pressure from PPI to CPI.

That would be a reassurance in SA if there was any upward pressure on local producer inflation. But, in figures that may emerge this week, SA's December PPI is set to show producer inflation well into single figures following November's 7.5% outturn, with a continued slackening in the imported contribution. The steeper fall in the rand, and especially its plunge last week against the dollar, may subsequently show up in the imports PPI.

Meanwhile US January producer inflation is scheduled for release on Friday and, in view of the recent strength in the dollar and the extended weakness of oil prices, there is little danger of the current sequence of negligible monthly US PPI rises of 0.1% and 0.2% being broken. Another in this monthly series would yield an annual rate of US producer inflation of around 1.5%.

Revision of the final German January inflation rate is imminent and may lower the initial annual outturn of 4.4%. The Bundesbank perversely eased its key short-term interest rate last week within days of the advance January inflation rate jumping to 4.4% from December's 3.7%. But the main cause of the inflation bulge, the increase last month in the German VAT rate from 14% to 15%, was apparently so obvious that the bank felt able to act.

UAE calls for SA investment

510 AM 8/2/93. (74)

ABU DHABI — The United Arab Emirates (UAE), keen to lessen its reliance on oil, has urged its new economic partner SA to provide technology by investing in its burgeoning industrial sector.

A UAE delegation made the call at an economic conference during a five-day visit to Johannesburg.

The delegation, which returned on Saturday, was the largest Gulf business mission to visit SA since the region informally ended sanctions two years ago.

It was headed by a member of the ruling family, Sheikh Ahmad ibn Saif al-Nahayan of Abu Dhabi civil aviation, and included more than 50 other officials and businessmen.

"Our country has made large strides in industries," Abu Dhabi chamber of commerce and industry deputy chairman Mohammad al-Fahim told the conference attended by more than 1 000 SA businessmen.

"But we still feel we need more investment in the industrial sector. There are great opportunities for SA companies in this field."

The UAE has launched an industrialisation drive in its bid to diversify from oil, which provides the bulk of its income. It is also seeking Western technology to expand industry.

An average of \$1bn a year have been pumped by the UAE into the industrial sector during the past decade. Industries include aluminium, cement, chemicals, paper, garments, food and other light products.

Several firms from Japan, the US, France, Britain, Germany, South Korea, Taiwan and other industrial nations have opened distribution and manufacturing centres at Dubai's Jebel Ali free trade zone.

Authorities have urged more firms to join the zone and set up heavy industries.

Fahim told SA businessmen the UAE had become a major transit centre for goods, re-exporting to large markets such as Iran, India, Pakistan, and Saudi Arabia.

He also said the UAE imposed only token customs tariffs on imports, ranging between 1% and 4%.

"There are no restrictions on currency and profit transfer in the UAE, and there is no intention to impose taxes," he said.

Fahim invited SA companies to participate in an international fair in Abu Dhabi in April. More than 100 SA firms staged their first Middle East exhibition in the emirate of Dubai in October last year. — Sapa-AFP.

MONEY MARKETS by Tim Marsland

Slower inflation, rate cut hopes spark heavy trading

74
BIDAY 8/2/93

BULLS and bears dived headlong into the capital market last week, and turnover was almost the heaviest ever.

Bonds worth about R20bn traded on the JSE floor, which constitutes about 20% of the total market.

Even in the lofty weeks of the bull run late last year, volumes on the bond floor seldom touched R20bn in a week. Volumes on the equity market were also higher than usual.

Trade was heaviest in the long area of the market, where bonds were also the most volatile.

The move was sparked by official hints of a cut in Bank rate, coupled with slower consumer inflation.

Bulls now seem to believe single digit inflation is sustainable for at least the next two years. But the bears are scoffing at the idea.

The two are evenly poised at the moment, although bulls appear to be slightly

ahead on points.

Obviously government is keen on low inflation and the low interest rates that will follow. Finance Minister Derek Keys said as much last week, believing single digit interest rates were possible soon.

Reserve Bank Governor Chris Stals was as cagey as ever, but did suggest interest rates could rise at the end of the year.

Conflicting signals such as these are confusing.

Government's interest in the whole affair is cheaper money. It knows it is facing a huge deficit and this money will have to be begged, borrowed or stolen from the market.

Clearly, the idea of low interest rates appeals to it, but the Governor (the man who counts in these decisions) has other ideas. He will keep interest rates high for as long as possible.

So, while it is fine to be bullish, it might be better to wait for a clearer signal from Stals as to where he sees rates going.

Tariff reform: SA lobbies for time

74 CT8/2/93

From GRETA STEYN

JOHANNESBURG. — SA had approached the EC for support in getting more time from GATT to phase in tariff reform, Trade and Industry director-general Stef Naudé said at the weekend.

In an interview in Cape Town, Naudé said a top Trade and Industry official had "tested the water" with the EC to pave the way for GATT accepting an easier trade reform plan for SA.

"We have asked the EC how it would view a change in our GATT offer to, say, a 30% (tariff) reduction across the board, but with sufficient time to step down to that level." This would be in line with Latin American trade reforms and SA's hope to be reclassified as a developing country.

In terms of SA's original GATT offer, import surcharges would be abolished, import licences and formula duties converted to tariffs and import tariffs progressively reduced to a maximum level of 30% over five to six years.

Naudé said the first offer fell short of GATT's requirements, but SA was arguing that more extensive reforms would not be possible because of political transition, continued sanctions and the Southern African Customs Union arrangement.

SA was undergoing a political transition and an economic restructuring that was extremely difficult to manage. A wrong move could cause catastrophe.

Drastic reform in SA would also affect its neighbours through the customs union, which SA regarded as a major obstacle. The arrangement, which included

Botswana, Lesotho and Swaziland, had become punitively expensive and was tantamount to SA providing aid to the region. The union had cost SA about R3bn this fiscal year.

SA had started talks with union partners on the arrangement's economic consequences.

Once trade reform had started there was no turning back. It was therefore essential to ensure tariff reform was managed in a way that did not inflict "unbearable pain". But care had to be taken to ensure industrialists' uncertainty was not deepened by confusion over trade policy.

However, the IMF, in its policy appraisal of SA last year, called for speed in trade reform, saying the "cosseted and concentrated" domestic industrial structure should be opened to foreign competition.

9281 937 0

Keys could drop trade portfolio

(74) CT 8/2/93

Own Correspondent

FINANCE MINISTER Mr Derek Keys is likely to be asked to drop his Trade and Industry portfolio soon, sparking speculation about whether President F W de Klerk will again look to the private sector to fill the post.

Mr De Klerk is not likely to

ask Mr Keys to relinquish the portfolio before the Budget is presented on March 17.

At the time Mr Keys was asked to add the finance portfolio to his existing responsibilities last year, Mr De Klerk made it clear that this was a stop-gap measure.

Deputy Finance Minister Dr Theo Alant, a former deputy

trade and industry minister, is considered the government front-runner for the post.

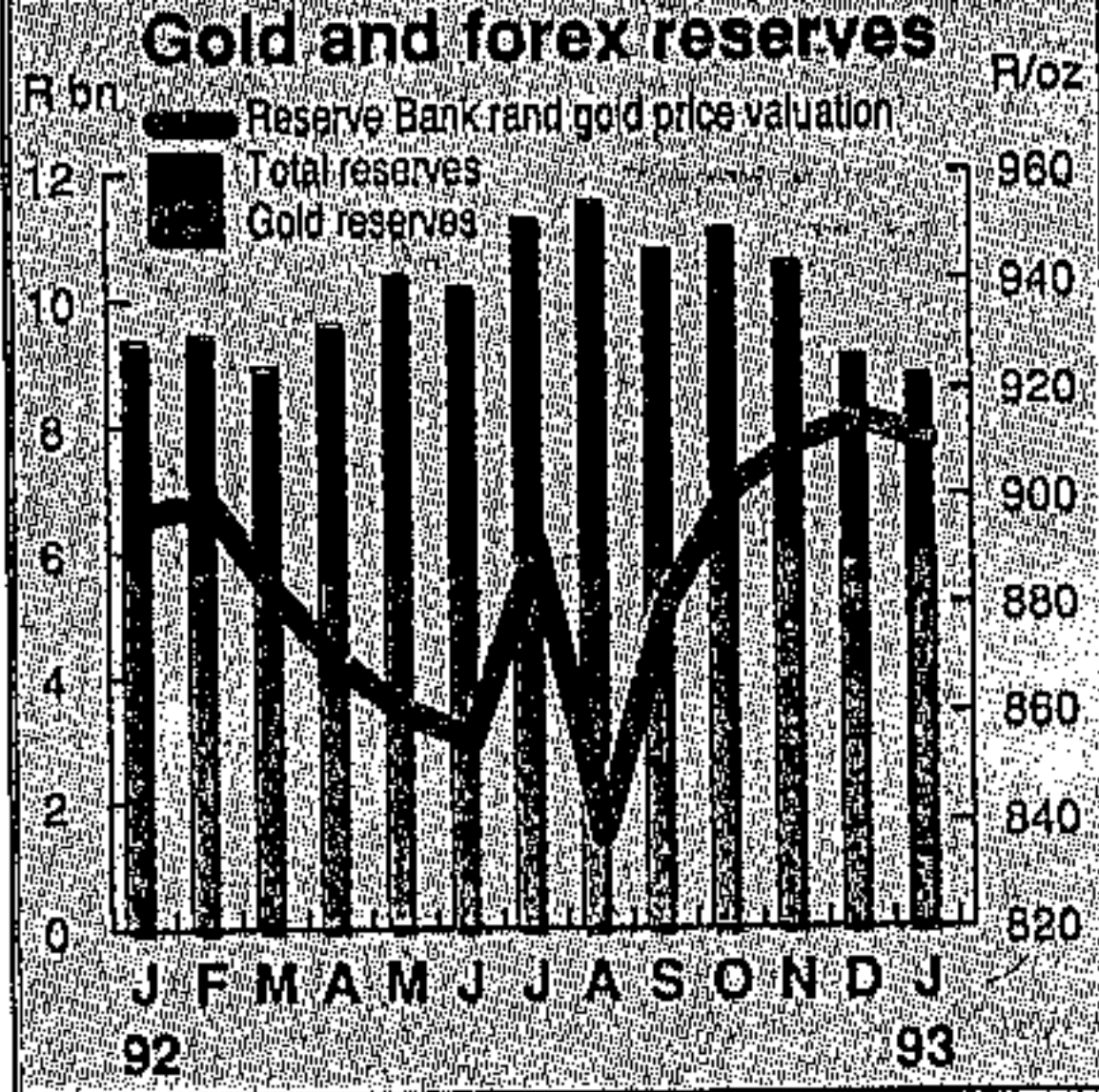
However, there is speculation that Mr De Klerk may draw on the expertise of another private sector member.

The prime private sector candidate would be SA Breweries executive chairman Mr Meyer Kahn, who has advised

the government on trade issues before.

Another contender could be Pepkor chairman Mr Christo Wiese.

Mr De Klerk indicated in his opening of Parliament speech a restructuring of senior levels of government would be necessary because of the abolition of the Ministers' Council.



Graphic: RUBY-GAY MARTIN Source: SA RESERVE BANK

'Reserves dented by farm imports'

TIM MARSLAND

HIGH agricultural imports lopped R300m off the Reserve Bank's holdings of gold and forex reserves in January, economists said yesterday. *810m 712/93*

Figures released by the Bank showed a fall in foreign assets to R2,730bn in December from November's R3,021bn.

The value of gold holdings fell to R6,058bn from R6,082bn as the metal was valued at R911,24 an ounce compared with R915,13. *810m*

Physical gold holdings rose to 6,648-million ounces compared with 6,646-million ounces.

Nedbank chief economist Edward Osborn said continued payments for maize had hurt the reserves.

These payments stopped towards the end of last year but had begun again.

Rand Merchant Bank economist Rudolf Gouws said the decline in reserves which started in December appeared to have continued in January.

Capital outflows in the current quarter were not likely to be as bad as in the last quarter of 1992, where one-off factors such as foreign debt repayments affected the figure.

This would not be repeated this quarter, he said.

Reserve Bank Governor Chris Stals said

To Page 2

Reserves

the reserves figure was "quite poor". *810m 912/93*

He blamed high agricultural imports coupled with low agricultural exports.

Not all the funds that had left the country in December as a result of window-dressing by foreign banks had returned, although the figure looked better than for December, he said.

An economist said notes in circulation,

at R11,944bn in January, showed a year-on-year increase of 12,8% compared with 6,6% in December and November's 11,7%. *74*

Taken against inflation of 9,6%, this figure showed a real increase.

It was an indication of early signs of a recovery in economic activity, but it was the only signal of an upswing in the economy, he said.

From Page 1

GATT principles 'will not fix SA trade needs'

DUMA GOUBULE

74

TRADE liberalisation within the parameters defined by the GATT and other international financial institutions may not be the way to improve SA's trade policy, says University of Cape Town's trade policy monitoring project. *BIDAM 11/2/93*

In its quarterly publication "Trade Monitor", the project, a research unit set up to facilitate trade policy formation within the ANC-Cosatu alliance, said SA trade policy left much to be desired.

It said trade liberalisation envisaged by GATT would not address the immediate problems of developing countries, including SA.

Comprehensive tariff liberalisation in SA could have an adverse effect on employment and output, particularly at a time when the economy was in deep economic crisis. Export promotion programmes such as the general exports incentive scheme (GEIS) and those tailored to specific sectors were already incompatible with measures of GATT's Uruguay Round of trade negotiations.

If SA opted for developing country status in GATT, the end of the Uruguay round would have different consequences. SA would have the right to qualify for special and differential treatment and be able to retain GEIS for eight years, the project said.

It said SA needed to be internationally competitive, but problems could arise when trade strategy to improve competitiveness became incompatible with GATT requirements.

There was a danger that SA policymakers would become preoccupied with tailor-made measures to avoid conflict with GATT principles rather than considering the most appropriate and cost-effective trade reforms to benefit the country.

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Finrand gains against dollar

TIM MARSLAND

THE financial rand rose 2c against the dollar yesterday to end at R4,5750, bringing its gains for the year to 7%, as dealers prepare for new trading rules to be implemented on Monday.

The financial rand is now back at the level before the Royal/Del Monte deal was announced. This had resulted in a rapid fall in the unit.

A London dealer said demand by UK institutions for SA shares had increased fourfold over the past few days to about R20m — boosting the financial rand. UK institutions had been buying financial rands and gold shares this week in anticipation of a rally on the JSE, he said.

A recent report that a majority government was unlikely to be in place before 1999 encouraged offshore investors, as they were now able to take a four-year view on their investment, he said.

Under the new rules, the financial rand would be quoted at \$1/financial rand rather than FR1/USc. Professional dealers would also increase their minimum quote to \$2m, compared with the current FR2m.

However, he said the Reserve Bank had yet to grant permission for banks to increase overnight holdings of the unit.

Banks can hold 10% of short-term assets in foreign currency overnight. A small portion — about R2m for larger banks — may be held in financial rands. The Bank is expected to allow the banks to increase this level.

The Bank's comment was unavailable.

Dealers said the perception towards the unit had changed in the past few weeks as the political position improved and offshore investment by local firms dried up.

They said R4,5454 was a key resistance level which the unit had to breach before moving significantly higher.

A dealer said speculators would probably drift away from the market once that level was broken.

However, another dealer warned that there could be a selloff at the higher levels as foreigners took the opportunity to get out of the market.

War for capital could leave SA out in the cold

CAPE TOWN — Competition for international capital was likely to intensify in the next decade as the US and Europe become net importers of capital and Japan consolidated its role as the world's saving nation, Kissinger Associates Inc economic analyst and consultant Alan Stoga said at a news briefing yesterday.

Former US secretary of state Henry Kissinger set up the New York-based institute which advises clients in the US and other parts of the world about economic and investment trends.

Stoga said that in the context of a scarcity of international capital, SA would have to embark on an aggressive hard sell campaign — even if the political situation in the country was resolved.

"SA will have to find capital; capital won't find SA," Stoga said, adding that the country was a relatively unknown investment location for foreign investors.

He emphasised the key objective for a future SA government should be to ensure the predictability of the investment environment. Investors were otherwise indifferent to ideological systems provided they achieved a return on their investment and could export their profits.

LINDA ENSOR

Stoga believed that instead of exchange controls SA should be creating conditions to attract investment. "It is a fallacy to distinguish between domestic and foreign investment. Investment is investment. To create special conditions for foreign investors will be regarded with suspicion as these can just as easily be removed."

Stoga expected real international interest rates to remain quite high throughout the next decade with the result that debtors who could not afford to pay them or meet the debt criteria would be wiped out.

He noted that whereas international banks were at the forefront of foreign investment in the 1970s and 1980s this role had been taken over by private portfolio managers of institutions such as pension funds. They were seeking returns greater than those achievable in the low-interest rate US environment. The US debt crisis had marginalised the banks out of the international financing business.

In the past three years gross portfolio investment from the US and Europe into developing countries amounted to \$70bn.

Star 11/2/93

High gold price boosts JSE shares

Gold shares sprang to life on the JSE yesterday as the gold price rose to its highest level this year, closing \$4 higher in New York at \$332.35.

Gold maintained this level in Hong Kong this morning.

Sustained American buying pushed up the prices of the "super-gold" shares by several rands and the gold share index jumped 99 points, or more than 11 percent, to 990 its highest level for six months.

The market value of gold shares rose by R3.3 billion to around R33 billion, one of the biggest one-day rises for several years.

Brokers attributed the American interest in SA gold partly to this country's improved image and partly to a belief that gold shares are undervalued at present prices.

However, local analysts warned that the rally could collapse unless there was a sustained increase in the gold price. — Finance Staff

● Full report — Page 16

TRADE FAIR FOR MAINLAND CHINA

TIMES Media Exhibitions and Conferences, Times Media's new trade fair division has just been granted permission to hold a South African exhibition in Mainland China.

It is expected to draw up to 300 South African exhibitors to Beijing in March next year. It also coincides with a number of bilateral conferences.

Times Media's national exhibitions director Edward Pinshow says the fair is being co-sponsored by the China Economic and Trade Consultants, part of the Chinese Ministry of Foreign Economic Relations and Trade.

It will feature a wide range of heavy and light industrial products from SA, mining

equipment, consumer goods and services. A number of Chinese companies are also expected to exhibit.

Beijing has been targeted because it is the country's commercial centre. China, a market of 1,16-billion people, is starting to reap the benefits of its reform process. Its current real GDP growth

rate is about 12% a year and is one of the four largest economies in the world.

Mr Pinshow believes that tremendous potential exists to increase the growing trade between SA and Mainland China. Between January and June 1992, SA's exports to China were R150-million, while China's exports to SA amounted to R259-million.

5/7/92 1845 72/2/93

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495

RESERVES

Forex fallout

74

FM 12/2/93.

It had been hoped that January would provide some relief for the gold and foreign exchange reserves after the previous two months of large declines. But it was not to be. The month saw a 3,9% running down of total reserves to US\$2,9bn (R6,1bn). This marks a decline of more than 30% from August, when reserves peaked at \$4,2bn.

The brunt of the decline was in foreign exchange holdings, which fell \$100m or 10,1% from the end of December to \$890m (R2,7bn). This has serious implications for SA's debt repayments for the year, which should total about \$1,5bn.

The effect of the slide was less noticeable on gold reserves, thanks mainly to an increase in holdings of 1 393 oz to 6,6m oz. The Reserve Bank's valuation of gold holdings fell R3,89/oz to R911,24/oz.

Between the end of December and January, the London afternoon gold fix fell from \$332,9/oz to \$330,45/oz. ■

There's no getting around the Gatt

BY REG RUMNEY

W/Mail

12/2-18/2/93.

BECOMING part of the world again will not prove painless for South African industry and consumers.

Consider the potential for discomfort of adjusting to the demands of the free trade ethos of the latest incarnation of the General Agreement on Tariffs and Trade (Gatt).

The latest round of discussion of the Gatt, the so-called Uruguay Round, has been held up by numerous disputes, chiefly between the United States and the European Community over agricultural protection.

South Africa is a member of the Gatt, and there are important implications for developing countries in general and South Africa in particular of the Uruguay Round.

This is pointed out by Rashad Cassim in the first publication of the University of Cape Town's Trade Monitoring Project publication *Trade Monitor*.

The project is sponsored by the Macro Economic Research Group,

set up by the African National Congress and its allies to strengthen their economic policy capacity in a range of fields.

South Africa's General Export Incentive Scheme (GEIS), as a subsidy to exporters, would not be allowed under Gatt. However, Cassim notes that if South Africa gets developing country status in Gatt, which it doesn't have now, it will qualify for "special and differential treatment."

"That means the country would, for example, be able to retain GEIS for eight years." But getting developing country status is not a sure thing, he adds.

Various schemes, such as the motor industry's Phase VI local content programme, now available to South African exporters, are in contravention of proposed new Gatt rules on trade related investment measures (TRIMS). Another example would be the Section 37(E) accelerated depreciation allowances for beneficiation projects, which have made the giant Columbus stainless

steel project and the Alusaf expansion project attractive.

"The agreement of rules on TRIMS would restrict a country's freedom to make its own investment rules and regulate foreign investment. It would mean that laws requiring foreign enterprises to purchase inputs from local sources will have to be revoked. So too will a wide range of export requirements used by developing countries for balance of payment reasons."

Also, agreement on trade related intellectual property rights would tighten up patent protection. This would, according to Cassim, effectively prevent learning by borrowing as was undertaken by countries such as Japan and Korea. So countries like South Africa would be forced to lure transnational corporations from abroad as a medium for the transfer of leading edge technology to the country.

However, important these may be, the Gatt's main effect is to force down tariff protection.

Cassim remarks that the govern-

ment has already started to cut tariffs and develop a uniform tariff structure, doing away with formula duties and replacing them with an anti-dumping system.

"Comprehensive tariff liberalisation in South Africa could have an adverse effect on employment and output, particularly at a time when the economy is in a deep economic crisis."

"While there prevails a belief shared by both local policy-makers and international institutions such as the Gatt that the country needs to become internationally competitive, the problem arises when trade strategy to achieve this in South Africa becomes incompatible with Gatt requirements."

"There is a danger that policy makers in South Africa would become preoccupied with tailormaking measures to avoid conflict with Gatt principles rather than considering what the most appropriate and cost-effective trade reforms are for the country."

From SIMON BARBER

WASHINGTON. — ANC-aligned Thebe Investment Corporation is backing a major trade expo in Johannesburg in September to promote American exports to SA once the ANC has called off remaining state and local boycotts.

The event, entitled "Made in USA", is being organised by SA marketing specialist David Altman, who set up last year's successful Contact Kenya expo for SA exporters in Nairobi.

"The logic behind it is that if SA wants to attract US investment, it must first encourage trade," he said.

He has sent lavishly produced mailings to 20 000 US firms, trade associations and state trade development agencies hoping to attract exhibitors with a \$14 900 package deal that includes booth facilities at the World Trade Centre, airfare and side trips to a game reserve and the Lost City.

One of his key selling pitches is that billions of dollars of external finance will begin flooding into SA as soon as an interim government is in place.

He claimed this would include \$2,6bn in project finance from the World Bank and other development agencies between 1994 and 1996, \$2,1bn in balance of payments support from the IMF and \$5,5bn in new loans

Thebe backs major trade expo in SA

CT 13/2/93 (74)

from the private capital market.

He said the expo would also promote regional opportunities. Representatives from 34 African countries were due to attend.

The mailing contains a statement from Thebe, an official co-sponsor, inviting US firms "to take a look through the window of opportunity ... in SA".

Because the ANC has yet to call for the end of the sanctions, Thebe stops short of endorsing trade now, but says that expo "could lay a foundation for future co-operation".

Altman said he was financing the project out of his own pocket, with some "in-kind" assistance from SAA.

"It looks like a first class operation," said Sally Miller, director of the Commerce Department southern Africa division said yesterday.

She added that the Department has authorised Altman to use its name in promoting the event.

Pushing trade finance

74
STimes (Buss)
14/2/93

SOUTH AFRICA's burgeoning trade relations with the rest of the world will set the tone for strong future growth in the trade finance industry.

Investec Bank international treasurer Stephen Elliot says the industry has experienced "hiccups" with political volatility and episodes of violence. But it is generally in a more favourable position than in the pre-90s, when SA was starved of foreign capital. The market, however, is still clouded by the perception abroad that SA is in a state of flux.

"The greatest threat to overseas lenders is their vulnerability to the recipient country's economy. The sooner a measure of control is realised, the sooner international markets will open further to us," says Elliot.

Packages

Investec's trade finance division offers specialised packages to companies financing imports or exports. It also provides structuring of finance for specific projects.

"There are numerous forms of trade finance which are available through back-to-back guarantees with foreign banks, currency bridging, advance accounts and export credit financing," says Elliot.

Investec deals actively with its trade finance subsidiary, Reichmans. It was acquired in late 1990 and has offices in Johannesburg, Cape Town, London, New York and Singapore.

The bank has also formed the Emerging Markets Finance Division, which focuses on the African, as well as certain South American and Middle Eastern, markets.

By harnessing commodity and trade flows in these markets, Investec is able to provide letters of confirmation for South African exporters.

Master plan to PEP up the SA economy

STimes (BUSS)

14/2/93 -

~~ST~~ 74

By KEVIN DAVIE

EFFECTIVE controls could easily bring savings of between 10% and 30% — R10-billion to R30-billion — of public spending, says a new Nedcor/Old Mutual report.

The Professional Economic Panel (PEP) of economists, businessmen and politicians recommends a 22-point action plan to be able to attract new investment and improve economic performance.

PEP says political stability and development pacts will need to be negotiated: "The three pacts support each other; failure in any one undermines chances of success in the others."

Transfer

Key recommendations, which are much more detailed than the first scenario by Nedcor/Old Mutual, which largely concentrated on the mass provision of housing and electrification, are:

- The transfer of state-owned housing stock by an interim government to existing occupiers;

- The establishment of a more independent Reserve Bank appointed by Parliament and not the President;

- The setting up of a fiscal commission with statutory powers answerable to Parliament and not to any minister or government of the day. The commission will address the implementation and formulation of fiscal policy;

- The establishment of a performance auditor's office within the Auditor-General's office to counter the gross

wastage and ineffectiveness of public spending;

- The creation of a socio-economic council to involve as many constituencies as possible in the decision-making process;

- Setting up an industry and trade development council (ITDC) based on Japan's Ministry of International Trade and Industry to develop a unified industrial vision and strategy ... "something which SA sorely lacks at present".

PEP is chaired by Nedcor director Colin Adcock. It includes representatives from large and small business, trade unions, the ANC and Free Market Foundation.

The sponsors' brief was to develop detailed, practical strategies to improve the total economic situation and create a climate for a sustainable economic upswing.

The brief also included plans for greater job creation,

an accelerated education strategy and attention to the problem of the "lost generation".

PEP says SA's economic decline during the past 20 years is well known. It says 17-million people live below the subsistence level and six million are unemployed.

Steps to increase domestic and foreign confidence in SA include sustainable growth, wealth creation and redistribution, greater attention to the needs of the poorest, a clear industrial strategy and export orientation.

PEP says new institutions should be adapted from existing institutions and no additional taxation or government expenditure should be required.

It recommends setting up a trade and industrial policy project immediately, as establishing the ITDC will take at least a year.

PEP wants more spent on export promotion as SA only spends 25% of Australia's and 10% of Taiwan's expenditure

on such promotion. "The panel proposes that export promotion be financed from a foreign trade levy pegged at 0,15% on all import and export transactions. This will provide R180-million a year."

It also recommends the establishment of enterprise development status for targeted exporters. This confers the same benefits as export processing zones but are legally rather than geographically defined.

Grant

Another specific proposal is to restructure the Unemployment Insurance Fund, which has resources in excess of R1-billion, which "could be used more effectively without infringing on employee rights".

PEP also recommends a public works programme to be funded by an annual grant starting at R1-billion.

A special Cabinet post should be created to champion small business and create a larger role for small and medium enterprises (SMEs).

Oppressive controls which hamper the economy should go. PEP envisages a greater role for the Competition Board in this regard.

Panel co-ordinator Robin Lee says the prolonged economic slump is a severe threat to a successful transition to democracy: "A strong sense of urgency has resulted in the Panel focusing on proposals that are immediately actionable."

Foreign banks

Wait for the gap

STimes (Buss) 14/2/93.

FOREIGN banks are not rushing to establish any meaningful presence in the South African market.

A number of major foreign banks have opened representative offices in SA. There has also been a trail of international bankers visiting for "holidays in the sun" and, even, some more formal exploration trips.

But local analysts believe it will be some time before foreign banks make a strong impact on the local scene.

While SA holds the attraction of higher interest rates, the country's political

turbulence is a major disincentive. Poor market conditions are also limiting the potential for any volume growth in business at present.

Spokesman for the Association of Corporate Treasurers of Southern Africa (ACTSA) technical committee, Dave Mitchell, says: "Bankers are traditionally conservative people who prefer to avoid political uncertainty."

"I would not expect many foreign banks to formalise their presence in SA in a big way until an interim government, at the very least, is in place."

One banking analyst with a notable stockbroking firm says it could take even longer. Many banks worldwide have significant profitability problems

and capital shortages to deal with in their own countries.

Their focus is internal and they can be expected to spend the next few years consolidating existing operations, Mitchell says.

"These banks will start expanding only after things improve at home and this is likely to happen in a major way only in the late 90s."

Local analysts add that foreign banks are generally shying away from Africa and they currently put SA in the same low growth/high risk league as the rest of Africa.

If they do want to move into Africa when they start expanding they will not be able to ignore SA. This is because the majority of Africa's top 10 banks are to be found in SA, he says.

When foreign banks do come to SA they are likely to focus on merchant banking, project finance, trade finance and the derivatives market.

ACTSA expects international banks to concentrate on the two main areas where their high-tech skills can be most effectively applied.

One will be to arrange the structure and syndicated finance for larger projects, especially development initiatives with some overseas funding and cross-border projects.

Another will be corporate treasury management as a science, an area where many South African corporates are still fairly unsophisticated in practice.

Foreign banks are not expected to make great inroads into the commercial banking sector, as this area is already well covered by SA's major banks.

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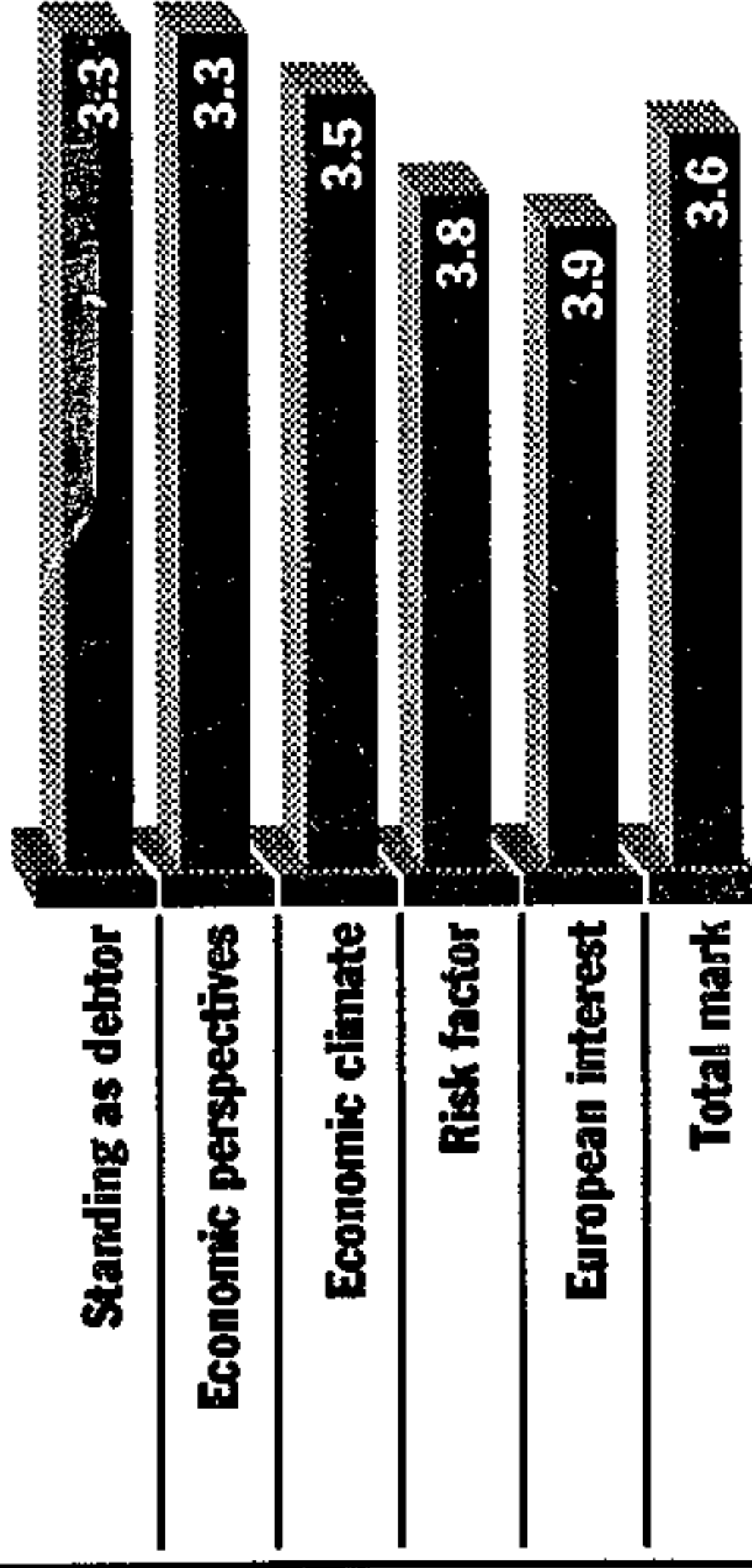
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RSA INVESTMENT MARKS



Ratings: 1 = extremely good, 6 = extremely bad

Source: Shandwick Bankers Survey/RSA Jan 93

COULD DO BETTER

SOUTH AFRICA's poor rating by European bankers as an investment environment highlights an urgent need for the country to better market itself abroad.

This is the view of Volker Stoltz, managing director of Shandwick Europe, the public relations group which polled the views of 41 leading European bankers with exposure in southern Africa.

He says the European banking and investment community underestimates SA's real economic strengths. "A cloud of political uncertainty is obscuring real investment opportunities in SA."

While politicians need to send the right signals, much of the burden of marketing SA abroad will have to be shouldered by the business community. Stoltz says this is because investors tend to be more convinced by bankers and business people than by politicians. The London, Frankfurt and Zurich bankers gave SA a score 3,6 as an investment environment on a scale where one is "extremely good" and six is "extremely bad".

British bankers are more optimistic about SA's future. On a five-year horizon their score improved to 2,9. German and Swiss bankers, however, are more pessimistic,

with a rating of 3,9. Some 74% of the bankers rate SA as a moderate investment risk at present, with 22% describing the risk as high. Only 4% see the risk as low or extremely low.

The poll also found that 57% of the bankers ascribe their risk assessment of SA to negative political circumstances. Only 8% cite negative economic prospects.

The bankers assess European investors' level of interest in South African stocks, bonds and loans as low — 3,9 on a scale of one to six. But 51% of the banks surveyed intend to be financially involved in SA's future economic growth.

Because the poll's focus was on southern Africa, bankers were also asked to give ratings for Angola, Botswana, Mozambique, Namibia, Zambia and Zimbabwe. Stoltz says the region generally received poor scores. Botswana narrowly edged SA out of the top regional spot with a rating of 3,4. Angola and Mozambique elicited the most negative scores of 5,5.

The bankers appear to have lost confidence in Zimbabwe, which received a rating of 4,6. Of note, British bankers were less optimistic, giving it a score of 5,1.

A Business Times SURVEY

Local banks, however, appear to view potential international competition as an opportunity and not a threat. This is because they believe foreign banks will bring in new capital and boost foreign trade, generally stimulating the economy and enlarging the pie for all.

ACTSA welcomes any renewed foreign participation in the local financial industry. Its chairman, Marius Ferreira, says: "South African corporations will benefit from increased competition as they search for the best financing packages."

"In turn, this will stimulate the local banking sector to present more innovative products and a greater selection of funding alternatives."

While the recent mergers and acquisitions in the South African banking sector have been necessary, ACTSA believes these have reduced competitiveness to the corporate sector.

The analyst says: "The only way to move into commercial banking may be to buy an existing bank, but most banks are already tied to the larger financial groups."

The Bank of Taiwan recently opened up shop in Johannesburg, and Societe Generale entered SA by buying the International Bank of Johannesburg in 1991.

Boost

In addition, several of SA's smaller banks have moved to strengthen their position by making strong contact with banks abroad, says Mr Mitchell.

An example is DuroLink, which gained international status through a recent tie-up with British-based Chartered WestLB.

Many of the foreign banks with representative offices in SA are also expected to apply for banking licences in the future when business volumes warrant it.

FOREIGNERS have used the financial rand as their South African whipping boy ever since it was re-introduced in 1985. Political turmoil, a feature of SA life, invariably sets off a new round of selling, which constantly puts pressure on the finrand rate.

Fact is, the finrand no longer facilitates or attracts foreign investment in SA — it deters it. Foreign investors are put off by the unit's volatility.

The Reserve Bank has attempted of late to take the rough edges off finrand volatility through intervention, and is implementing a range of new trading rules — such as quoting rates on the same basis as for the commercial rand — for local banks, which should increase stability.

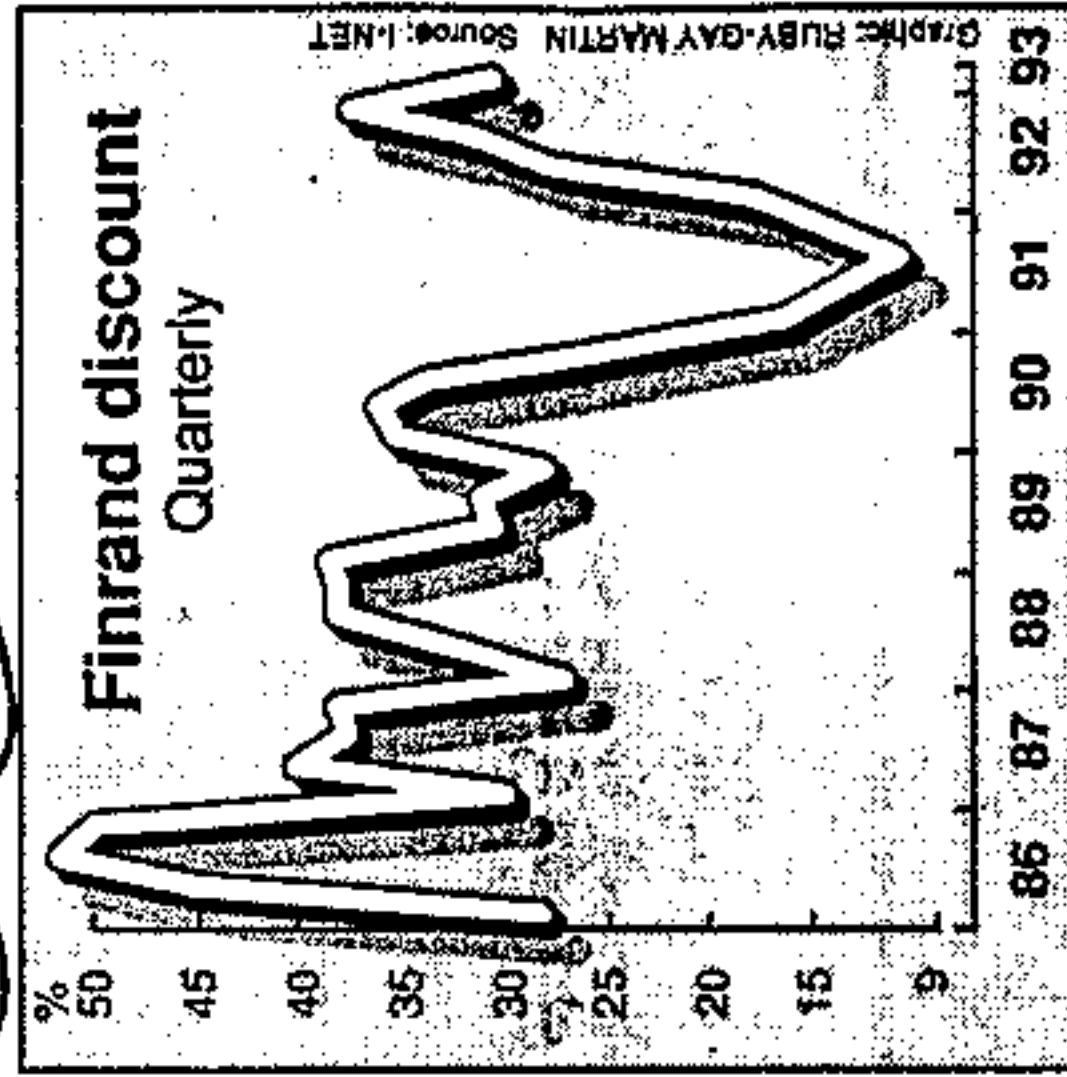
But to eliminate the wide discount between the financial and commercial rands, there needs to be increased demand for the unit.

At some stage — probably only once an interim government is firmly in place — some suggest the finrand should be scrapped along with most exchange controls. Others believe the finrand should not be scrapped. Rather its exchange rate should be brought into line with the commercial rand's and the finrand mechanism kept in place to handle

Time to widen finrand uses

61004 1572/93.

74



The Bank could consider allowing finrand investors to use instruments such as bankers acceptances, negotiable certificates of deposits and even Treasury bills.

This would give non-residents a much wider investment choice and, with the current high interest rates non-residents are getting, they would be unlikely to sell their stakes en masse.

A further step could be to re-introduce rules — scrapped in 1990 — which allowed non-residents to finance working capital or current expenditure in non-listed companies. Now, finrand investment can be used for only fixed assets in those companies. These rules were scrapped, apparently to curb finrand fraud.

Economists estimate that, from 1988 to 1990, about R1bn was invested in non-listed SA firms through the finrand.

The bottom line is there is an urgent need to increase demand for finrands to narrow the discount. While the Bank will have to ensure strict policing of new investment — SA has been hit by billions in finrand fraud — only by increasing demand will SA at last be able to scrap (or at least minimise) the adverse effects of its exchange control millstone.

appeasing a few in the white minority rather than using financial common sense.

Former Finance Minister Barend du Plessis admitted in 1989 that, since 1985, just R1,275bn had been invested in property in SA through the finrand. Of this, R52m had been invested in agricultural property and R306,6m in residential property. Almost all of these investments were at the top end of the property market, particularly wine farms in the western Cape.

Non-resident property purchases were made half through commercial rands and half through the finrand.

Considering that the total finrand pool is estimated at a conservative R100bn, property purchases of R1bn would have little real influence on the exchange rate. However, the perception of increased demand might be enhanced enormously.

severe shocks to the investment system.

But before scrapping or equalisation can take place, Bank Governor Chris Stals will want to see a healthy position on SA's reserves. Also, he will want to see an attractive real interest rate in SA to encourage foreign investment. This would also discourage a flood of capital from SA by institutions wanting to invest in better rates offered offshore.

So how can the Bank increase demand? It may well be time for it to widen the finrand investment uses to include the property and money markets.

The most visible — and politically difficult — change would be to property investment.

Non-residents could use the finrand to buy property up until 1989 when a politically sensitive NP, under pressure in the western Cape at the time of the September election, scrapped non-resident purchases of property through the finrand.

As usual, the NP took the route of

The next area the Bank could target is the money market. About R6bn in finrands are on deposit at SA banks. These deposits earn non-residents up to three times the return available to a resident South African. Like the gilts market, the investment is made in finrands while interest is paid in commercial rands. Also, non-residents are not taxed on these deposits.

BOOKS

World currencies lining up to score against pound

B/DAM 15/2/93.

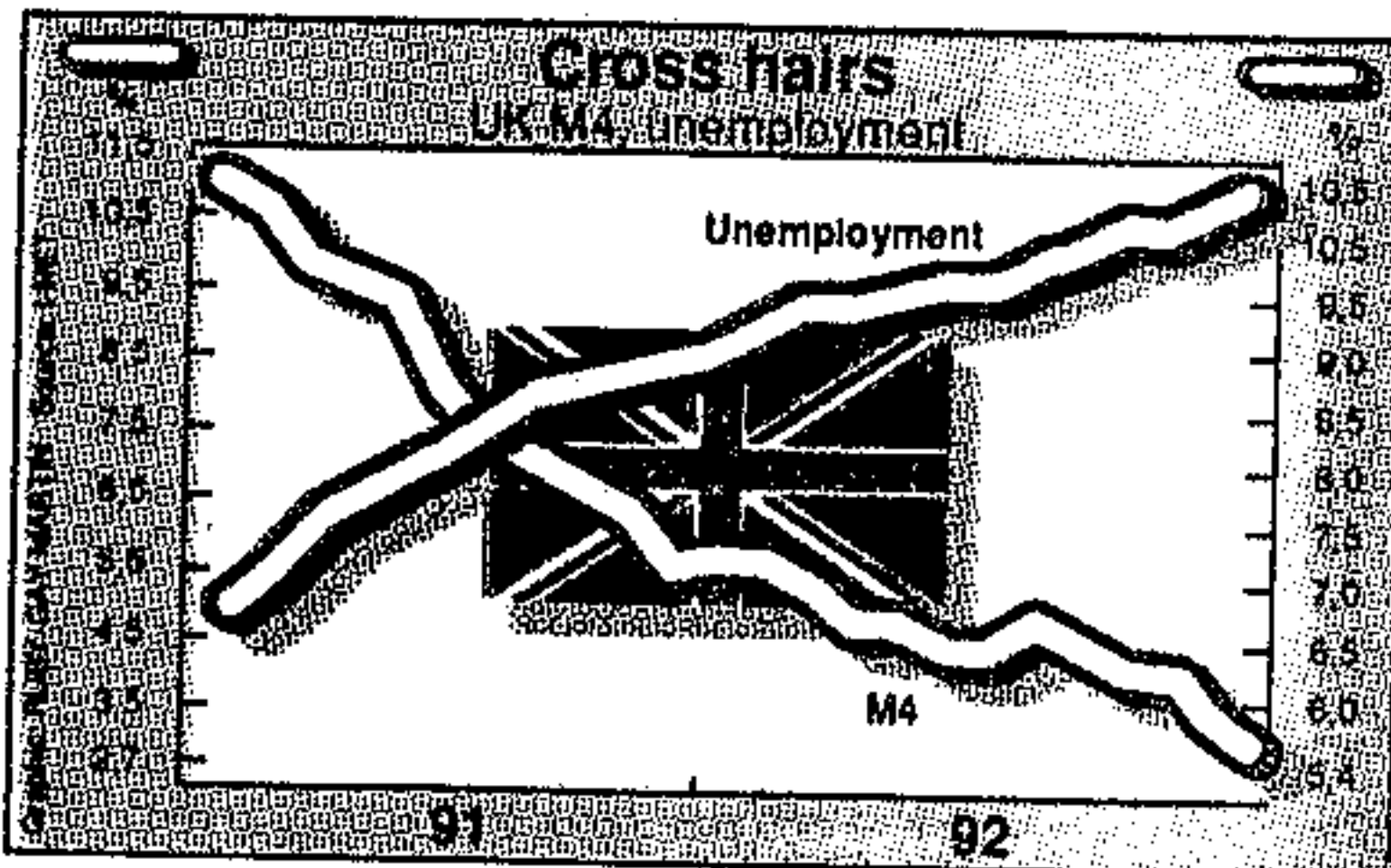
74

WORLD currencies must fancy their chances of making further gains against sterling this week as the next instalment of dismal UK economic data hits the markets.

The commercial rand, which has firmed from an average of R5,28 against the pound in the third quarter of last year to levels around R4,45 last week, will be one of the units lining up to score against the pounded pound.

The UK January unemployment rate is due out on Thursday, and is likely to show that the number of UK jobless has topped the psychological 3-million mark for the first time in five years.

The 61 000 rise in December's unemployed to 2,97-million, or 10,5% of the UK workforce, was enough to push the pound into its latest decline to record lows,



both against the Deutschmark and on the sterling trade-weighted index.

Apart from knocking the pound, the one-percentage-point cut in UK base rate to 6% at the end of last month also raised questions about the entire conduct of British monetary policy. Because the rate cut was not, as it usually is, telegraphed to the markets, the move raised suspicions that Prime Minister John Major had wrested direct control over exchange and interest rates from Chancellor of the Exchequer Norman Lamont and the Treasury.

The theory runs that Major is more concerned with the political consequences of continued stagnation than with the dangers of reigniting inflation, and views sterling's exchange rate as expendable in the quest for growth. The 1,7% UK inflation rate for January published last week means real UK rates are more than 4% — perhaps a bit stiff for a prime minister combating recession. None of these rumours has been confirmed, but they are credible enough to have undermined sterling.

The expected rise in January unemployment to more than 3-million is likely to fuel speculation that Major will go for a two-

percentage-point base rate cut to 4%, irrespective of the consequences for the pound, as he seeks to end the UK's longest postwar recession.

Other UK data scheduled for release on Thursday will probably reinforce the speculation. The declining level of pay deals in the face of the rise in unemployment has taken the annual increase in average earnings down to 5% in November. When December average earnings are released simultaneously with the jobs data a possible further fall to 4,5% can only invite expectations of further base rate cuts.

Provisional February money supply data are timetabled for publication on Thursday too, and may show further weakness in the broad M4 aggregate targeted by the UK Treasury. The monitoring range for M4 is 4%-8% and annual growth in the aggregate has dropped below the range for the first time since the recession.

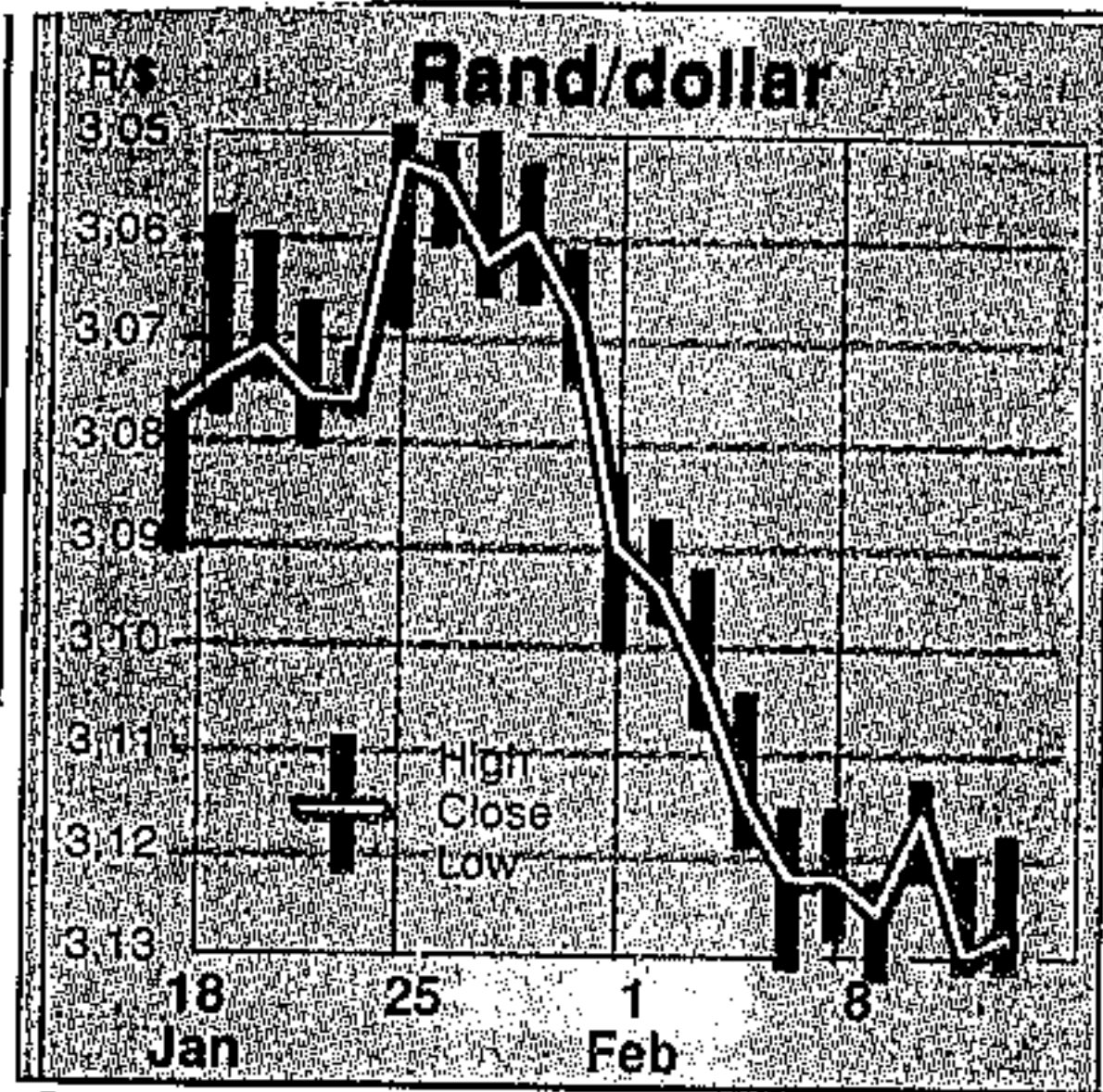
As the chart shows, the diverging paths of subsidising broad money growth and soaring unemployment make cross hairs in Major's gunsights as he — or whoever is running British monetary policy — takes aim as base rates again.

On Wednesday, UK January retail sales are published and may well set the scene for a downbeat Thursday in UK markets by showing another monthly fall in sales similar to December's -0,7%. Falling credit extension and sagging M4 do not suggest British consumers hit the streets in any appreciable numbers last month.

Among domestic data, figures for December producer prices are due today. Producer inflation eased to 7,5% in November from October's 7,8%, and the rand's strength on the European currency cross-rates should still be restraining import costs to help keep the rise in the producer price index well within single digits. Meanwhile, resumed normal rainfall over the interior should be contributing to a further slowing in fresh produce prices.

Thursday is also a big day for US data releases. US January consumer prices are slated for delivery, and should show US inflation steady around the 10-month low of 2,9% posted in December. Falling energy costs — the main disinflationary factor in the December outturn — should stay subdued.

The US December trade figures are out the same day, and are now increasingly sensitive in view of the US trade deficit's stubborn levels above \$7bn in recent months and Japan's swelling external surpluses. Coming less than a week after trade-related talks between the US Treasury Secretary and his Japanese counterpart, the figures could hone the Clinton administration's protectionist instincts by flagging another sizeable deficit.



Graphics: RUBY-GAY MARTIN Source: I-NET

A shortage of US dollars in the forex market saw the commercial rand end little changed on Friday, closing at R3,1288 to the dollar from Thursday's R3,1298 close. Conditions in the finrand market remained quiet, with that unit ending marginally weaker at R4,5086 from a previous R4,5050.

Finrand is to be quoted in rands

BLOOM 15/2/93. TIM MARSLAND (74)

THE finrand will officially be quoted in rands rather than US cents from today, in a move designed to bring it into line with the commercial rand.

Under the new quoting system, the finrand will open trade today at about R4,52/53, compared with Friday's \$0,2210/25 (R4,5086) close.

Banks have agreed to quote a 100-point spread. They will also make the minimum quote for professional trades \$2m, rather than the present R2m in finrands.

Dealers believe a sell-off of the unit today, on the back of the new quote system, is unlikely. They said the unit should trade at the same value as on Friday.

However, technical hitches would still delay banks being allowed more finrands overnight than under present rules.

At present, banks are allowed to hold small amounts of finrands overnight. They have asked the Reserve Bank to increase their overnight limits to avoid having to sell off positions at the end of the day, as happened on Friday.

A dealer said the unit shed much of Friday's gains at the end of the day when local banks sold off their positions to comply with present rules.

Reserve Bank foreign exchange GM James Cross confirmed there had been a

To Page 2

Finrand

BLOOM 15/2/93. (74)

From Page 1

delay on the overnight limit issue. However, he said the Bank had not guaranteed the banks that they would be able to increase their limits.

If the limit was increased, it would form part of their present overnight foreign currency limit.

Banks are allowed to hold 10% of reserves in foreign currency overnight.

Meanwhile, the commercial rand weak-

ened across the board on Friday as banks found themselves short of dollars.

A dealer said the Bank had supplied liquidity to the market only at the end of the day, which did not help matters.

He said it seemed the Bank could be temporarily tight for cash, so was unwilling to provide the market with any assistance other than that which was absolutely necessary.

● See Page 6

BIDAY 15/2/93

Portuguese debt plan

THE Portuguese government owed SA R90,8m, but the redemption of the loan would be extended until the Cahora Bassa dam operating company in Mozambique had settled its debt with the Portuguese government, Mineral and Energy Affairs Director-General P J Hugo said on Saturday.

REPORTS: Business Day Reporter, Political Staff Sapa.

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Graphic: RUBY-GAY MARTIN Source: I-NET

Foreign investors put pep into JSE

(74) MERVYN HARRIS

RENEWED foreign buying injected fresh life into the JSE yesterday to lift the all gold index almost 5% or 47 points to 1 008, its highest level since August last year.

The rally came on the back of US investors returning to the fray after a holiday but the market came off the top towards the close on expectations that Wall Street would open lower. Concern over higher taxes when President Bill Clinton unveils his economic package today sent share prices tumbling on Wall Street, where the Dow Jones opened 76 points lower.

The strong performance of JSE gold shares came despite little early movement in the gold price but it later closed more than \$3 higher in London at \$331,80 on the sell-offs on Wall Street and the dollar.

A dealer said: "People are worried that they might miss out on a gold boom and this has encouraged nibbling by domestic investors who have been surprised by the huge foreign buying." *810M 17/293*

Trade in gold shares accounted for almost a third — R240m — of last week's turnover of R762,8m, the highest since the week to August 17 1990. Gold share turnover over the past month totalled R447m. The rise of gold shares has taken the all gold dividend index down from a high of 7% last November towards 5% yesterday.

Arab wealth begins

to flood into SA

STAFF 18/12/93

74

Middle East oil sheikdoms, beginning to look disillusioned about low returns from many investments in Europe and North America, have started to plough fortunes into South Africa, reports MICHAEL CHESTER.

NEW flows of investments into South Africa from oil-rich Arab businessmen look set to grow from a stream into a torrent once a new democratic government has been installed and political unrest has abated, according to bank and trade sources.

A dramatic climb in two-way trade between South Africa and the Middle East is also under way as the Gulf states resume business contacts that were severed at the start of the global sanctions blockade.

Middle East investors have already poured in tens of millions of petro-dollars, mainly in property deals in and around Johannesburg, the eastern Transvaal safarilands and tourism magnets along the Natal and Cape coastlines.

Ebrahim Kharsany, chief executive of the Islamic Bank based in Johannesburg, believes it may be only the start of a surge in investment.

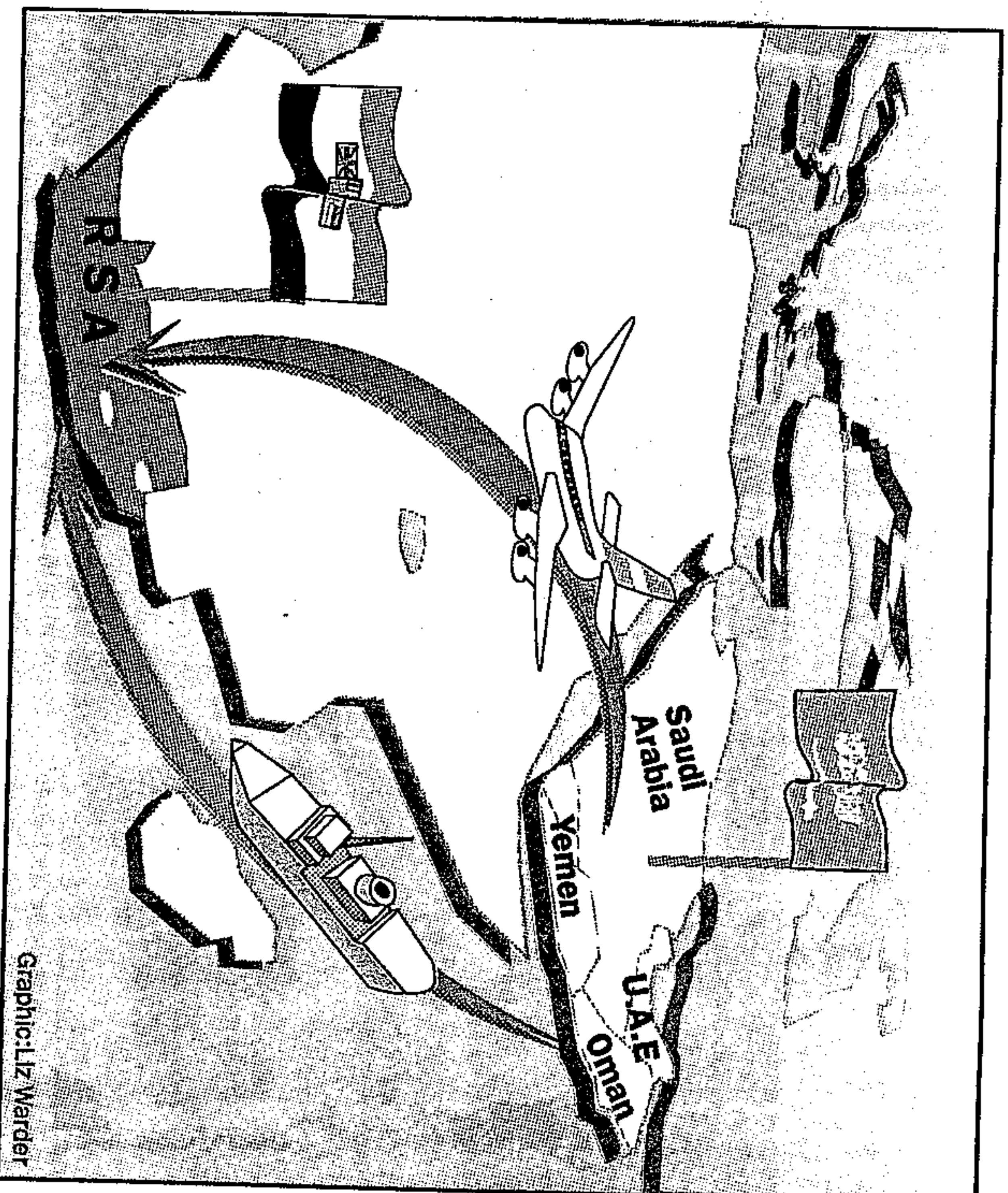
So far, he said, interest in the potential of South Africa as a new investment haven had been largely confined to wealthy individuals, oil sheiks quick off the mark to explore the market for private deals as commercial sanctions were dismantled.

Once an interim government had been installed and normal political relations resumed, he predicted, investments were likely to soar.

Among the main attractions is the weak rand exchange rate, which adds to the buying power of petro-dollars when deals are struck.

"That can be a huge influence when oil sheik billionaires begin to look a bit disillusioned by low returns from their massive investments in Europe and North America . . ." says one investment analyst.

"There are rumours that



Graphic: Liz Warder

Kuwait alone is thinking about pulling out a whopping R18 billion in investments in Spain because of disappointment in profits. There are also long faces about economic problems in Britain, where they went on an investment binge a few years ago.

"Middle East investors are now looking at new possible money-spinners from their oil wealth. More and more of them are now examining the potential of South Africa as a global tourism magnet, once the violence subsides."

The scale of investments so far cannot be estimated with any precision because of the low-profile maintained in most initial deals. But it already runs into tens, if not hundreds, of millions of rands.

Abu Bakr Mohammed, a director of the Al Baraka Bank of South Africa, confirmed that the Dallah Corporation based in Saudi Arabia had already ploughed more than R50 million into business and property deals in Durban — in office blocks,

hotels and industrial land.

He said Arab investments had also been steered into the R1 billion Point Development Project in Durban.

Dallah was now exploring investment opportunities in the Transvaal, with a special eye on luxury private and business properties and shopping centre developments.

Most investors from the Gulf states — the United Arab Emirates in particular — were interested most of all in real estate and tourism.

That was made obvious when Dubai investors — via Geap International (UAE) in Durban — hit the headlines with a R40 million bid to gain control of the luxury Fancourt golf holiday complex off the Garden Route, plus troubled companies hit by the Masterbond debacle. Though the curators of Masterbond indicated they intended to reject the offer as not enough, there were still two more Middle East investors in the queue waiting to lodge new bids of their own.

In Johannesburg, Faried Chunnara, of the Africa Muslim Agency, said he had been approached by several Middle East investors to look into business opportunities, including possible joint ventures.

"They feel South Africa may be on the brink of tremendous progress if it can achieve political stability," he said.

Keen interest is also being shown by oil sheiks whose romance with horse racing has become legendary around the world.

Reports are already circulating that mega-rich Arab investors may be negotiating to buy a number of Natal's biggest racehorse stud farms.

Speculation about moves into South Africa have been fanned by news that Arab racehorse owners in Britain have started to look sour about current UK tax laws.

It is a dramatic improvement in trade links, as well as investment interest, that encourages both the SA Chamber of Business and the SA Foreign Trade

Organisation about growing Middle East interest in South Africa.

The arrival in Johannesburg at mid-week of a large trade mission from the Sultanate of Oman marked the latest in a chain of business exchanges.

Under the wing of the Oman International Bank, members of the mission were carrying shopping lists for a wide range of items — electrical and electronic products such as home appliances and computers, general hardware, foodstuffs and consumer products of all sorts.

They also said they wanted to explore the chance of joint business ventures.

A recent trade delegation from United Arab Emirate states, keen to lessen dependence on oil production, made plain it wanted South Africa as a new economic partner. The aim was a return flow of investments from South Africa — especially with technology know-how to help develop a bigger industrial sector.

Mohammad al-Fahim, deputy chairman of the Abu Dhabi chamber of commerce and industry, said: "We still feel we need more investment in the industrial sector. There are great opportunities for South African companies."

The industries the UAE wanted to develop aimed at higher production of aluminium, cement, chemicals, paper, garments, food and consumer products. Also, the UAE emphasised its role as a major transit centre for import/export flows in and out of India, Iran, Pakistan and Saudi Arabia.

There was an open invitation to South African companies to participate in a big international trade fair to be held in Abu Dhabi, the largest of the seven emirates, in April. Saito chief executive Len van Zyl urges SA companies to seize the opportunity. He reminds them about the outcome of an initial test of Middle East markets with a trade fair in Dubai four months ago.

"SA exhibitors, who set off in serious doubt about making a breakthrough, were astonished when more than 4500 businessmen from all around the Gulf arrived," he recalls. "They came away with firm orders worth no less than R750 million."

No simple answer to Lome membership

BIDAM 19/2/73

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THE decision on whether SA should become a member of the Lome Convention cannot be taken in isolation. It is not merely a bilateral relationship between SA and the EC, but will affect economic and trade relations within the whole of southern Africa.

According to European Commission deputy director-general for development Peter Pooley, the size of the SA economy, compared to other developing countries would automatically make it a dominant force.

SA, like its neighbours, is reliant on its raw materials and agricultural sector for exports, while its manufacturing industry is weak. But this similarity in pro-

file, if not in scale, is not a negative. Pooley believes it "presents opportunities for achieving complementarity in economic effort".

"Complementarity, cumulation — these are the key economic concepts. Co-operation, coordination — these are the key political concepts," Pooley is on record as saying.

The Lome Convention is a comprehensive co-operation agreement between the EC and the African, Caribbean and Pacific countries (ACP Group). It was first signed in 1975 and renewed in 1979, 1984 and 1989.

Its role is two-fold:

- To provide grants, risk capital and loans for national and regional de-

velopment programmes; and

- To provide duty and quota-free access to the EC for almost all ACP exports, and funds for trade promotion and development

There are 68 developing countries involved, which together with the EC makes a total of 80 members.

Agreed

- The question of SA's membership will have to be agreed upon by all the members.

The negatives do not only concern how SA's inclusion will affect the other members. There is a view that the benefits to SA itself are debatable.

Some believe Lome was

designed to keep Europe's former colonies in their old place, providing raw or semi-processed materials to the mother countries. As discussed in a Business Day editorial, a developing country classification would colour the views of prospective investors. It could ruin its investment status.

"SA could condemn itself to years of sub-Saharan investment status if it were precipitately to go for Lome membership. A better target would be agreement which allowed our manufactured and processed goods easier access to the EC. Unprocessed minerals and agricultural products can look after themselves."

Refocused SADC agrees on greater integration

SA's economic dominance in southern Africa has concerned its regional neighbours for many years, and in 1980 led to the formation of the Southern African Development Co-ordination Conference (SADCC).

The original signatories — which remain unchanged — are Angola, Botswana, Lesotho, Malawi, Mozambique, Namibia, Swaziland, Tanzania, Zambia and Zimbabwe.

The goals of the members were to reduce their dependence particularly, but not only, on SA and increase co-operation between themselves.

In a policy document prepared for the 1992 SADCC annual conference, it was accepted that al-

though SADCC has failed to achieve all it set out to do, it had scored successes in agricultural research, energy, transport and communications. But more than anything else, it said, the greatest success had been in forging a regional identity and a sense of common destiny among the 10 member states.

In that period, however, there was little progress towards reducing the region's economic dependence on SA and increasing regional integration.

SA continues to be a dominant force, with an economy three times the size of all SADCC economies combined, while its political changes make its "ogre" status unfitting.

The members have agreed that greater integration is essential for growth and development in the region.

Stressed

In the policy document it is stressed that integration must be promoted while recognising the present diversity and disparities in levels of development, resource endowment and capacities among the member states.

In an effort to emphasise the move away from the project-based co-ordination of the past to a development integration approach, SADCC changed its name to the Southern African Development Community

(SADC) in mid-1992.

Safto's Ann Moore says the new name acknowledges the new focus which aims to:

Promote greater mobility of investment capital within the region;

Create a single regional market, in which there is increasing and freer movement of goods and services;

Progressively remove barriers to the free movement of people within the sub-continent; and

In each country accord, on a reciprocal basis to all SADC citizens and companies, treatment equivalent to that accorded to nationals.

Practical changes which will have to take place to

achieve the above goals are:

The removal of various bureaucratic, regulatory and administrative non-tariff barriers to the movement of goods, services and people in the region;

To overcome the non-convertibility of currencies and other payments related problems;

To improve physical and economic infrastructure; and

To increase demand for goods.

Although no official policy has been released on SA's future involvement in SADC, it can be assumed SA would benefit from access to regional and continental markets.

Latin America still untapped, says Safto

BIDMY 19/2/93 (74) ~~(75)~~
ONE trading region which is not fully appreciated by South Africans is Latin America, says Safto manager Jean Pira.

Trade with Chile, Argentina and Brazil does take place, mainly in steel, chemicals and mining equipment, but markets such as Colombia, Mexico, Venezuela and Paraguay are largely untapped.

And they do have the money. Their economies have opened and duties are low — all SA needs to prove is that it can do better than the US and Europe as a

trading partner. Hindrances to trade are language, in some instances, and the lack of air links. In a bid to promote the region, Safto is taking a group to Colombia and Mexico in March.

Ironically, though exports to Latin America are limited, imports do well. Brazil exports chemicals, raw materials, plastics and shoes to SA, Chile exports fishmeal, beans and lentils while Argentina has been a major source of maize.

SA must "look sideways", says Pira.

Getting paid a major drawback to Africa

BIDM 19/2/93

74

In many countries in Africa political doors have been slow to open, but trade links are being forged daily. Markets which South Africans never thought would entertain the idea of close links are searching for business.

Safto assistant manager special projects in Africa, Angela Self, says the role played by the Foreign Affairs department through the sanctions years in quietly maintaining contact with other African countries, cannot be underestimated.

In fact, it is believed that "invisible" trade with Africa is worth over R5bn a year. The official trade figure is also in excess of R5bn.

But it has not been easy to unlock the potential, and many companies have burnt their fingers by rushing into ventures without researching the markets.

The major drawback is getting paid. Acute foreign exchange shortages have effectively put a lid on trade with many interested

parties. The level of business sophistication in some countries is also questionable. South Africans are having to deal with untested business contacts, scams abound, and communications are frequently unreliable, Self says.

Negated

But the problems do not all stem from beyond SA's borders. High transport costs in many instances have negated the competitive advantage South Africans thought their products would enjoy.

The cultural divide was also not fully appreciated, Self says.

SA's original trading partners outside the customs union still remain its largest. They are Zimbabwe, Mozambique, Zambia and Malawi.

About 25% of all SA's exports to Africa go to Zimbabwe. Chemicals top the list, but with Zimbabwe's well developed manufacturing sector, inputs for its own industries are also sourced from SA. Goods

such as machinery, instruments, telecommunications, cables, and paper are SA's major exports to that country.

In return, SA's imports include mineral products, textiles and prepared foodstuffs and horticultural products.

In 1991, Mozambique became SA's second most important African market, despite being one of Africa's poorest countries with an annual per capita income of \$80. Aid money guarantees payments for many items such as essential foodstuffs and critical spare parts.

Mozambique has been awarded preferential trade status and its produce is only subject to limited import duties. Although imports into SA from Mozambique are controlled by a quota system, it does mean it has a guaranteed income from its major industries, such as seafood, fish products and cashew nuts.

The reconstitution of Zambia's economy has opened up opportunities for trade in vehicle and manufacturing equipment, con-

struction and communications, as well as paper and paper products.

Self predicts a surge in trade with Zambia, which has become SA's third largest trading partner in Africa.

Mauritius, with its annual per capita income of around \$3 000 and its classification as a "newly industrialised" country (like Botswana), is an important market for SA. It has a stable economy and access to European markets through its membership of the Lome convention. It also provides SA with a gateway to the east.

Halved

But not all markets are expanding. Imports from Zaire halved in 1991 and exports fell by 30%, due to political upheavals and the country's inability to pay.

Inflation is unquantifiable with the dollar/Zaire exchange rate falling from \$1=460 000 Zaires in July 1992, to \$1=2,6-million Zaires in January 1993.

In the past, however, Zaire was a two-way pref-

erential partner. Angola, too, will probably suffer from the resurgence of violence, but in 1991 it became a major area of interest for South African companies, especially in the area of reconstruction.

Trade with West Africa is one of the more exciting new developments, Self says.

In 1991 trade with Morocco, for example, rose by 70% despite its close proximity to European markets. Morocco's attraction to SA, like Ghana, is its mining.

Self says West Africa can offer something vital to SA traders — hard currency. The Economic Community of West African States trades with a freely convertible CFA Franc, backed by the French Treasury, and a fixed exchange rate.

Nigeria, although not backed by the CFA Franc, has powerful currency resources backed by oil reserves, while Ghana's currency resources have been boosted by a recent economic recovery and renewed mining activities.

India warms to SA trade

WHEELING vultures are familiar to the Bushveld eye, but I never expected to see so many out of my five-star hotel room in the heart of heaving New Delhi.

How do they eat? A lot better than much of India's 850-million population — dying cows are the main food source, one untouched by the Hindus who comprise 85% of the population.

The South African Foreign Trade Organisation (Safto) was invited to India by the Confederation of Indian Industry (CII) to attend its 10th Engineering Trade Fair. The invitation was a little too late, or a little too sensitive still, to allow the delegates to exhibit.

Safto was offered a small stand to house the efforts of the 11 companies attending — Anglo American, Gold Fields, Dorbyl, Foodcorp, Control Logic, Voltex, Carlton Paper, Oreport, Safcor, CSIR and the smallest, Equilateral.

At a CII reception for the party, Safto chief executive Len van Zyl said he hoped that SA-Indian trade could soon grow openly.

(It is no surprise that third parties have facilitated trade between the two nations and a small amount is undertaken directly, albeit without too much flag-flying.)

Officially, India toes the October 1991 Commonwealth heads of state line — that people-to-people, cultural and scientific sanctions could be lifted, but trade must wait until arrangements for an interim or transitional government in SA were made.

We were told by India's Trade Ministry that the

India is defrosting its attitude to South Africa as apartheid dies. There are many economic similarities between the two countries.

JULIE WALKER reports.

matter was receiving serious attention. Perhaps another few weeks could see a breakthrough — certainly, neither the SA contingent nor potential Indian trading partners were too worried.

There are many similarities between the two nations — we have a large poor rural population, so do they.

We are culturally and ethnically diverse. India is divided along religious lines.

We are nurturing corporate social responsibility, so are they.

We both need to export more — what nation does not?

More than 1 000 Indian companies vied with 500 from 22 exhibiting countries at the huge fair. For many of our party it was a look-and-learn experience. Most were satisfied with the progress.

Coal seems to be in demand — India is in the ironic position of having taken the electricity supply to more than 90% of the people, but they remain unconnected at the bitter end.

Those who have been linked up are served with interrupted power — India's generating capacity is insufficient. In SA it is the opposite — Eskom has 5000 megawatts of generating capacity in mothballs while two-thirds of the pop-

ulation sit in candlelight.

Control Logic attracted big interest at the trade fair with its pre-paid electricity meter — collecting payment for power is a universal problem.

And always is there irony — our man from Carlton paper was promoting the sale of toilet rolls while another of our party struck by Delhi belly sought in vain to find an Indian toilet supplied with same.

The World Bank is leaning on India to reduce its import duties on consumer goods — currently up to 110% to protect local production.

It is Budget day shortly and many expect a tariff reduction to perhaps 85%. It was 400% not so long ago.

A year ago a new five-year economic plan was announced to liberalise the economy and allow it to compete in an increasingly open world of trade.

Only a handful of items are banned from entering or leaving India. Duty is lowered if the import is for re-exporting.

Exporters may exchange 60% of their foreign exchange at market-related rates, the balance has to be done at less favourable official rates.

The intention is to make the rupee fully convertible.

Nobody is buying big machinery ahead of an expected cut in Customs duty on capital items — as when we brought in VAT.

S/Times (3455) 2/12/93

SA eyes Philippines

SAFTO is to take its first ever trade mission to the Philippines at the end of next month. Safto Asia manager Graham Limerick says the Philippines, a market of 64-million people, has recently started actively encouraging its businessmen to establish links with their South African counterparts. (74)

The trade mission will also visit South Korea. A weekend stopover in Hong Kong will coincide with the Springbok rugby team's debut at the International Sevens Tournament.

IN 1985, Ravi Batra wrote a remarkable book, *The Great Depression of 1990*, and updated it in 1988 after the stock market crash which he then described as a "mini crash" despite the severe 22.6% plunge in the index.

His main theme is that historical determination is clearly evident in the cyclical nature of recessions and depressions, money growth, inflation, government regulation and the growth and decay of societies.

Recessions have occurred in the US economy at roughly 30-year intervals, interspersed with serious depression every 60 years, during the 1820s, 1870s and 1930s. And he calculated that a long, deep world depression would begin in 1990, and last at least six years. So the big question is: are we in a depression already or are the Americans justified in thinking that the recession is over?

Batra reasons that the primary cause of depressions is the unequal distribution of wealth which reaches extremes just before each slide into the abyss. About 1% of Americans owned 36.3% of the national private wealth in 1929. After declining to 21% by 1949, it rose steadily: last year the Federal Reserve said the top 1% of US households increased their share of private net worth from 31% in 1983 to 37% in 1989.

The deployment of this money is skewed in favour of speculation and away from productive investment, causing a financial panic when the bubble bursts and an accompanying depression ensues.

Right now, the stock markets and their derivatives, the futures markets in the US, UK and some Asian markets are no more than casinos. Money deployed in the futures markets exceeds stock market capitalisation by large multiples and annual turnover in shares on the stock markets has risen to about 80% of their quoted value. They are no longer investment vehicles.

The behaviour of the American stock markets in particular is instructive. The Dow Jones industrial index contains the 30 so-called blue

Sooner or later, the stock market bubble will burst

BIDM-1 22/2/93

FRED CROOKS

chips. Many of these companies are in deep financial trouble and some are technically bankrupt, yet the price to earnings ratio for this group is about 40 — their earnings are about 2.5% of their quoted share values on average. The index reached 3 440 on June 2 1992 and has declined about 150 points since.

The Standard and Poor 500 Index accounts for 500 of the largest corporations and boasts a price to earnings ratio of about 26. It reached a high of 443 in December and is a few percentage points lower now.

The rest of the public stocks are sold "over the counter" or are contained in indices such as Amex. These secondary stocks are enjoying unprecedented popularity. TV advisers repeatedly say these stocks have brighter prospects than their struggling peers, and consequently they continue to make new highs. Clearly a divergence has developed indicating uninformed buyers are participating in the game of picking winners. These unwary gamblers should take cognisance of a few points.

Firstly, at no stage during the 20th century has the price to earnings ratio of the Dow Jones index been so high. Just before the 1929 crash it was a dizzy 20 or so.

No index rises indefinitely. Forecasts are for a Dow Jones index at

3 600 and Standard and Poor 500 at 454. These are probably wishful empirical calculations and the potential for loss is far greater than the likelihood of profit. What happens if or when these levels are reached?

Examination of a long-term chart of the Dow Jones industrial index shows a resistance line for prices going back to its inception and containing the highs of 1929, 1965, 1973 and 1983. During 1984 prices breached this line at an index level of 1 250, and in a scant eight years were almost 300% higher at 3 440. Technically this is known as a "blowoff".

It is frightening to see this phenomenon on any chart and it always portends an even more rapid and deeper reversal of prices, at the very least back to the resistance line which then becomes a support line. Cyclical analysis using the Fibonacci series indicates a progression of market reversals culminating in October 1995 with the index at either 1 450 or an unimaginable 750!

Ralph Elliott used what he called the "Laws of Nature" to analyse and predict stock prices with astonishing success, and his disciples continue to emulate his achievements in real life trading competitions, outperforming

all other systems consistently. This school predicts a massive market correction during the next few years.

Looking abroad it is evident that the other two major economic giants do not share America's optimism. The Japanese stock market is more than 60% down from its 1989 high and German stocks are below their 1987 pre-crash highs while the American stocks are about 30% higher, UK stocks about 20% higher and SA industrial 100% higher than their pre-1987 crash highs. Have prospects really improved since those heady days?

British euphoria after the election of the Tories in April 1992 and after the October devaluation are prime examples of top of the market madness. Industries are flagging and have long been in decline. Consensus is that a cheap pound will stimulate exports — but who is buying?

Budget and national deficits have become topical since Ross Perot highlighted it during the US election campaign, but how many people really understand the implications?

A \$4-trillion debt has so many noughts that it boggles the mind, but simply stated it translates to \$16 000 for every American citizen, or more than \$50 000 per average household. In 1990 the federal reserve stated that 90% or 84-million of these households had an average net worth

of \$57 000 each. It will therefore take the entire stock of private assets owned by virtually all Americans to repay the national debt. US prosperity rests on the quicksands of international credit. The current ratio of US debt to GNP of 2.6:1 was last recorded in 1929.

Whether by accident or design, the US administration engineered a criminally brilliant plot to dupe its creditors. It refrains from printing money thereby keeping down inflation and interest rates and instead issues IOUs called treasury bonds, backed by faith and trust in the government alone and redeemable in 30 years time, mostly to foreigners and big banking institutions in the US. It is not far-fetched to envisage a run on these practically worthless, unbacked "securities" by some of the giant Japanese banks who are dangerously undermargined, thereby creating a panic akin to the banking crisis of the early 1930s.

Adding to these woes is the mounting balance of trade deficit. This feature accompanied many of the earlier depressions, but the latest version must be viewed with alarm. Since 1984 the dollar has lost more than 50% of its value against the Deutschmark and the yen, yet this devaluation failed to give the US a trading edge against its competitors. Trade also requires credit and world liquidity is ebbing according to the International Bank Credit Analyst, which is punting the risk of a repeat of the 1987 global stock market crash.

It also points out that "investors in US securities who ignore Japan do so at their peril. Japanese still own \$200bn of US securities, mainly government bonds. They stopped buying securities in 1987 and helped to cause the crash that year. Outright repudiation of American assets in a financial panic would be much worse."

In all this it is difficult to find room for optimism and it might be prudent for genuine investors to stand aside from the overheated financial markets until the situation resolves itself.

Crooks is a lifelong student of stock markets. He lives in Howick, Natal.

Winnie: ~~12/22/93~~

Plot to oust Nelson

JOHANNESBURG. — Mr Nelson Mandela's estranged wife Winnie has claimed that an ANC cabal is trying to topple him in favour of secretary-general Mr Cyril Ramaphosa.

Mrs Winnie Mandela, 57, in an article she wrote for a Sunday paper, said the group wanted to broker a private power-sharing deal with the government.

She said the leaders wrote in 1990: "To include the masses who are mostly illiterate when it comes to the intricacies of negotiations is a folly."

The allegations were dismissed yesterday by the ANC, which reaffirmed its commitment to Mr Mandela's leadership. — Sapa-Reuter

Keys drops Zimbabwe trade trip

Own Correspondent

HARARE. — South African Finance Minister Mr Derek Keys will not be coming here for trade talks after all because of President Robert Mugabe's continued hard line on sanctions.

Instead he will meet Zimbabwe's Industry and Commerce Minister Mr Christopher Ushewokunze, in South Africa this week.

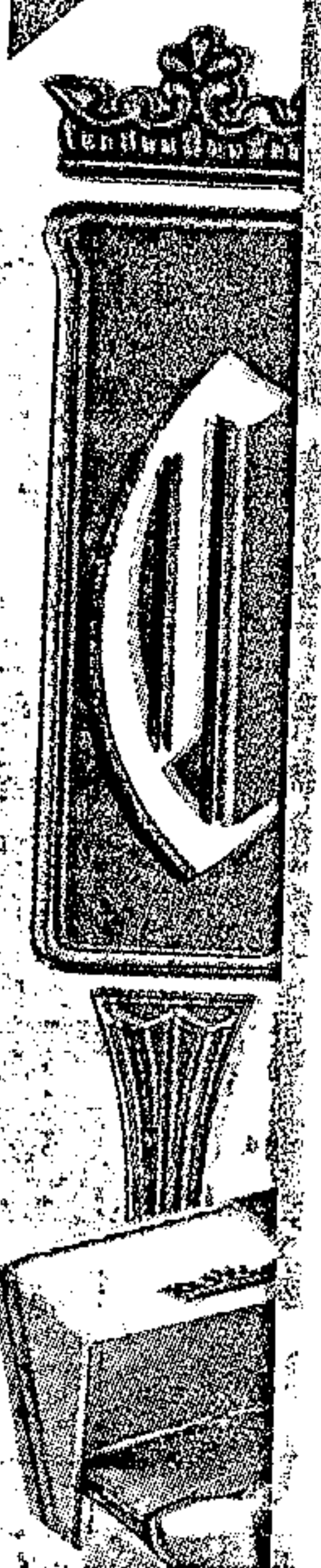
They are to meet in a bid to break the political logjam over updating the 1964 "most favoured nation" trade pact.

Negotiations on the pact have been underway for two years.

● Zim court case verdict may ground rhino war — Page 5

● Zim tourism plan eyes 'big spenders' — Page 5

NOW



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Bear market 'ending' for overseas investors

STAR 22/2/93

By Neil Behrman

74

LONDON — South Africa's bear market could at last be ending for international investors.

Local investors may have done well out of SA equities over the past few years, but until recent weeks, the international buyer of bonds and equities has had a torrid time.

They have encountered a sliding commercial and financial rand since the early eighties. Combined with poorly performing bullion and shares, international investors have thus seen the value of their South African securities slump through most of the past decade.

Currencies are mainly to blame. Since 1983, the commercial rand has depreciated by 65 percent against the dollar, by almost the same amount against the pound and by 78 percent against the Deutsche-

mark. So earnings, dividends and interest in foreign currency have devalued accordingly.

The financial rand was briefly unified with the commercial rand 10 years ago. Now it is standing at a huge discount to the commercial unit, so its collapse was even worse. It has fallen by about 75 percent against the dollar and sterling and by 86 percent against the mark.

For each Deutschemark invested in rands 10 years ago, the currency value is now worth only 14 pfennigs. Of course there have been good rallies during the period, but the currency direction was down.

Gold index

Thus, at the nadir of the market last November, the Financial Times gold share index had slumped by 91 percent to its all time low. Since then, weakness of sterling, recovery of the financial rand and indications

that gold and diamond trade were improving, boosted SA mining shares in London considerably.

Even after the sharp rally, SA equities and bonds are still relatively cheap.

One sign that SA securities on international markets are near the end of their bear trend is the contraction of the international broking community that specialises in South Africa.

A classic sign of market bottom is when players give up hope. This is what happened in the final quarter of 1992.

According to Tom Walford, one of the most experienced and knowledgeable participants in this market, there are hopeful signs that volumes and prices are now in a solid upward direction.

During the peak of the boom in the early eighties, Walford was chief executive of the international department of Simon & Coates, now Chase Securities.

He controlled a team of eleven. At that time there were about a dozen London firms which actively traded the market. Now there are only three to four active London houses with much smaller teams.

Walford (59) will be shortly leaving James Capel's shrinking mining unit. Even though Capel is a leading player in SA, its HongKong Bank masters are tightening the screws. For example, they have shifted John Taylor, a talented mining analyst to the "emerging market" desk.

South Africa is thus classified by Capel and other brokers as an emerging market, when it should really be called a "re-emerging" one. Taylor is currently touring Pakistan.

"Ironically, business and profitability of Capel's SA division have improved markedly in recent months," says Walford.

Year of uncertainty ahead for investors

BIDAY 23/2/93

74

GENERAL equity unit trusts, which represent nearly 75% of total investment in unit trusts, had average returns of 5,8% last year.

This compares favourably with the JSE acturaries overall index which declined 2,04% during the same period, but is well below the annualised inflation rate of 12,9%.

Although the performance of the JSE was relatively flat on a 12-month view, there were some fairly major swings in the market, with a variance of 28% between the high in June and the low in October.

The volatility of the JSE stems largely from the abnormally high degree of uncertainty that gripped most investors.

Such volatility is likely to dominate the market this year. While a high degree of uncertainty exists, markets are likely to fluctuate wildly in response to various factors.

Political uncertainty continues to hold sway. Un-

This should be a difficult year for most investors as they try to anticipate the changes taking place within SA and those that could affect global stock exchanges, writes Consolidated Fund Managers MD CLIVE FOX.

til there is a clear direction on the country's future, SA investment markets are liable to respond dramatically to developments.

The uncertain political undertone has also had a negative bearing on the economy, where businessmen find it difficult to make future plans in such a volatile environment.

On a more positive note, the significant decline in the consumer price index has resulted in lower interest rates.

The benefits of lower interest rates should improve the overall profitability of the corporate sector and provide small stimulus to consumer confidence.

The business community has significantly restructured during the recession. This is likely to translate into strong bottom-line earnings growth if there is an improvement in the

business climate.

Although the JSE is at present expensive by most ratings, should earnings growth occur, it would go some way to improving the present overvaluation.

Looking at external factors, there is evidence of recovery in the US economy.

This improvement has already translated into a much stronger dollar, which is likely to widen further the US trade deficit.

Depending on the strength of the US recovery, the US Federal Reserve might soon be forced to raise short-term interest rates. This could have a strong undermining effect on a desperately overvalued Wall Street.

Instability is likely to remain a feature this year as countries battle against the effects of recession and the need to stimulate their

economies with lower interest rates.

In Japan, the economy continues to weaken under the effects of strong asset deflation. This has serious implications for the banking industry and could result in the Tokyo stock exchange reaching lower levels during the course of the year.

Overall, the environment does not bode well for growth. Given the overstretched local industrial equity market, a fair degree of risk remains in funds heavily exposed to industrial equities.

With the dividend yield on the industrial index perilously low at 2,5%, the possibility remains that industrial shares could suffer a severe setback before a period of more discernible growth.

As with 1992, it is CFM's view that investment in industrial-biased funds is likely to remain unexciting, although volatile.

Looking to the mining boards, gold shares could show some improvement



CLIVE FOX

from the depressed levels of late 1992.

Global inflation has been running at some very low numbers, but there are signs it could be picking up in some major economies.

It is probable that the gold price will reverse its extremely long downtrend. Any small gain in the price could translate into a large improvement of earnings, allowing for a fairly substantial recovery in gold shares.

A conservative stance to investment remains appropriate. With inflation less than 10% and likely to stay that way for a while, investment in the income funds, last year's star performers, could still be advantageous.

creases would be slight. on higher gold prices.

UK tax could hit holders of SA equities

HUGE capital gains taxes in the UK would hit holders of SA equities, gilts and other assets and could depress the financial rand, analysts said yesterday.

"Broadly speaking, this new law means certain off-shore individuals could become taxable on their worldwide income and assets, including those in SA," said Syfrets international consultant David Cosgrove.

TRACY SCHNEIDER

Reserve Bank GM for Exchange Controls John Postmus said the sale of UK holdings and shares in SA could affect the finrand. The taxation included a

worldwide inheritance tax of 40% on amounts above £150 000 and capital gains tax levied at the same rate as UK income tax.

Among solutions Syfrets was proposing was an off-shore trust.



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(Registration number 51/01937/06)

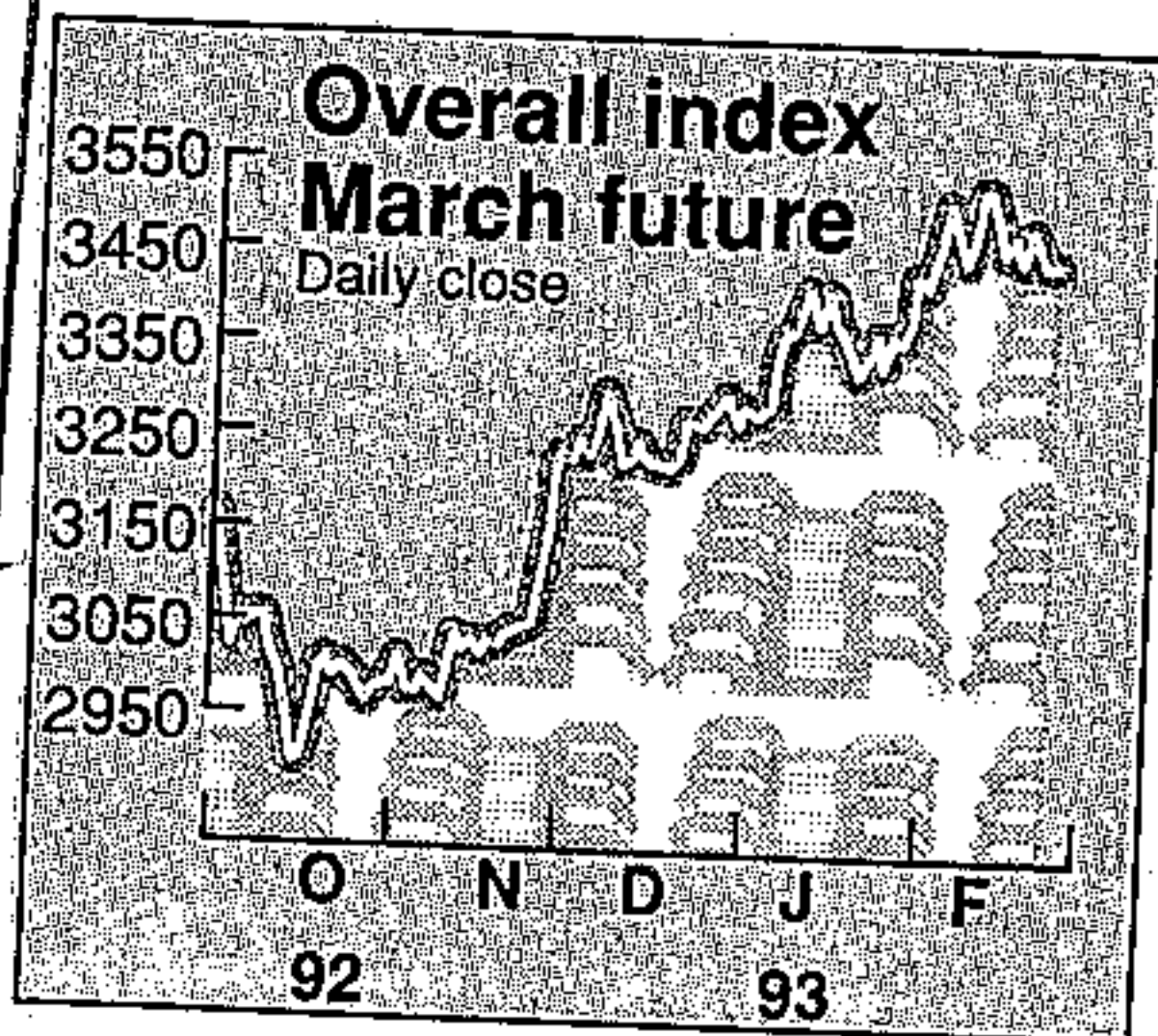
Rumour of attack on Mandela hits finrand

SELLING pressure after unfounded rumours that ANC president Nelson Mandela had been shot knocked the financial rand and futures contracts, dealers reported yesterday. *B/DAM 24/2/93*

The financial rand lost ground to end the day weaker at R4,5950 to the dollar from R4,5050.

Dealers said near month equity-based futures contracts — those set to expire on March 15 — were trading at a discount to the spot market which reflected the lack of confidence in the stock market.

The near month all share contract traded at 3 425 points compared with the spot index at 3 447 points and a previous close of 3 447 points.



Graphic: LEE EMERTON Source: I-NET

TIM MARSLAND

The industrial index traded at a 50-point discount to the spot index at 4 445 points compared with a previous close of 4 502.

The all gold index traded at 1 005 points compared with the spot 1 008 points and a previous 1 001 points.

The equity futures contracts are priced at the index level multiplied by R10 and expire on a quarterly basis. Investors pay an initial margin of about 10% of the value of the contract price into an account at the SA Futures Exchange.

Price movements are either credited or debited from the account daily depending on the index level.

One dealer said the market was waiting for direction.

Under present conditions, the March close would have little effect on the JSE as investors were more likely to switch into the March 1994 contract because it was about 4% cheaper than switching into shares.

As a result, the rally in share prices, which dealers had believed would coincide with the March close-out, might not occur, he said.

Normally, the futures market pre-empted the spot market, but this was not necessarily the case now.

Since June, the all share futures contract had mostly traded at a discount to spot.

Income from customs union has plummeted

~~SA~~ TIM COHEN ~~74~~

CAPE TOWN — The auditor-general has warned that SA's income from the SA customs union agreement — a tariff-sharing agreement but effectively a substantial aid package to SA's neighbours — has plummeted, almost halving over the past decade.

The attorney-general's report, tabled in Parliament this week, said SA's share of the pool, which includes Lesotho, Botswana, Namibia and Swaziland, had decreased from 75% in 1984 to only 44% in 1991/92. SA had handed over a total of more than R4,5bn to neighbouring states in the 1991/92 financial year. The payments consisted of about R1bn to Botswana and Namibia, R424m to Lesotho, R356m to Swaziland, R470m to the Transkei, R868m to Bophuthatswana, R134m to Venda, and R266m to Ciskei.

It is understood negotiations to restructure the fund are currently at a standstill pending discussion of the issue at the national economic forum.

The auditor-general said SA receives only the remainder of the joint revenue pool after portions of the other countries had been calculated.

The pool, the total amount of receipts from tariffs for goods entering all of the countries, was distributed according to a formula, to which a 42% surcharge was added. This amount was subject to a "stabilisation factor" which ensured that the countries concerned received a minimum share of 17% of the pool.

The Margo commission had recommended in 1986 that the surcharge of 42% and the stabilisation factor be replaced by direct conditional assistance or by a development fund from which assistance could be rendered. *BIDM 24/2/93*

The commission had also recommended that SA's share of the pool be calculated on the same basis as the shares of other member countries.

G-7 wants yen to soar even higher

STAR 24/2/93

(74)

WASHINGTON — The sudden, steep rise of the Japanese yen is good news for the world economy, analysts say, but a further advance is necessary to help rein in Japan's soaring trade surplus.

They urged economic policy-makers from the Group of Seven industrial nations to agree on a policy to drive the yen even higher when they meet in London next Saturday.

The G7 — Japan, the United States, Italy, Britain, France, Canada, and Germany — does not plan to issue a communique at the conclusion of that meeting, but individual ministers are expected to hold separate news conferences after the talks.

The yen has shot ahead by more than six percent in the last three weeks alone hitting a record high of 115.90 to the dollar at one point on Monday.

Fred Bergsten, a former US official who is now director of the Institute for International Economics think tank in Washington, said the G7 should target a yen/dollar rate of 100 to 110.

"The G7 should confirm that they want the yen to strengthen in an orderly fashion," said Robert Hormats, vice chairman of Goldman Sachs International. "A stronger yen helps reduce trade imbalances between Japan and all of its trading partners."

The yen's latest advance was sparked by comments on Friday by US Treasury Secretary Lloyd Bentsen, who told a press lunch he wanted a stronger Japanese currency.

International monetary sources said Bentsen did not mean to signal the United States was pursuing a policy to drive the yen higher through manipulation of currency markets. Washington still believes currency rates should be set by economic fundamentals.

US pressure

US officials have been pressing Japan to pump its economy and boost its imports through increased government spending and/or lower taxes.

Such an expansionary fiscal policy in Japan, coupled with reductions in the US budget deficit, would tend to strengthen the yen in the medium term.

Until recently, Tokyo had generally welcomed the yen's advance, viewing it as a way to defuse protectionist sentiment in the United States and Europe.

But the currency's relentless rise has now begun to worry Tokyo policy-makers and some monetary sources think it unlikely they'll agree to sanction a further advance in the yen at this time at Saturday's G7 meeting. — Sapa-Reuter.

Sanco highly critical of foreign acquisitions

THE acquisition of foreign banks and businesses by local banks had done little to build confidence that they were ready to invest in a new SA, SA National Civic Organisation (Sanco) president Moses Mayekiso said yesterday.

Mayekiso said his organisation had completed research showing that capital flight from SA — in the form of offshore investments — involved tens of billions of rands.

Absa, Standard, FNB, Investec and Nedcor had purchased foreign businesses.

Mayekiso said if purchases of foreign businesses by SA banks continued unchecked, it could open new opportunities for those engaged in an "illegal export of capital made during the apartheid years".

He said by purchasing foreign businesses banks were sending a clear signal to foreign investors not to invest in SA once an interim government had been installed.

Such purchases undermined prospects for renewed confidence in the SA economy, he said, adding that the purchases also undermined the country's attempts to build a stable macroeconomic framework "to provide the basis for growth and redistribution (of wealth)".

WILSON ZWANE

He said SA's "primitive" exchange controls would have to be "policed extensively as part of attempts to resist any scorched earth response to the emerging new SA".

Sanco was to have made its concerns known at a meeting with the Association of Mortgage Lenders yesterday.

GRETA STEYN reports that bankers responded to Sanco's accusations by saying foreign investment was needed to facilitate foreign trade and encourage foreign investment in SA.

A Nedbank spokesman said banks did not follow an "either, or" approach to investing in SA or overseas — both were necessary and dictated by clients' needs.

FNB GM Viv Bartlett said SA was again part of the international community and it would be a disservice to clients not to have an offshore presence. Standard Bank Group spokesman Graham Bell said foreign investment by SA companies created wealth by enabling trade expansion.

The group had a major presence in Africa because it was SA's hinterland and trade with the continent was growing.

Govt has high hopes for big offshore investment boost

AN upcoming supplement on SA in the influential London-based magazine The Economist was expected to go a long way to boosting offshore investment in SA, Trade and Industry Department chief director Johannes Pienaar said yesterday.

"The department is considering advertising in this supplement as part of its industrial investment drive announced recently. A large number of copies of this will be acquired and distributed to SA foreign missions by the Department of Foreign Affairs," he said.

The investment initiative operated on four levels: image building appearances in the major trading blocs on ministerial level, technical seminars in a number of overseas venues, information offices at other suitable foreign venues and local regional information seminars.

The departments of Trade and Industry, Regional and Land Affairs and Foreign Affairs would share the cost of renting infrastructure and receptions at the technical seminars and information stands abroad. BIDAM 25/2/93

"Participants in the offshore events will

PETER GALLI

have to cover their own costs," Pienaar said.

Technical seminars were planned for Taipei, Singapore and Brussels, while information offices would be maintained at specialist joint venture investment seminars in Paris and Milan.

About R1m had been earmarked by the department to cover its contribution towards the implementation of the programme, he said.

Asked how local industry could be expanded and modernised to enable it to compete internationally, Pienaar said Trade and Industry director-general Stef Naude had issued a discussion document known as a blueprint for prosperity.

"This deals with existing and proposed policy initiatives. Also, a wide range of government support initiatives are already in place to help industry expand and modernise," he said.

These included, among others, incentives under Section 37 (E) of the Income Tax Act, GEIS and the various support programmes of the IDC and SBDC.

Govt corruption alarms foreign bond investors

FOREIGN investors in SA bonds were concerned at the high level of government fraud and financial mismanagement currently being uncovered, a spokesman for London stockbrokers James Capel said yesterday.

However, Jon Bergtheil said, this had not discouraged them from investing in SA because of the attractive yields offered. SA bonds yielded on average 7% more than similar US bonds, he said.

James Capel had moved to allay foreign investors' fears about the fraud, pointing out it was a phenomenon that occurred worldwide.

He said incidents of SA government fraud had been well reported in the UK

(14)
TIM MARSLAND

media. *BLOM - 25/2/93*

President F W de Klerk's handling of the crisis in the military last year had earned him support because foreigners believed he had taken firm action against top military staff involved in covert activities. It had shown him to be in control.

Bergtheil said keen buying after inflation in December fell below 10% had been overdone, although some reality had returned to the market.

SA bonds were more attractive than US bonds because SA's inflation cycle was still in a downward trend while the US's had bottomed, he said.

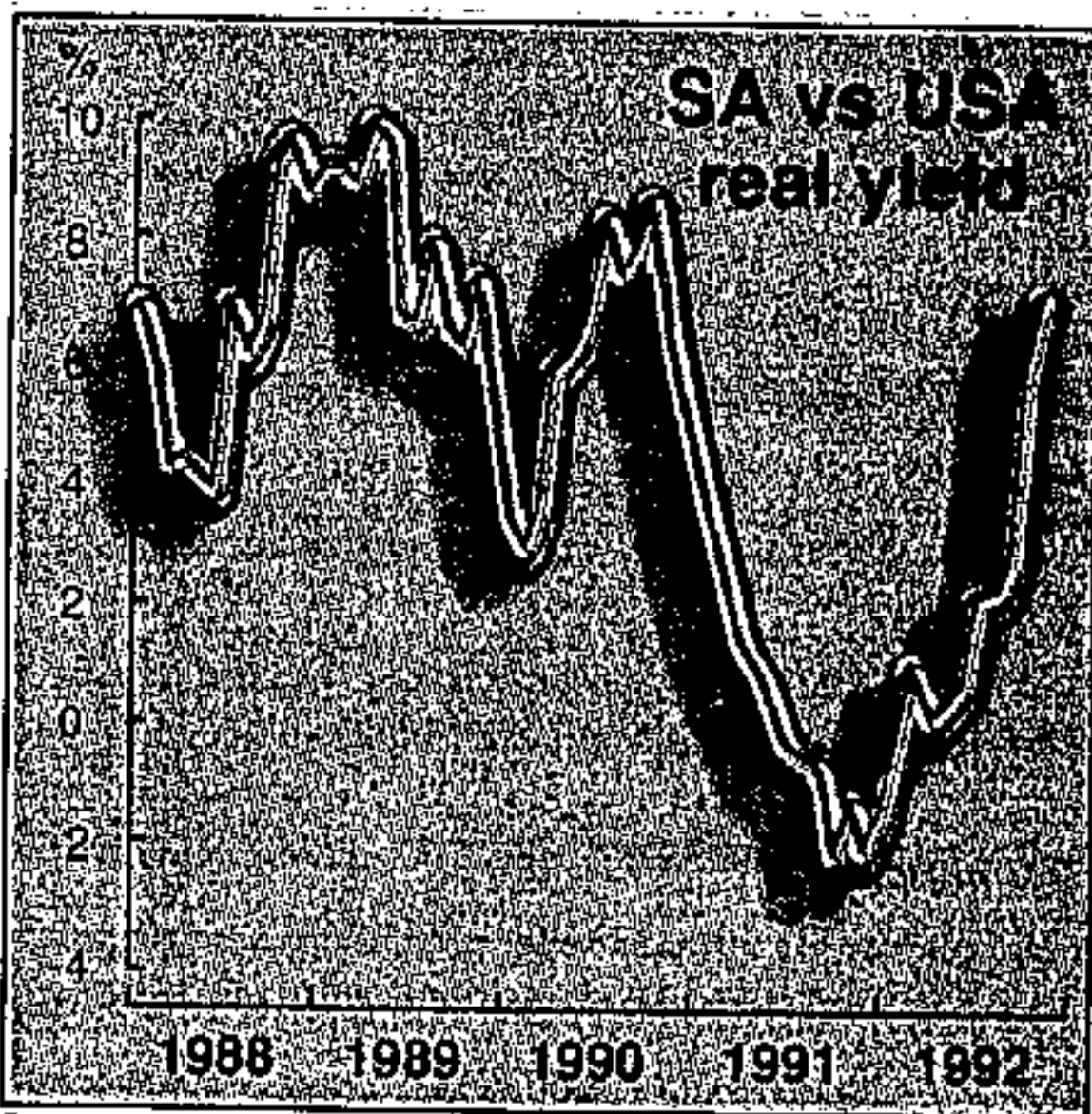
This meant the potential returns for investors in SA bonds were greater, with investors preferring to invest in countries with declining inflation.

Non-residents purchase SA bonds through the financial rand, which effectively gives them a 30% advantage over local investors because of the discount between it and the commercial rand.

A local dealer confirmed foreigners had indicated concern at the level of corruption. This would not deter them from investing, however, because of the attractive returns in the local market.

The financial rand's recent stability had contributed to the improved sentiment.

He said Swedish players, previously barred from investing in SA because of sanctions, had shown some interest.



Graphic: RUBY-GAY MARTIN Source: JAMES CAPEL

Trade talks with Zim

74

ZIMBABWEAN Industry and Commerce Minister Christopher Ushewokunze is to hold talks with South African Finance Minister Derek Keys in Cape Town today.

Sources said the meeting would probably deal with the updating of the 1964 trade agreement and treaty negotiations.

50 Webster 25/2/93

BUSINESS Selling opportunity to the continent ● 1

Biggest trade display

Sowetan 25/2/93
By Mzimkulu Malunga

■ 2 000 African business people invited to SA:

SOUTHERN Africa's biggest industrial and technological show is due to be held in Johannesburg towards the end of the year.

About 2 000 leading African businessmen and policy makers are expected to attend the conference from August 30 to September 3.

In a move geared towards promoting the event on the continent, co-

ordinators of The Africa Initiative have arranged direct presentations in African cities as far afield as the Egyptian capital of Cairo.

This is seen as South African industry's ideal opportunity to market its products to the rest of the continent.

Organised by SAVI and Systems Exhibitions, the initiative has the backing of influential business, in-

dustrial and technological groupings in South Africa.

Already 100 local companies have booked exhibition space, some have also helped finance the project.

The African Initiative has its roots in the realisation of the increased problems encountered by local business in its effort to penetrate the African market.

ANC may retain trade barriers to achieve goals

^{BLOM}
SALT ROCK — It might be necessary for an ANC government to retain trade barriers for some time to achieve its industrial policy goals, ANC economics department spokesman Neil Morrison said yesterday.

Speaking at an SA Clothing and Textile Workers' Union-organised national industry summit, he said the central focus of an ANC trade policy would be to promote employment and encourage the manufacturing sector to develop on a labour-intensive growth path.

Other goals would be to achieve local and international competitiveness, a well trained workforce and affordable goods.

"Trade barriers and incentives over the next two years should allow companies to invest in technology to make them internationally competitive," said Morrison, who is the ANC's co-ordinator for the financial sector.

While SA would have to conform to international trade conventions, such as GATT, it might be possible for it to be classified as a "developing country" within the GATT system.

This would entitle SA to enter into bilateral negotiations with its major trading partners to retain export in-

^{26/2/93.} ⁽⁷⁴⁾
LINDA ENSOR

centives for up to eight years.

Morrison said an ANC government would strive to establish targeted export incentives and would implement an incentive structure to encourage fixed investment.

He said the export strategy would have to be orientated towards developing niche markets.

The ANC supported the idea of a national training fund to retrain re-trenched workers. The fund could be financed by a levy on employers and government assistance.

Morrison said the ANC was developing an anti-trust and competition promotion policy.

The ANC, he added, was not wedded to either nationalisation or privatisation — the criteria would be efficiency.

Board on Tariffs and Trade chairman Nic Swart agreed that the transition to SA's economy becoming internationally competitive "would not happen overnight. Tariffs would have to protect SA industries and long-term barriers would have to be created against dumping by countries such as China and Pakistan."

Swart, who is chairman of the committee devising a long-term strategy

for the textile and clothing industries, said the committee was working towards a realistic definition of international competitiveness.

Exports could not be supported "at all costs" and had to be considered in the light of the general welfare of all South Africans.

Speaking at the same conference, Frame group executive chairman Mervyn King warned that effective anti-dumping measures were required to ward off the "attack" by Chinese and Pakistani goods.

Despite its promises to introduce measures by November 1992, the Board on Tariffs and Trade had done nothing.

He recommended the introduction of a one-for-one preferential right of entry under GATT saying it was unrealistic to think SA could compete with mainland China.

King predicted that the Uruguay round of GATT talks would not be successfully concluded in January 1995 as scheduled.

He suggested that government should subsidise cotton farmers at an annual cost of R35 a year to bring down the cotton price; the homelands should be abolished to level the playing fields; and non-cash-based export incentives had to be abolished.

WORLD

Just G-7 talk, not action, expected

B10 my 26/2/93.
 FRANKFURT — Group of Seven finance ministers meet in London tomorrow to try to shore up a creaking world economy, but independent experts worry that they may provide only soothing words and no design for growth.

The ministerial session of the wealthy industrialised nations' club, the first since the Clinton administration took office in January, is unlikely to prompt co-operation of the sort which successfully tamed unruly currencies in the '80s.

Jonathan Hoffman, an economist with Credit Suisse First Boston in London, expected only platitudes from the meeting.

Deutsche Bank's chief economist Norbert Walter said the pressing need for greater G-7 co-operation would fall prey to the individual problems of each nation in the group — the US, Japan, Germany, France, Britain, Italy and Canada.

"This will not be the trigger for change," Walter said.

Economists said stalled world trade talks and the spectre of rising protectionism would definitely feature high on the one-day meeting's agenda, as would the general problem of sluggish growth and ways of helping East European democracies.

But Hoffman warned: "They will talk about the need for free trade without making progress towards solving disputes."

The G-7 ministers, who will be joined by their central bank gover-

nors, would probably also discuss foreign exchange markets.

The US has been calling for a higher yen to make Japanese exports more expensive and thus help redress world trade imbalances by trimming the huge Japanese trade surplus.

But markets have already pre-empted tomorrow's meeting by speculatively buying up the yen against the dollar, say reports.

Ministers were now only likely to welcome the yen's latest appreciation as reflecting economic fundamentals, economists said.

A Japanese finance ministry official said yesterday there was no chance the G-7 would agree to guide the yen yet higher.

French Finance Minister Michel Sapin this week urged Europe and the US to co-ordinate growth drives.

But G-7 officials have dampened any major expectations from this meeting, which is not due to produce a communique and has been described as an opportunity to "get acquainted".

Economists said officials were likely to welcome Clinton's bid to curb the huge US budget deficits, the butt of criticism for much of the '80s. At the same time Japan would be encouraged to plough ahead with planned new fiscal measures to promote domestic growth.

But Tokyo has already ruled out the announcement of any additional stimulative moves at the G-7 meeting. — Sapa-Reuter.

UK to open regional aid office in Pretoria

By Kaiser Nyatumba
Political Reporter



The British government will set up a regional aid office in Pretoria before June to help shape and run Britain's bilateral aid programme in South Africa and other countries in the region, British Deputy Foreign Minister Lynda Chalker said yesterday.

Addressing a lunch hosted by the South African Institute of International Affairs in Johannesburg, Chalker said her government had decided to establish a regional aid office, to be called the British Development Division in Southern Africa.

Chalker said her government had committed more than R300 million by itself and through the European Community to help drought-affected areas in southern Africa.

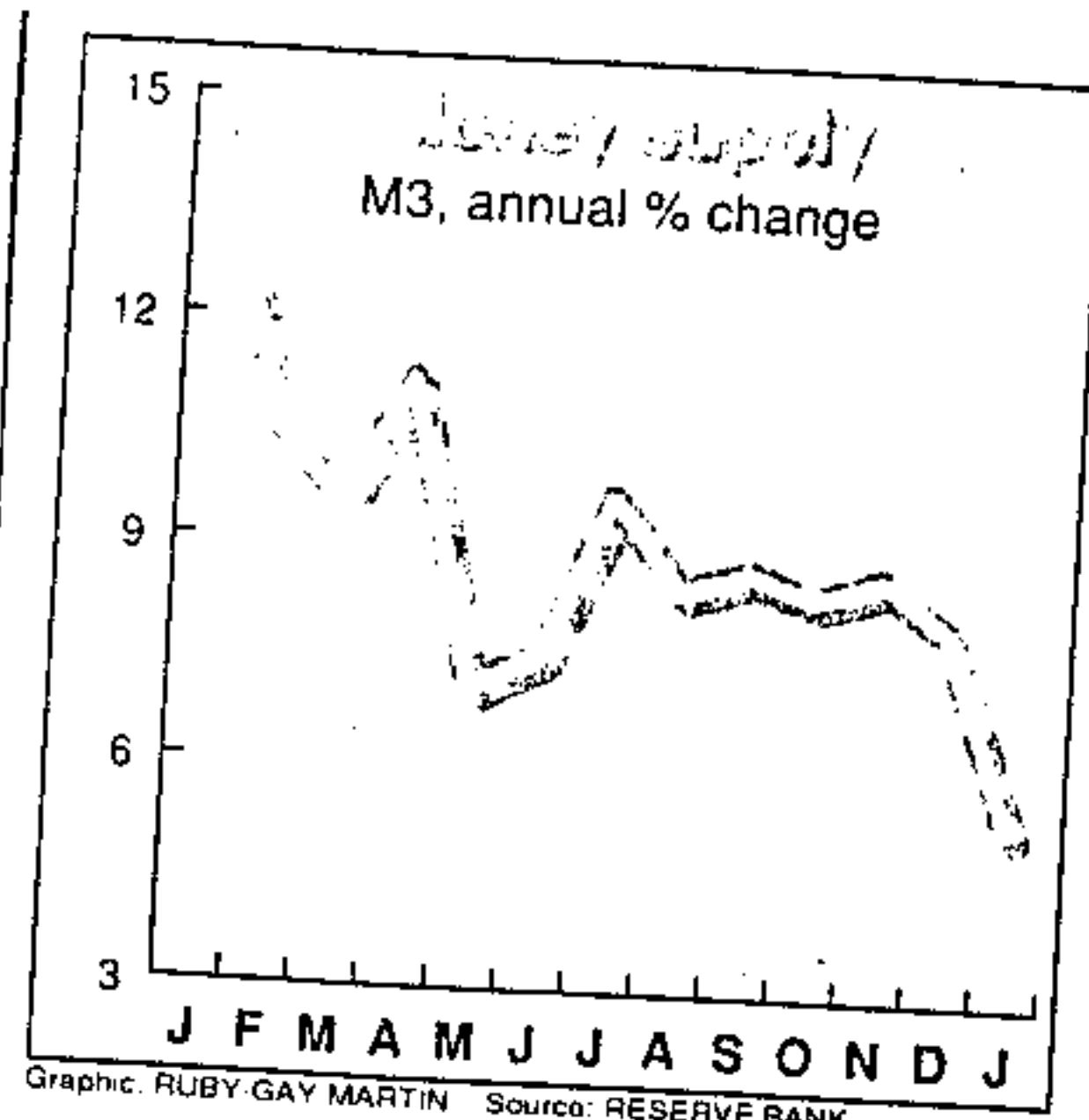
Britain, she said, would assist South Africa's integration into the international community, including early restoration of the country's access to the In-

Lynda Chalker . . . peaceful transition important to Britain.

ternational Monetary Fund and the World Bank.

The United Kingdom wanted a successful transition to a stable, democratic and prosperous South Africa. She therefore welcomed the ANC's decision last week to recommend the lifting of economic, trade and financial sanctions on this country as soon as the transition to democracy was in full swing.

She said peaceful transition in South Africa was important for all in the region and not just South Africans.



Graphic: RUBY GAY MARTIN Source: RESERVE BANK

Money supply growth shrinks

74 TIM MARSLAND

GROWTH in the broad money supply in January was below the guideline range set by the Reserve Bank for 1993, figures released yesterday show.

Year-on-year growth in M3 — cash in circulation and all deposits with banks — shrank to 5.4% in January from December's 8%. Growth from the guideline year base (the fourth quarter of 1992) plunged to -4.51% from 11.29% in December.

The Bank last month set its new guidelines for acceptable growth in money supply at 6-9%. At the time it said it took into account the need for an increase in the money supply to support an expected rise in real GDP. *BIDAY 2/3/93*

Nedcor Bank chief economist Edward Osborn said the data reflected the "absolutely stagnant state of the economy". Had the economy been in an upturn, the growth rate would have been significantly higher. While the low growth indicated there was some room for the Bank to cut interest rates, it was unlikely to do so as it had other problems to deal with — poor foreign exchange reserves and the balance of payments position. Osborn said interest rate cuts also depended on inflation. Official inflation was running at 9.7% in January, but underlying inflation was 12.8%. He said the latest figure did reflect the stability in the Bank's monetary policies.

SA-German trade up 1,9%

BIDAY 2/3/93. (74)

THEO RAWANA

TWO-WAY trade between Germany and SA amounted to R11,9bn in 1991 — an increase of 1,9% over the previous year, Finance Deputy Minister Theo Alant said in Johannesburg yesterday.

Opening the German Industrial and Technology Fair — the first official German project since EC sanctions began in 1986 — Alant said 320 German companies had at least a 25% share in local companies, with an estimated investment value of R3,8bn.

SA companies linked to German companies provided more than 60 000 jobs, he said.

Alant said Germany, with its generally low import duties, was one of the largest and most open import markets, offering an attractive and ever-growing market for SA manufacturers or exporters — and he looked forward confidently to increased direct investment.

About 100 German companies are exhibiting at the fair, with 36 SA companies. The focus is on mechanical engineering, electronics and electrical engineering, telecommunications, vehicle construction and chemicals. It runs until Friday.

The SA companies include German subsidiaries BMW (SA), Concor Holdings, Hoechst (SA), Mercedes-Benz (SA), Siemens, MAN Truck & Bus and Wika Instruments.

Werner Marzin, president of Munich-based organising company IMAG-International Exhibition and Fair Services, said the fair aimed to give in-depth information on German industry and to show how far Germany was prepared to go in bilateral co-operation.

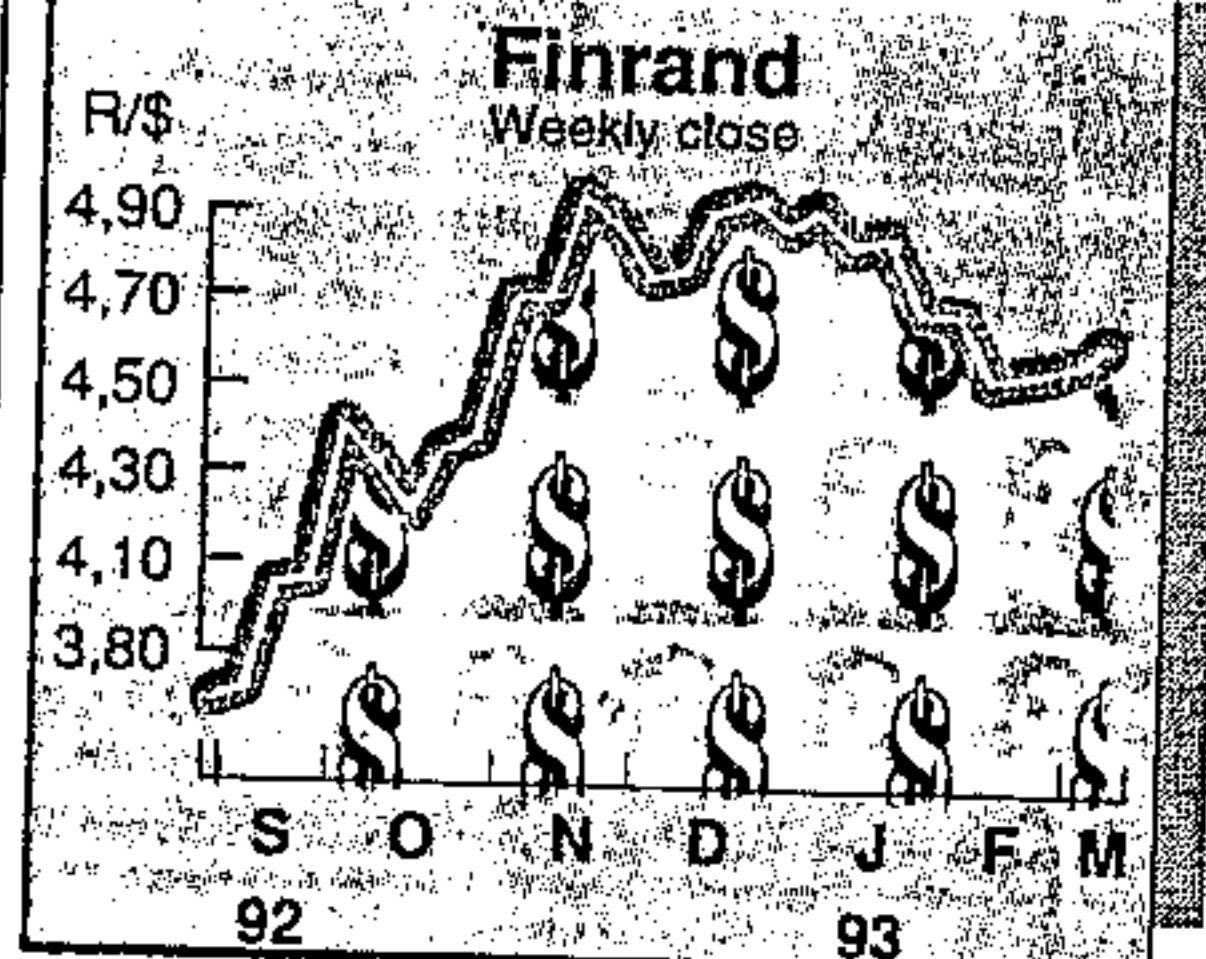
"The fact that the event was included in the German government's official list of projects eligible for promotion was absolutely vital to the success of the 'Made In Germany' fair," he said.

Marzin said the fair would consolidate Germany's present position as SA's leading trading partner and encourage further co-operation, particularly with firms from the former east Germany.

Sapa reports meanwhile that German federal council economic committee chairman August Lang said at the fair's opening that SA's socio-political transformation requires a great deal of economic action.

Trade sanctions had caused backlogs in many areas, he said, but SA could become a stepping stone to trade with other southern African states.

Lang stressed that economic relations should not be one-sided and being trade partners would mean positive mutual dependence.



Graphic: LEE EMERTON Source: I-NET

Bank's Elfi move stirs up a storm

TIM MARSLAND

A ROW is brewing over the Reserve Bank's refusal to allow foreign participation in Transnet's planned Elfi V issue, which was to have replaced the maturing Elfi III issue. *BIDAY 4/3/93*

At a meeting convened by Transnet last night, about 60 broking and banking representatives voted in favour of the equity-linked fixed interest (Elfi) instrument continuing. They said they would press for the Elfi V issue to get the go-ahead.

The Bank has said it will not allow foreign participation in a new Elfi issue because of the harm to the balance of payments.

Elfis are split into a bull and a bear tranche and are linked to the JSE's all share index. The bear is negatively linked, which means the capital value declines as the all share index rises.

To make it attractive, the bear tranche offers a 25% coupon, which attracts non-residents who make the initial investment via financial and blocked rands but are paid interest in commercial rands. Only the interest can exit the country.

An investor who bought the Elfi I issue and held it for the full three-year maturity would have recovered just 21% of initial capital value, excluding coupon payments.

After the meeting, Transnet treasury manager Johann van Schoor said about 30% of the Elfi III and IV issue was held by foreigners. This meant a potential outflow of R75m a year.

However, Van Schoor pointed out that only about R30m would be due to the Elfi issue, since this represented the difference

□ To Page 2

Elfi *BIDAY 4/3/93*

between the Elfi coupon rate of 25% and that offered by other fixed interest securities such as the 15% on the Umgeni 55 bond.

Van Schoor said Transnet had considered reducing the coupon rate to between 16% and 18%. However, the Bank would not agreed to that.

Van Schoor told the meeting foreign participation in the Elfi IV issue would still be allowed. Foreigners would also be allowed to switch from the maturing Elfi III into the Elfi IV. He said Transnet would continue to offer carry facilities in the Elfi stock, but this would be at a lower rate than the current 14,5%.

Van Schoor said Elfis could not be listed on the JSE as the exchange could not differentiate between resident and non-resident transactions. Consideration was being given to listing the instrument on the SA Futures Exchange.

Asked if Elfis could function as a non-listed instrument, brokers agreed this could work, but not very well.

Releasing details of Transnet funding requirements for 1993/94, Transnet group GM Eugene Kruger said about R900m would be required from the local debt market. A total of R5,4bn had been required, but R2,9bn of this had been prefunded while R1,6bn would be generated internally. The R5,4bn consisted of capital expendi-

74 From Page 1

ture of R1,3bn, a R400m repayment of a European loan, R2,1bn in repaying the T002 and the Elfi III issue, a R600m repayment under the third interim debt arrangement, and R1bn in bridging loans.

The R400m European loan, which fell due in the middle of the year, would probably not be rolled over but this would depend on prevailing interest rates and the political situation. The terms of the R600m under the debt standstill had still to be negotiated by the Bank.

Van Schoor said Transnet had R4,1bn in offshore loans, and R16,1bn in local loans. Of the local loans, R1,2bn was in the money market and R14,9bn in the capital market with 58,4% in the long area.

The bulk of pre-funding at R1,7bn had been done in the short area of the market. Transnet would focus on making its T001 issue more popular.

He said turnover by Transnet in its own bonds as a result of its market-making activities was R245bn, with total turnover about R700bn. It had turned over R180bn in other bonds as part of hedging activities.

The finrand lost 6c in early trade on the Elfi move from its overnight close of R4,5625 but recovered to close at R4,6010. Despite Bank intervention, the commercial rand closed at a record low of R3,1535 from R3,1513.

Star 4/3/93

*

TOM to open doors to foreigners

Non-residents and emigrants will be able to trade in the Traded Options Market (TOM) on the Johannesburg Stock Exchange.

74

The JSE says a mechanism to allow this is being implemented in conjunction with the Reserve Bank.

By using TOM foreign clients of JSE broking firms will be allowed to buy and sell call and put options on Barlows, De Beers, Driefontein, Gencor, Rusplats as well as the all-share and gold indices.

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The list will expand as demand requires. — Sapa.



Rolf Schmidt of Medi Nova International — one of 145 exhibitors at the German trade fair — tests a pair of "razor skates" which he hopes to market in SA. Picture: BRIAN HENDLER

German trade fair at Nasrec signals end of sanctions era

KELVIN BROWN

(74)

GERMANY this week launched its first official trade promotion in SA since sanctions were imposed in 1986.

The German Technology Trade Fair, taking place at Nasrec in Johannesburg, houses 145 companies, several German ministries and six federal states. Three federal states from former East Germany are also among the exhibitors.

Munich's International Exhibition and Fair Service's spokesman Heinz Blei said yesterday a representative display of production techniques and technology for industrial sectors had been organised.

The fair is being sponsored by the German federal ministry of economics, the German embassy and the SA German Chamber of Commerce and Industry.

Fair Service president Werner Marzin said there were many possibilities for using SA as a stepping stone to other southern African states.

Deputy Finance Minister Theo Alant said German business could play a major role in stimulating growth in SA. SA needed to promote the establishment of internationally competitive secondary industries. German technology would prove invaluable in achieving this.

German business played a significant role in the SA economy. Germany was SA's main trading partner and the second largest foreign investor in SA, Alant said.

Rand rallies after falling to new low

TIM MARSLAND (74)

THE rand fell sharply to a new low of R3,1678 against the dollar in early trading yesterday, but recovered at the close after the expected German central bank rates cut failed to materialise. *5/10 AM*

The unit ended at R3,1598 from an overnight R3,1535. It was marginally weaker against the basket of currencies, ending at R4,59 from R4,58 against sterling.

A market source said there had been heavy demand for dollars by importers during the day and from investors seeking import cover. Therefore, the Reserve Bank would not go against sentiment to provide support. Bank intervention had been limited to smoothing out sharper fluctuations.

A local dealer said a large corporation had bought dollars early in the day, which pushed the rand to its low point, then sold the dollars back around midday to take profits. The rand made strong headway later when another corporation sold in dollars earned offshore. *5/3193*

Another dealer said the rand's short-term direction depended on whether the dollar could break key resistance levels against the Deutschmark.

The financial rand ended steady at R4,5800 from R4,5960 after an initial scare that foreigners who held Trasnet's Elfi III stock would sell off finrands when the R1bn Elfi III matures on April 1.

London brokers Credit Lyonnais Laing warned clients yesterday to be cautious when trading the finrand.

NEWS IN BRIEF

New trade programme

A NEW trade programme for the subcontinent was announced at the Southern African Development Community conference in Maseru yesterday.

The organisation said the programme should address the creation of a single regional market and a payment arrangement for cross-border investments and other current account payments.

B/DA/7/5/3/93

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Promissory note issued to Bayer (Pty) Ltd

Promissory Note No.	Date of issue	Due date	Face value (R)
00001348	16 August 1991	1 April 1992	414 102

The above-mentioned promissory note will after the date of publication be regarded as cancelled. Should the warrant voucher be retrieved, it must please be returned to the Department of Trade and Industry, Private Bag X84, Pretoria, 0001.

(5 March 1993)

NOTICE 193 OF 1992**DEPARTMENT OF TRADE AND INDUSTRY**

Notice is hereby given that the following promissory note issued by the Department of Trade and Industry to Da Gama Textile Co. Ltd as set hereunder, has been mislaid:

Primissory note issued to Da Gama Textile Co. Ltd

Promissory Note No.	Date of issue	Due date	Face value (R)
00001041	1 April 1992		26 086

The above-mentioned promissory note will after the date of publication be regarded as cancelled. Should the warrant voucher be retrieved, it must please be returned to the Department of Trade and Industry, Private Bag X84, Pretoria, 0001.

(5 March 1993)

NOTICE 198 OF 1993**DEPARTMENT OF MANPOWER****LABOUR RELATIONS ACT, 1956****CANCELLATION OF REGISTRATION OF AN EMPLOYERS' ORGANISATION**

I, Gerhardus Coenraad Papenfus, Assistant Industrial Registrar, hereby notify, in terms of section 14 (2) of the Labour Relations Act, 1956, that I have cancelled the registration of the SA Agricultural Machinery Association with effect from 24 February 1993.

G. C. PAFENFUS,

Assistant Industrial Registrar.

(5 March 1993)

Promesse uitgereik aan Bayer (Pty) Ltd

Promesse No.	Uitreikingsdatum	Vervaldatum	Sigwaarde (R)
00001348	16 Aug 1991	1 April 1992	414 102

Na datum van publikasie word genoemde promesse as gekanselleer beskou. Indien die promesse gevind sou word, moet dit asseblief aan die Departement van Handel en Nywerheid, Privaatsak X84, Pretoria, 0001, teruggestuur word.

(5 Maart 1993)

KENNISGEWING 193 VAN 1992**DEPARTEMENT VAN HANDEL EN NYWERHEID**

Hiermee word kennis gegee dat die volgende promesse uitgereik deur die Departement van Handel en Nywerheid aan Da Gama Textile Co. Ltd soos hieronder uiteengesit, verlore geraak het:

Promesse uitgereik aan Da Gama Textile Co. Ltd

Promesse No.	Uitreikingsdatum	Vervaldatum	Sigwaarde (R)
00001041	1 April 1992		26 086

Na datum van publikasie word bogenoemde promesse as gekanselleer beskou. Indien die promesse gevind sou word, moet dit asseblief aan die Departement van Handel en Nywerheid, Privaatsak X84, Pretoria, 0001, teruggestuur word.

(5 Maart 1993)

KENNISGEWING 198 VAN 1993**DEPARTEMENT VAN MANNEKRAG****WET OP ARBEIDSVERHOUDINGE, 1956****INTREKING VAN REGISTRASIE VAN 'N WERKGEWERSORGANISASIE**

Ek, Gerhardus Coenraad Papenfus, Assistent-nywerheidsregistrator, maak hiermee kragtens artikel 14 (2) van die Wet op Arbeidsverhoudinge, 1956, bekend dat ek die registrasie van die SA Agricultural Machinery Association met ingang van 24 Februarie 1993 ingetrek het.

G. C. PAFENFUS,

Assistent-nywerheidsregistrator.

(5 Maart 1993)

NOTICE 199 OF 1991 • KENNISGEWING 199 VAN 1991**PRELIMINARY STATEMENT OF TRADE STATISTICS OF THE REPUBLIC OF SOUTH AFRICA RELEASED BY THE COMMISSIONER FOR CUSTOMS AND EXCISE****VOORLOPIGE OPGAWE VAN HANDELSTATISTIEK VAN DIE REPUBLIEK VAN SUID-AFRIKA VRYGESTEL DEUR DIE KOMMISSARIS VAN DOEANE EN AKSYNS**

Remark: The import and export figures reflected in this statement have been adjusted largely to bring them into line with the requirements for the compilation of the balance of payments.

The undermentioned data entails the total foreign trade statistics of the common customs area of the Republic of South Africa, Botswana, Lesotho, Swaziland, Namibia as well as Transkei, Bophuthatswana, Venda and Ciskei.

N.B.: The change-over to the Harmonized Tariff System with effect from 1 January 1988, altered the classification of certain commodities. When comparing the section totals for 1988 and later years with those of previous years the possible differences due to the change-over should therefore be taken into consideration.

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Opmerking: Die in- en uitvoersyfers wat in hierdie opgawe verskyn is grootliks aangepas om dit in ooreenstemming te bring met die vereistes wat gestel word vir die opstel van die betalingsbalans.

Die ondervermelde syfers omsluit die totale buitelandse handelstatistiek van die gemeenskaplike doeanegedebied van die Republiek van Suid-Afrika, Botswana, Lesotho, Swaziland, Namibië asook van Transkei, Bophuthatswana, Venda en Ciskei.

L.W.: Die oorskakeling na die Geharmonieërde Tariefstelsel met ingang van 1 Januarie 1988 het die indeling van sekere kommoditeite verander. Wanneer die afdelingstotale vir 1988 en later jare dus met dié van vorige jare vergelyk word, moet die moontlike verskille as gevolg van die oorskakeling nie uit die oog verloor word nie.

PERIOD: JANUARY/JANUARIE 1993

World zones—Wereldstreke	Imports—Invoere		Exports—Uitvoere	
	1993	1992	1993	1992
Africa—Afrika	119,0	119,2	329,9	473,6
Europe—Europa	1 841,8	1 979,5	1 499,2	1 370,1
America—Amerika	713,8	636,5	346,7	388,3
Asia—Asië.....	989,6	966,3	865,7	820,7
Oceania—Oseanië.....	65,1	50,7	20,9	14,1
Other unclassified goods and balance of payments adjustments Ander ongeklassifiseerde goedere en betalingsbalansaansuiwerings	534,5	360,8	1 960,2	1 744,3
Ships'/Aircraft Stores—Skeeps-/vliegtuigvoorrade	—	—	79,7	22,3
Grand total—Groototaal.....	4 263,8	4 113,0	5 102,3	4 833,4

TABLE B: TOTALS IN MILLION RAND ACCORDING TO SECTIONS OF THE HARMONIZED SYSTEM
TABEL B: TOTALE IN MILJOEN RAND VOLGENS AFDELINGS VAN DIE GEHARMONIEERDE STELSEL

Sections—Afdelings	Imports—Invoere		Exports—Uitvoere	
	1993	1992	1993	1992
I. Live animals; animal products Lewende diere; dierlike produkte.....	38,2	32,5	50,2	49,2
II. Vegetable products Plantaardige produkte	178,0	74,4	115,7	229,9
III. Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal and vegetable waxes Dierlike of plantaardige vette en olies en splitsprodukte; voorbereide spysvette; dierlike en plantaardige wasse.....	22,4	29,4	6,7	6,7
IV. Prepared foodstuffs; beverages, spiritus and vinegar; tobacco and manufactured tobacco substitutes Voorbereide voedsel; drankes, spiritus en asyn; tabak en vervaardigde tabaksurrogate	70,7	109,3	92,9	103,9
V. Mineral products Mineraalprodukte	62,8	61,8	657,7	490,8
VI. Products of the chemical or allied industries Produkte van die chemiese of verwante nywerhede.....	478,9	458,9	144,7	260,5
VII. Plastics and articles thereof; rubber and articles thereof Plastieke en artikels daarvan; rubber en artikels daarvan.....	203,7	184,1	38,9	51,3
VIII. Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods handbags and similar containers; articles of animal gut (other than silk-worm gut) Ongelooide huide en velle, leer, pelsvelle en artikels daarvan; saal- en tuemakersware; reisartikels, handsakke en dergelike houers; artikels van dierederm (uitgesonderd sywurmsnaar)	20,7	19,7	18,3	24,3
IX. Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw; of esparto or of other plaiting materials; basketware and wickerwork Hout en artikels van hout; houtskool; kurk en artikels van kurk; fabrikate van strooi, van esparto of van ander vlegwerkstowwe; mandjiewerk en vlegwerk	48,3	40,4	23,2	29,4

Sections—Afdelings	Imports—Invoere		Exports—Uitvoere	
	1993	1992	1993	1992
X. Pulp of wood or of other fibrous cellulosic material; waste and scrap of paper or paperboard; paper and paperboard of paper or paperboard; paper and paperboard and articles thereof Pulp van hout of van ander veselagtige sellulosiese stof; afval en oorskiet van papier of papierbord; papier en papierbord en artikels daarvan.....	120,4	121,3	115,7	142,9
XI. Textiles and textile articles Tekstiele en tekstielartikels	205,1	243,7	104,3	145,1
XII. Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair Skoeisel, hoofdeksels, sambrele, sonsambrele, wandelstokke, sitstokke, swepe, karwatse en onderdele daarvan; bereide vere en artikels daarvan gemaak; kunblomme; artikels van mensehaar	19,5	22,7	0,7	1,7
XIII. Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware Artikels van klip, gips, sement, asbes, mika of dergelike stowwe; keramiese produkte; glas en glasware.....	60,3	54,2	19,0	20,4
XIV. Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coin Natuurlike of gekweekte pèrels, edel- of halfedelstene, edelmetale, metale met edelmetale bedek, en artikels daarvan; nagemaakte juweliersware, muntstukke	38,0	19,1	400,6	422,0
XV. Base metals and articles of base metal Onedelmetale en artikels van onedelmetaal.....	220,3	191,8	634,3	580,3
XVI. Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles Masjinerie en meganiese toestelle; elektriese toerusting; onderdele daarvan; klankopnemers en -weergewers; televisie- beeld- en klankopnemers en -weergewers, en onderdele en bybehoorsels van sodanige artikels	1 225,0	1 354,1	103,7	89,6
XVII. Vehicles, aircraft, vessels and associated transport equipment Voertuie, lugvaartuie, vaartuie en verwante vervoertoerusting.....	499,0	523,7	109,7	63,1
XVIII. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments, parts and accessories thereof Optiese, fotografiese, kinematografiese, meet-, kontroleer-, presisie-, mediese en chirurgiese instrumente en apparate; uurwerke en horlosies; musiekinstrumente; onderdele en bybehoorsels daarvan	168,4	160,6	8,8	8,9
XX. Miscellaneous manufactured articles Diverse vervaardigde artikels	40,0	40,6	13,8	13,7
XXI. Works of art, collectors' pieces and antiques Kunswerke, versamelaarsstukke, en antieke	2,1	1,0	0,5	1,3
Other unclassified goods and balance of payments adjustments Ander ongeklassifiseerde goedere en betalingsbalansaansuiwings	542,0	369,7	2 442,9	2 098,4
Grand total—Groototaal	4 263,8	4 113,0	5 102,3	4 833,4

(5 March 1993)/(5 Maart 1993)

NOTICE 200 OF 1993**DEPARTMENT OF TRANSPORT****INTERNATIONAL AIR SERVICES ACT, 1949 (ACT No. 51 OF 1949), AS AMENDED**

Pursuant to the provisions of sections 5 (a) and (b) of Act No. 51 of 1949 and regulation 5 of the Civil Air Services Regulations, 1964, it is hereby notified for general information that the applications, details of which appear in the Schedule hereto, will be heard by the International Air Service Council.

KENNISGEWING 200 VAN 1993**DEPARTEMENT VAN VERVOER****WET OP INTERNASIONALE LUGDIENSTE, 1949 (WET No. 51 VAN 1949), SOOS GEWYSIG**

Hierby word ingevolge die bepalinge van artikels 5 (a) en (b) van Wet No. 51 van 1949 en regulasie 5 van die Regulasies vir Burgerlugdiens, 1964, vir algemene inligting bekendgemaak dat die Raad op Internasionale Lugdiens die aansoeke waarvan besonderhede in die Bylae hieronder verskyn, sal aanhoor.

13 Swedish firms get trade go-ahead

STOCKHOLM. — Sweden gave 13 more companies permission yesterday to trade with South Africa.

Among them was the machine tool company Sandvik and Saab-Scania, which manufactures buses and trucks.

The government is expected to repeal sanctions against South Africa soon. Meanwhile, it has been granting exemptions to individual companies wishing to compete for South African contracts.

"We are under great pressure from companies," said Ms Caroline Vondracek, first secretary at the ministry of foreign trade. She said some 20 more exemption requests were on file.

Sweden and Norway are among the last Western countries to maintain sanctions against South Africa.

Norway will repeal its sanctions, except on oil and arms, on March 15. — Sapa-AP

BUSINESS

By REG RUMNEY

ALONG with Satanism, capital flight from South Africa has attracted a great deal of attention recently.

Tapping into that near-hysteria is a document produced by the End Loans to South Africa group and the South African National Civic Organisation (Sanco). It is titled: "Bank Capital Flight — South Africa's Next Economic Catastrophe".

The authors say capital flight is substantial, mentioning an estimate of \$12-billion to \$55-billion over the past two decades.

"Massive amounts of money have been siphoned out of the country under apartheid. A wide range of commentators and academics have analysed the issue in depth. While attempts to quantify the exact amounts of money have hit some difficulties, including varying definitions of 'capital flight', there appears to be a consensus that South

Sanco's flights of fancy

Africa has been suffering from a serious capital flight problem for some time, involving tens of billions of rand." The report goes on to dismiss the thoughtful and carefully stated reservations of an eminent bank economist about the sums loosely tossed around as the size of capital flight.

"As information on capital flight surfaced, a rather predictable response downplaying the problem emerged in the form of Nedbank economist Edward Osborn, who in particular questions the quantification of capital flight. However, Osborn does not deny capital flight exists, but simply suggests rather weakly that the major conglomerates would have little reason to misin-

voice."

Osborn actually wrote: "But in any case underinvoicing of exports as a general practice is most unlikely in South Africa because of the dominance in the export field of a limited number of large reputable companies that have nothing to gain, and much to lose, from such malpractice."

Osborn's main point is that it is impossible to prove illicit capital movements have occurred and impossible to estimate their magnitude from official statistics. He specifically examines and dismisses previous analysis.

We all know, from criminal cases, that illicit exporting of capital does occur. It should be stopped. Indeed, the document makes one practical suggestion: that a specialist unit be set up to

detect and block illegal capital flows from South Africa.

Playing up the problem may be as damaging as playing it down.

The document rightly calls attention to the flight of "funk money". But it confuses capital flight with investment through the financial, a mechanism whose whole purpose is to neutralise capital outflows. And it links capital flight and banking expansion overseas without a shred of actual evidence, to beat Sanco's favourite dog, the banks.

The focus on "capital flight" itself diverts attention from South Africa's real problems of creating a safe and stable environment in which business can flourish. It is a phrase perforce loaded with connotations of illegality and

shady deals though its broadest meaning is only the departure of capital from the country.

The main outflow of capital from South Africa remains capital redemption payments under the debt standstill arrangements. These have been huge, but not contrary to the African trend for private sector foreign investment to flow out rather than in, and began long before the debt standstill. However, those capital redemption payments in turn haven't hurt economic growth because there's been more than enough capital in South Africa to fund the low level of investment we've suffered because of poor business confidence.

South Africa's focus should first be on creating the right conditions for investors to want to invest here.

If there is no confidence in the country's future, capital will flow out, exchange controls or not.

Jitters as rand slips and slides

Star 6/3/93

A jaundiced view on local counter

Exchange rates: \$: RRRR, £: RRR, M: RRRR

NT. FOREIGN EXCHANGE

"Looks like it's going to be a short trip, sir."

ncy dealers are taking a jaundiced view of the local counter; this week Standard Bank dealers had the rand on a six-month basis at about R3,26 to the greenback, compared with R3,23 on the same basis less than a month ago.

Face value

Economists are quick to point out that the movements in no way suggest the Reserve Bank is going to let the rand drop out of sight, even if at face value the decline represents an annualised fall of about R1 against the dollar.

WHERE will the buck stop as the rand continues its slide? Our FINANCE STAFF report.

money" and transferred abroad. As yet, the phenomenon is not considered out of the ordinary, even though this week's movements are out of line with the trade-weighted adjustment necessary to compensate for the inflation differential between South Africa and its main trading partners.

Increase

Nedbank economist Edward Osborne estimated recently the rand would be in the region of R3,30 to the dollar by the end of 1993 — also corresponding to a 9 percent trade-weighted decline over the year. However, say currency dealers, at the rate the rand is dropping, it could end the year closer to R3,50 to the dollar.

money" and transferred abroad.

As yet, the phenomenon is not considered out of the ordinary, even though this week's movements are out of line with the trade-weighted adjustment necessary to compensate for the inflation differential between South Africa and its main trading partners.

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Nedbank economist Edward Osborne estimated recently the rand would be in the region of R3,30 to the dollar by the end of 1993 — also corresponding to a 9 percent trade-weighted decline over the year. However, say currency dealers, at the rate the rand is dropping, it could end the year closer to R3,50 to the dollar.

An immediate effect of the rand's drop against a number of major currencies had, by the close on Wednesday, come down 2,24 percent over the past three months.

On an annualised basis, that is in the 9 percent ballpark, which approximates with the inflation rate differential between South Africa and an average of its major trading partners.

While SACOB supports Reserve Bank measures to protect foreign reserves by allowing the rand to depreciate, the organisation opposed a recent Afrikaanse Handelsinstituut proposal that the Bank let the currency weaken significantly because of the "unanticipated" consequences this might have.

The only way the Reserve Bank can allow the currency to drop that way is by greatly increasing the money-supply growth rate, which would be inflationary and exacerbate the cost of imports, further delaying economic recovery," said Lockwood.

However, currency dealers note that the Reserve Bank is conspicuous by its lack of intervention in the market in the form of dollar-buying — a consequence of heavy balance-of-payments pressure on its foreign currency reserves.

SA Chamber of Business plays down the significance of the decline, although he makes the point that it could have an adverse influence on the sentiment of investors. Weak currencies push up operating costs because they are associated with high import costs, often high inflation and the diminution of returns when dividends are converted into "real

According to Lockwood, the nominal exchange rate of the rand against a trade-weighted

number of major currencies had, by the close on Wednesday, come down 2,24 percent over the past three months.

On an annualised basis, that is in the 9 percent ballpark, which approximates with the inflation rate differential between South Africa and an average of its major trading partners.

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DIAGONAL STREET

A STOCK MARKET scandal, deregulation, fiscal deficit, destabilising influences in unrest areas and an international cricket victory could be the headlines of any South African newspaper — yet they all came from February editions of the Times of India.

That esteemed publication contacted me last week after my 11-day trip to the sub-continent to seek help on a survey about trade with South Africa.

When, asked the Times, would it be a good time? Perhaps when sanctions are lifted in May or June?

From my experience, sanctions are the last thing on any Indian mind now. Details need to be attended to but doors are far ajar.

This month, India is to open a cultural centre in Johannesburg from which visas will be issued and which will promote anything that can be assumed to be under a people-to-people umbrella.

Indian interest in SA is huge. At an engineering fair in Delhi attended last month by the South African Foreign Trade Organisation's 14-strong party, almost everyone was wired out of business cards and literature in exchange for hundreds of Indian details.



By Julie Walker

PASSAGE TO INDIA

5 Times (G&SS) 7/3/93

Some will find it more difficult than others — palm-greasing is rather prevalent in certain circles. There is not much of a middle-class in India, a few rich and lots of poor. In India, you have really made it as a businessman if you earn Rs10 000 a month — about R1 000.

Tax incentives are granted to investments in export-oriented units and in industries in the six export-processing zones, including a five-year tax holiday and no tax on hard-currency export profits.

Last week the Indian government gave the country's exporters another boost by making the rupee fully convertible at market rates.

The nation will be vigorously opposed. Certain shareholders have already applied to the Minister of Finance in terms of Section 257 of the Companies Act to investigate Raey's affairs. Attorney David Feldman, acting on behalf of the dissatisfied shareholders, believes the redemption is being hurried through to block the task of auditing the disposal by and dissolution of Raey should the investigation determine foul play and disqualify the minority from complaining to the minister.

Previously, only 60% could be exchanged at the official rate. The balance at the official rate. Importers will have to pay more, but against a weakish currency such as ours, trade with SA must grow. Import duties have also been lightened.

India needs another 57 000 MW of electricity-generating capacity in the next five years, and can supply only another 20 000MW itself. The government guarantees a 16% return on investment to anybody willing to put up a power station.

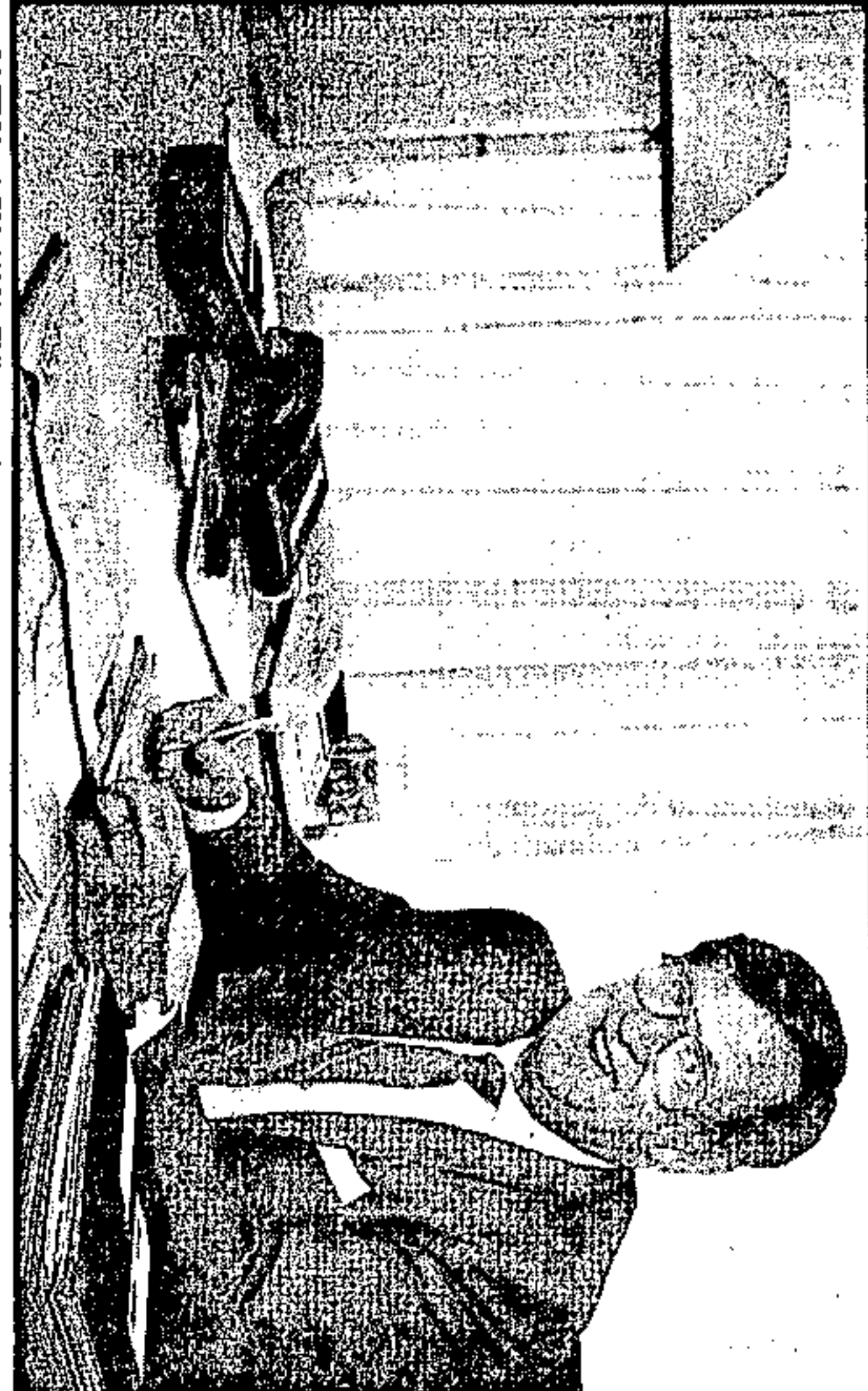
Now if Eskom could dismantle its spare capacity using World Bank money, ship it over to Bombay and buy South African coal to fuel it...

A 16% rupee return and doubts over its repatriation take the edge off that little daydream, but maybe there is some scope for business.

The Indian government plans to spend the rupee equivalent of R20-billion for the development of more than 100 new coal mines by March 1997, which would push production to 300-megatons.

One businessman I spoke to wants to open a granite-cutting factory in Mauritius using South African stone. Marble has long been big business in India — I saw marble being sliced on building sites in Bombay streets.

There could be opportunity in food, especially as SA and India are on opposite sides of the equator. India claims to be the second-largest grower of vegetables and the



SAFTO'S LEN VAN ZYL ... looking at a potential market of 200-million Indian consumers

third biggest of fruit in the world, but much of it goes to waste because of the lack of post-harvest facilities, such as canneries, refrigeration and transport to consumers.

Fruit and vegetable projects have a high priority. "We in India need work for our rural masses" is the line.

World Bank money funds road-works, undertaken in an inefficient-looking fashion. I never saw an earthmover, only lots of Indian women sprinkling drying concrete from shallow pans of water. Such a job is better than none.

At Agra I visited an export business set up for tourists to buy marble goods inland with semi-precious stones. The gems were being hand-polished against a foot-peddalled grinding wheel by boys of 12.

"These boys are not from India," explained our guide, but declined to elaborate further. It was his way of explaining away the issue of child labour.

At first I was shocked, then I recalled the need in SA for more vocational training, the future of those boys is better than for those without a trade, no matter how hard to swallow the principle might be.

India needs lots of the things Africa needs. Every city has a couple of million people sleeping under squatter camps. It was dry and warm during my stay, but in cold and in the monsoon season life must be appalling. Cheap housing has a market.

India is the 18th most industrialised nation in the world. Inflation is officially 8%, unofficially 28%, and interest rates are about the same as ours. Surprisingly for a nation of traders, there are no financial paper

ment from a learned academic, who said that crowded New Delhi should prohibit the establishment of any new business, that they should decentralise and provide work for people in rural areas. Yes, well, we tried that one here and it failed.

Mr van Zyl came back full of enthusiasm about prospects for South African-India trade.

"India has a population of nearly 900-million. Even if you discount three-quarters you still have more than 200-million consumers — an exciting market for any potential supplier."

Indians are eagerly investigating alternative sources of supply and are particularly enthusiastic about renewing cultural and commercial links with SA.

"In my book, this all adds up to a very exciting potential business."

Part of an Indian tourist guide's "duties" involves a trip to a Kashmir carpet seller. One we visited gave free tea, snacks and a carpet-making demonstration to our crowd and to a batch of Germans. The proprietor duly translated all the relevant facts, such as knots per square inch and dollars per rug. But the reality blew his chances when he told the Germans that his finest silk-carp piece was the Rolls-Royce of carpets.

AFTER scouring the antique shops in Bombay, I am thinking of starting a business importing second-hand musical instruments. I paid the equivalent of R200 for a saxophone and a clarinet — about a tenth of what it would cost here. I could have equipped an entire band for a grand.

THINGS for which there is no market in India: paint (nothing recovered for 50 years), road signs (totally ignored), beer (local brewers ex-celant).

THE RACY SAGA ROLLS ON

RACY, whose assets were bought by its directors at a bargain price to become a cash shell worth 51,3cps, will hold a shareholders' meeting on March 19 at which it proposes members' shares be redeemed at 50,5cps.

Racy's February circular says the 51,3c is still valid, but excludes additional costs of R50 000 relating to prior sales of assets, outstanding expenses, stamp duty on the redemption, delisting costs and any accrued interest after tax arising subsequent to the issue of the asset-disposal cir-

cular. The effective date of disposal was to have been 48 hours after the December 29 1992 shareholders' meeting, which was adjourned until January 11.

The completion date was seven days after shareholder approval — that is, January 18.

By rough calculation, Racy's cash could have earned about R250 000 by March 19. Even after tax, it makes the matter of additional costs, etc., mentioned as reasons for the lower redemption figure look too high.

The nation will be vigorously opposed. Certain shareholders have already applied to the Minister of Finance in terms of Section 257 of the Companies Act to investigate Raey's affairs. Attorney David Feldman, acting on behalf of the dissatisfied shareholders, believes the redemption is being hurried through to block the task of auditing the disposal by and dissolution of Raey should the investigation determine foul play and disqualify the minority from complaining to the minister.

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LUI SHANZAI ... Mainland China will hold its first trade exhibition in SA in April

SOUTH AFRICA this week received its first ministerial visit from an awakening giant — the People's Republic of China.

Assistant Minister of Foreign Economic Relations and Trade, Lui Shanzai, arrived in the country on a six-day visit to officially open the Bedfordview offices of the state-controlled Chinese corporation, the Great Wall Group.

He headed a seven-man trade delegation to SA and met deputy Minister of Trade and Industry David Graaff and deputy Minister of Foreign Affairs Renier Schoeman.

While no agreements were concluded, Mr Lui says mutual understanding between the two countries was strengthened. Further meetings took place with a number of people in political and business circles.

Mr Lui says the opening up of the Great Wall Group in SA is a move to bolster bilateral economic relations between SA and China.

The group's main focus will be to boost trade between the two countries, which was largely done indirectly in the past.

Other activities will include tourism, technology in-

Great Wall opens doors

74 (BS)
S/Times (Buss) 7/3/93

By ZILLA EFRAT

terchange, engineering products and consulting.

In what is believed to be the first financial commitment from a communist country in SA, the group has spent about R9-million on its Bedfordview headquarters and R2-million in other assets.

Mr Lui says Mainland China will hold its first trade

exhibition in SA in April. Another is also planned for September and is expected to draw around 100 exhibitors.

He notes there are also some moves towards some formalising of banking and transport agreements between SA and China.

China, a market of 1,16-billion people, is starting to reap the benefits of its reform process started in 1978. Its current real GDP growth rate is about 12% a year.

Its total trade amounted to \$156-billion in 1992, when it became the 11th largest trading country in the world, a sizable jump from 32nd place in 1987.

Mr Lui says SA products which China is interested in include steel, construction materials, mining equipment and technology. In the past, China has imported wool from SA.

He was amazed to note the amount of Chinese products displayed in SA's shops, including food, textiles and other light industrial products. China also expects to sell chemicals, electronic products and machinery to SA.

A highlight of Mr Lui's trip was that he got to realise a childhood dream — that of visiting Cape Point, which he had learnt about at school.

NEW LIVES FOR 087 LINES

A NEW marketing industry has been born out of the death of 087 lines. Former 087 companies are developing a host of services to maximise the use of the estimated R100-million worth of sophisticated equipment they were left with when Telkom ended the service at the end of last year.

The public can now pay their traffic fines, shop, complain and get information from home using a phone. These are just some of

the new value-added marketing services being developed by companies like CallNet, Valutel and TIM.

CallNet director Neil Jacobsohn says the 087 technology opened the market for other services by introducing the concept of using the phone to pay for information.

CallNet is looking to finalise a joint venture marketing support company with Mass Market Investment Holdings (MMI).

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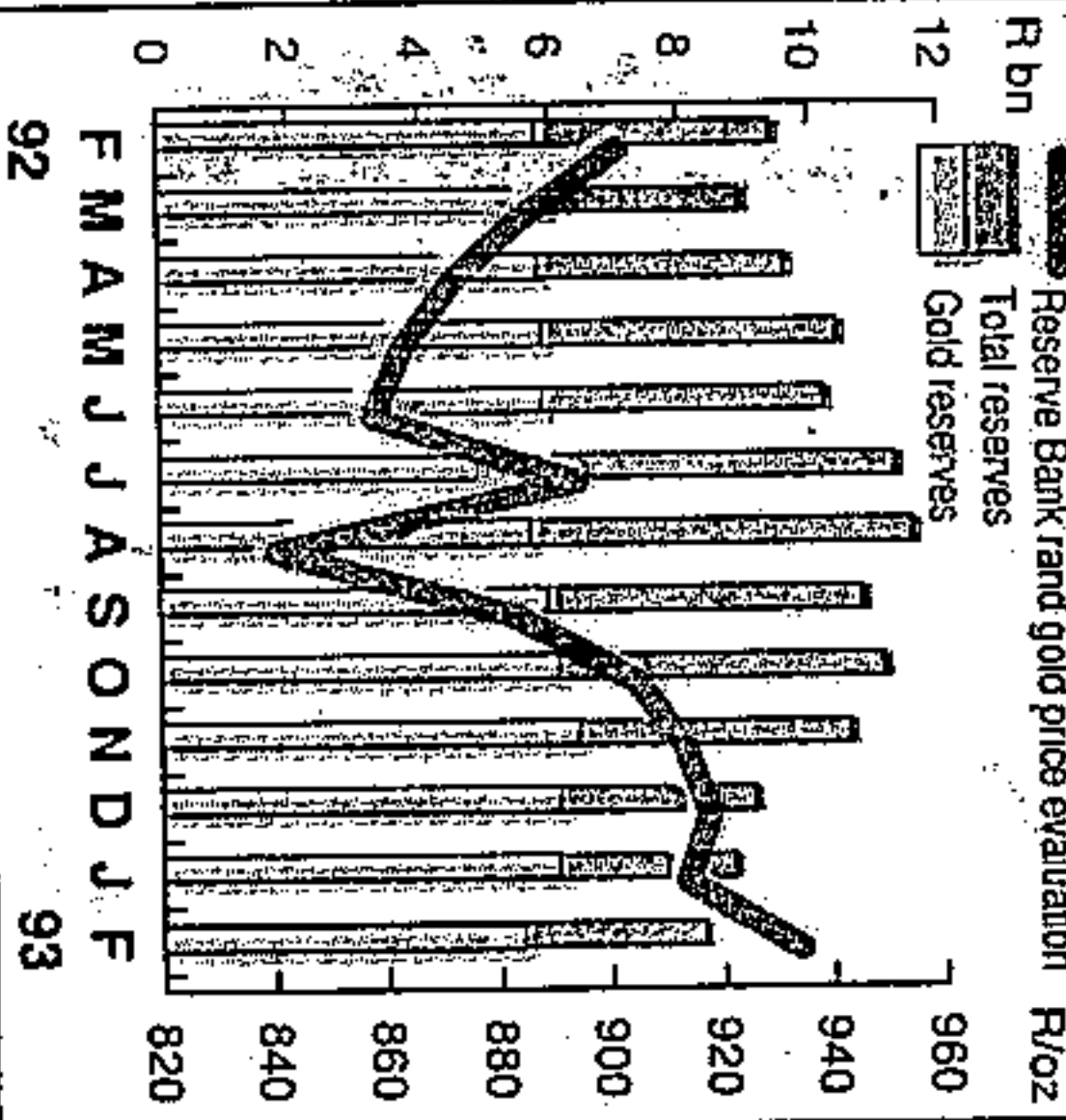
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Gold and forex reserves



Graphic: RUBY-GAY MARTIN Source: SA RESERVE BANK

Tumbling forex reserves dash hopes of imminent

TIM MARSLAND and GRETA STEYN

SA's gold and foreign exchange reserves fell for the fourth consecutive month in February as capital outflows continued unabated, dashing hopes that interest rates would be cut again soon.

The Reserve Bank's statement of assets and liabilities showed total gold and foreign exchange reserves fell R490m to R8,3bn last month from January. SA's reserves peaked at R11,5bn last August.

Economists said Bank Governor Chris Stals would delay further reductions in interest rates until balance of payments (BoP) pressures had abated. Stals warned when he cut Bank rate last month that rates might even have to rise if the pres-

sure became worse.

The fall in February's reserves reflected a payment of foreign debt inside the standstill net and cash flow problems caused by adverse "leads and lags". The cash flow problems continued this month, draining liquidity from the money market and causing the cash shortage to rise sharply.

The money market's daily debt to the Reserve Bank rose to a record R5,3bn on Thursday, before easing to R4,5bn on Friday. Money market rates hardened on Friday because of the tight liquidity, with the 90-day liquid BA rate trading at 11,65%

from 11,55%.

Stals said at the weekend the surplus on the current account had all but disappeared because of time differences between exporters and importers completing their currency transactions. The sharp rise in the money market shortage indicated that this problem had continued. Because of the strong dollar, there were leads and lags between exporters selling dollars and importers buying dollars, Stals said.

Exporters, who are paid in dollars, try to get more rands for their dollars by waiting for the rand to weaken before completing transactions. Importers, who make their payments in dollars, try to buy at a stron-

liger rand so they pay less for their dollars.

Stals said these activities were causing a shortage of dollars in the foreign exchange market which was in turn draining liquidity from the money market. He said there was no need to raise Bank rate, as the Bank had enough room to manoeuvre.

In the next few weeks, there would be an automatic narrowing of the gap between the leads and lags, Stals said.

Standard Bank economist Nico Czipionka said SA faced unusual and unexpected BoP problems which could mean fewer interest rate cuts. He had expected two further reductions in Bank rate this year.

Reserves 610A-1 8/3/93

as the underlying inflation trend was downwards. But there was little prospect of action on the interest rate front before the reserves position improved.

BoP pressures had forced the Bank to go back on its policy of building up gold reserves which were down by an unusually high 10% last month to 5,92-million ounces.

The rand value of the gold holding was boosted by a higher valuation of R931,29 per fine ounce from R911,24 in January. Gold holding was R5,5bn in February, from R6bn in January, while currency assets were slightly higher at R2,78bn.

From Page 1

Economists speculated that the Bank had drawn on its short-term foreign credit lines to shore up the currency reserves. The balance sheet showed a sharp increase in "other liabilities" of R1,3bn. Stals indicated in January that the Bank was making use of these bridging finance facilities.

A positive factor in the next month would be a lessening in the drought's effect on the BoP. A Maize Board spokesman said just R24m was owing on maize imports, which would be paid before April 30 when the current import programme was completed. The board had paid R42m in the past week for maize shipments.

To Page 2

rates cut

Fall in reserves limits scope for cut in rates

(79)

By Sven Lünsche

A renewed sharp fall in the gold and foreign exchange reserves has limited the scope for further large-scale interest rate cuts this year.

The Reserve Bank's monthly statement of assets and liabilities, released at the weekend, shows the total reserves declined from R8,79 billion in January to just below R8,3 billion last month.

This is their lowest level since December 1991 and a sharp 28 percent below the peak of R11,55 billion recorded in August last year.

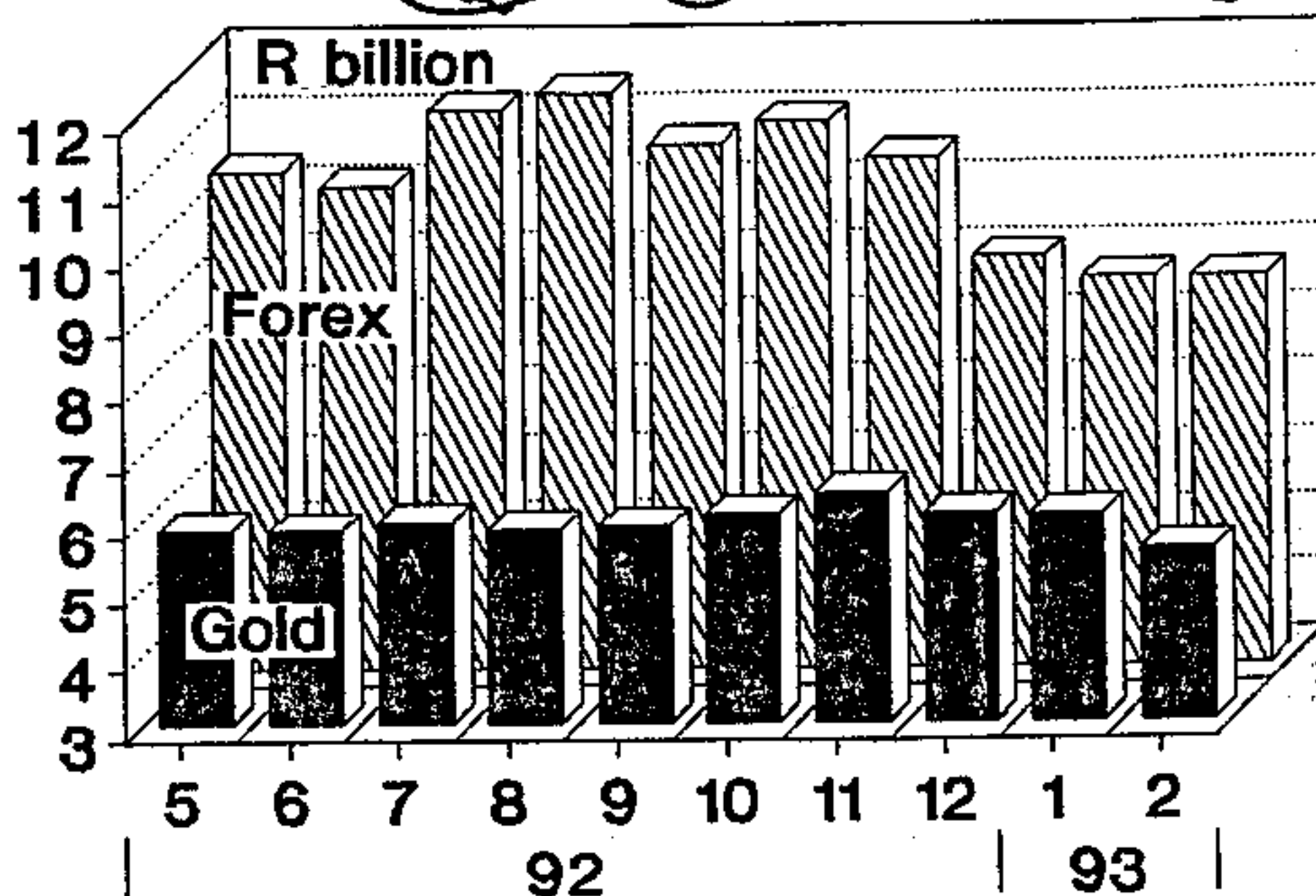
When announcing the latest interest rate cut last month, Reserve Bank governor Dr Chris Stals warned that further cuts could be inhibited by a continued decline in the reserves.

One point

Economists said today that in the wake of the lower reserves only a further one percentage point cut in the bank rate should be expected this year.

After last month's drop a two percent reduction had been widely forecast.

Stals has been aiming at a reserve level equal to cover three months' worth of imports. In August the level was equal to almost 2,3 months but has since dropped to about 1,5 months.



SA's reserves are at their lowest level since December 1991.

A strong forex reserve level is essential for the country to maintain a surplus on the current account of the balance of payments and offset large outflows on the capital account.

This is particularly crucial this year as SA has to meet about \$1,5 billion in foreign debt payments under its agreement with foreign creditor banks.

Large debt commitments, coupled with slower export revenues, have been mainly responsible for the decline in the foreign exchange reserves since mid-1992.

However, in February it was the gold reserves which showed

a sharp reduction of more than R500 million.

The gold reserves fell from R6,06 billion to R5,52 billion — their lowest level since September 1991 — while the foreign exchange content showed a slight improvement to R2,78 billion (R2,73 billion in January).

While the value of gold increased as a result of a lower rand-dollar exchange rate to R931,29 an ounce (R911,24 an ounce) the physical volume of the gold holdings fell markedly from 6,65 million to 5,92 million ounces.

This indicates that the Reserve Bank sold gold on the market to

raise additional foreign exchange as some debt commitments fell due in February.

The effectiveness of lower interest rates was queried last week by Stals, Bruce Cameron reports from Cape Town.

Stals warned that lower interest rates would not push the economy towards recovery.

Uncertainty

He said political uncertainty was the main reason for the stubbornness of the economy to turn around. "The economic situation is dominated by political uncertainty."

This was in sharp contrast to Europe and the United States where lower interest rates were being used to stimulate the sluggish world economy.

Even the Bundesbank, more concerned about rising inflation and its long-term effects, had been making cuts reluctantly to boost growth in Europe.

Stals' remarks come in the wake of repeated calls by Finance Minister Derek Keys to the private sector to show greater confidence in South Africa by investing in industry.

Keys, however, is set to call for continued monetary stringency to provide a long-term incentive for investment, when he discusses his Normative Economic Model tomorrow.

Star 8/3/93

Fall in reserves limits scope for cut in rates

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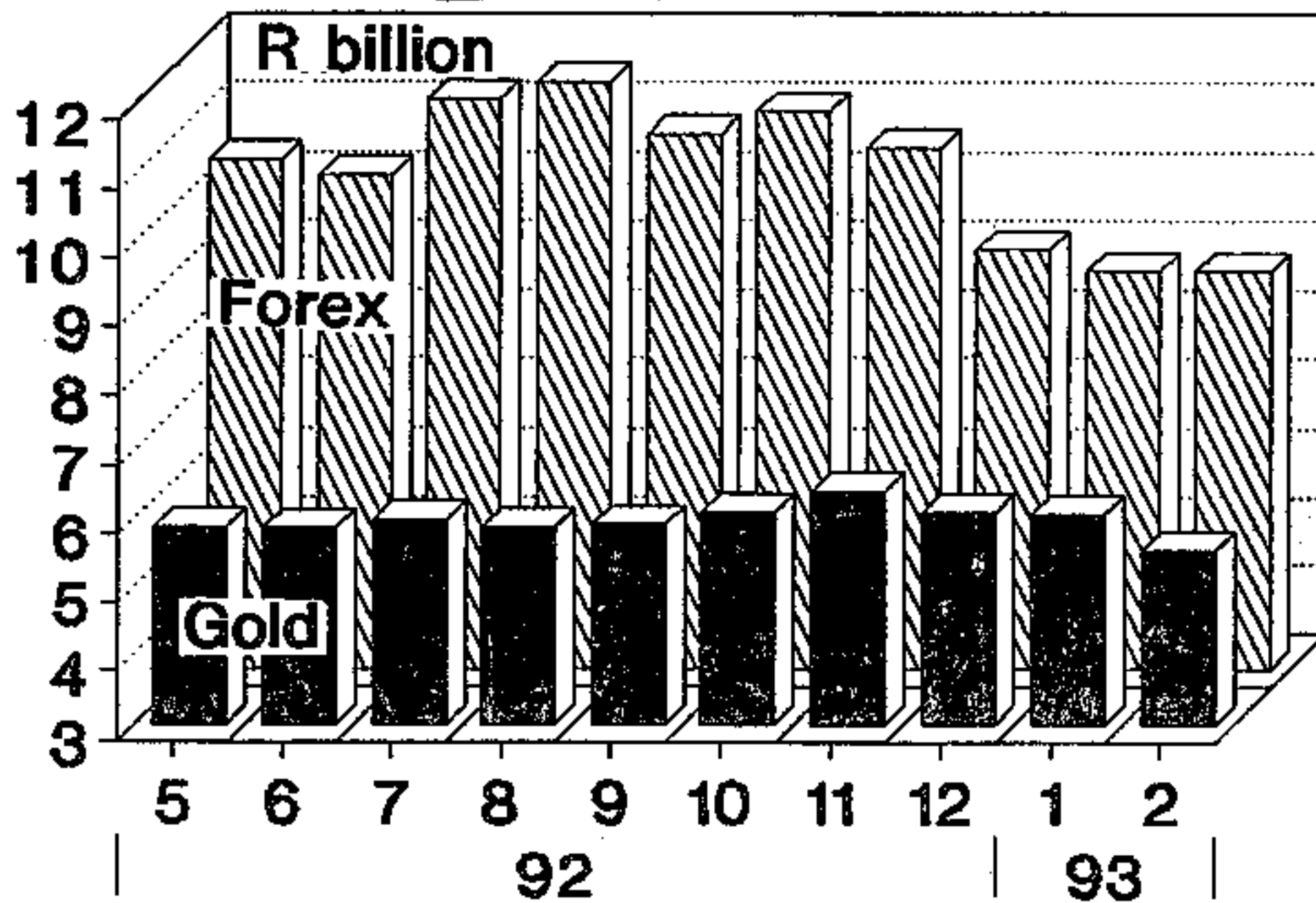
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Keys, however, is set to call for continued monetary stringency to provide a long-term incentive for investment, when he discloses his Normative Economic Model tomorrow.

Dealers urge

hedging against weakening rand

By Neil Behrmann

LONDON — Foreign exchange dealers are advising companies dealing with South Africa to hedge against rand exposure.

In the past five months, the rand has appreciated considerably against European currencies, particularly sterling, the Irish punt, Italian lira and several Scandinavian currencies.

But despite the sharp fall in SA's inflation rate to 9,6 percent, the rand has been weak as inflation in its main trading partners has averaged around three percent.

By its managed rate policy, the Reserve Bank aims at keeping the real rate of exchange constant.

In other words, the weighted average of the rand declines by the difference in inflation between SA and its main trading partners. This is now about six percent.

The policy has worked for several years. The dollar has the biggest weighting so the rand is a quasi-dollar-block currency.

Inflation differential

In 1991 and early 1992, for example, the rand would appreciate or decline by about six percent against European currencies if the dollar rose or fell by around 10 percent.

In recent months, however, the relationship appears to have broken down. The depreciation of the rand has been greater than the inflation differential.

At the end of August, the commercial rand peaked at 36,70 US cents and has since depreciated by 16 percent against the US unit.

It has fallen by the same amount against the yen and has appreciated by only 2,5 percent against the German mark. Against the pound, the rand has soared by 22 percent.

But if the sterling component of the weighted average is excluded, the commercial rand has performed abysmally in the past six months. The financial rand rate was around 32 US cents at the end of 1991. That is where the commercial rand is now.

Most SA economists examine the commercial rand in terms of inflation differentials and, on the face of it, a decline in inflation is good for the rand.

One of the variables

But inflation is only one of the variables in determining market expectations of a currency's rate. Economic weakness, expectations of falling interest rates are others. Moreover, there are balance of payments factors.

SA's current account surplus fell to an estimated R4,4 billion in 1992 from R7,4 billion in 1991, mainly due to the drought and its impact on foreign trade.

Capital outflows were R6 billion, of which R3 billion took place in the final quarter as a result of foreign debt repayments. The reserves have also dropped sharply, leaving little leeway to support the currency.

Thus, while the financial rand is bearing the brunt of short-term capital flows, the commercial rand is under pressure from debt repayments. It is not surprising that Reserve Bank governor Dr Chris Stals has said the country's balance of payments, particularly the capital account, calls for caution.

Rand plummets ~~69~~ to set new low ~~74~~

9/31/93
BIPAM
TIM MARSLAND

THE rand continued its headlong fall into uncharted territory yesterday, setting a new low of R3,1920 against the dollar during the day as a flood of importers scurried to buy dollars, dealers said.

The unit closed at R3,1863 from Friday's R3,1628. It has lost 1,5% against the dollar in the past two weeks. Against the basket of currencies — which the Reserve Bank uses to determine the value of the rand — it was also weaker and against sterling it was at R4,6113 from R4,5987.

The rand recovered somewhat in the afternoon after the Bank entered the market and speculators who bought dollars in the morning resold them.

A dealer said R3,20 was a major psychological level and once the rand broke through it, the unit could fall to R3,30.

Another dealer said importers had rushed to take cover against further rand weakness, which was causing a capital outflow from SA. He expected further panic covering in the next few weeks.

He said the leads and lags between the export and import activities could not explain the entire capital outflow as exporters, who sell offshore-earned dollars to buy rands, had to complete the currency transaction within seven days of the shipment. Were this the major reason, the gap between the two should already have narrowed, which did not appear to be the case.

The financial rand ended easier at R4,5750 from Friday's R4,5500.

African indaba planned for expo

3/07/93 12/3/93
ORGANISERS plan to turn a major US trade exhibition in Johannesburg into one of the biggest meetings of African businessmen held on the continent.

Top businessmen from 34 African countries have been invited to attend the Made in USA expo, to be held at the World Trade Centre in September.

David Altman, who organised the Contact Kenya visit by SA businessmen to Nairobi last year, said about 2 000 African business leaders could end up in discussions with their US and SA counterparts.

The exhibition is being marketed as a platform for US business expansion in SA, and is promoting SA as a springboard for trade with the rest of Africa. "The point of the exhibition is to bring US companies to SA to lay the groundwork for future business in SA and in southern Africa."

Altman expects about 250 US companies to take stands at the exhibition, of whom about 100 already have a presence in this country. If US sanctions are lifted before

MICHAEL ACOTT

September, Altman believes at least 400 companies will participate.

Altman warned that even the early end to sanctions, which he expects, would still leave many top corporations refusing all dealings with SA because of state sanctions within the US. Until those sanctions went, normal trade could not resume.

Although he declined to name them at this stage, Altman said that confirmed exhibitors included companies that had disinvested from SA, and trade development agencies from some US states.

He said the exhibition had the active support of the US commerce department, the SA government and ANC officials. ANC president Nelson Mandela is to be the speaker at a VIP banquet during the expo.

US figures show US exports to SA last year totalled \$2,4bn out of SA's total imports of \$20bn.

'First' as Expo (74)

SI Times (BYSS) 14/3/93.
woos American

top businessmen (162)

ONE of the largest campaigns ever to market South Africa is under way in the United States. Glossy kilogram packs of information on SA have been sent to 20 000 specially targeted American corporations inviting them to take part in the "Made in USA" Expo.

It will take place at the World Trade Centre in Kempton Park in September and coincide with a "USA Week".

Made in USA managing director David Altman says the Expo, the first of its kind, aims to get US businessmen back into the SA market after a long lapse.

About 200 American firms are expected to exhibit. Some 80 companies, many of them big names, have already confirmed their participation, as have a number of US multinationals with operations in SA.

At this stage, official trade specialists from 12 US states have also said that they will be attending.

Mr Altman says that between 40 000 and 50 000 business people are expected to visit the show, including about 2 500 from other African countries.

The Expo is being promoted in SA and in 34 African nations with the help of the US government, the South African Department of Foreign Affairs and the

By ZILLA EFRAT

governments of a dozen African countries.

Mr Altman says the Expo has the support of the US Department of Commerce and ANC-led organisations because they see it as laying the groundwork for future co-operation between the two countries.

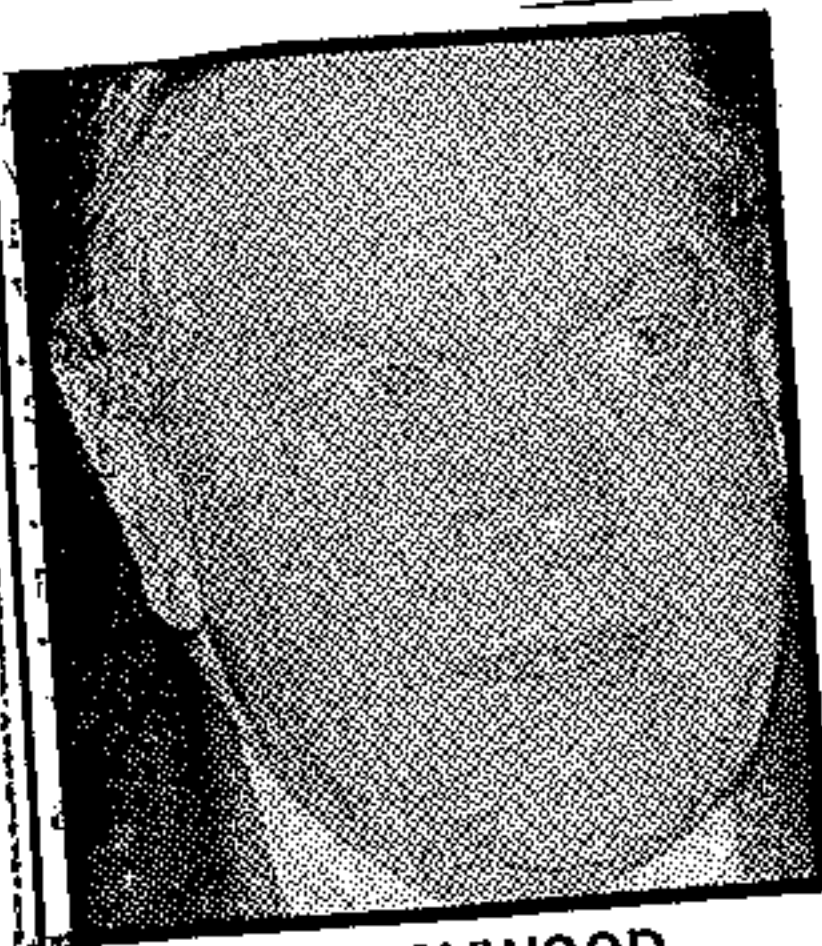
Major products to be exhibited include computers, electronics, machinery and medical equipment.

Video

Exhibitors hope to increase trade relations, finalise licensing and franchise agreements and also source raw materials from SA.

The information packs being sent to US companies include a video and detail the opportunities available in the SA market and the use of SA as a springboard into southern Africa.

SA's sophisticated infrastructure and tourist attractions are also highlighted.



RON HAYWOOD

SACOB LOOKS ABROAD

By ZILLA EFRAT

SACOB and its chambers are set to play a more significant role in international trade development.

Sacob deputy director-general Ron Haywood says his organisation has decided to focus more strongly on interfacing with the international chamber of commerce network.

Sacob is also going to become more involved in outward missions and the promotion of trade fairs.

It will support an initiative in the Ivory Coast later this year and has other local and international exhibitions in mind. Its larger chambers are also setting up international departments.

Organised

Mr Haywood says this is because the chamber movement has become a prime vehicle for business interaction in many countries, especially in Europe, Central Europe and Africa.

Many of the recent trade delegations to South Africa, including those from Thailand and Bahrain, have been organised by chambers of commerce.

In addition, there are now 17 bilateral chambers of commerce in SA. Recent additions include those with Canada, the Netherlands and Zaire and a Finnish-South African chamber is about to be formed.

Reserve Bank probe after London tip-off

THE Reserve Bank was investigating claims that a number of South Africans were involved in illegal currency transactions, a senior Bank official said yesterday.

The official was responding to a week-end report that more than 40 SA citizens were involved in illegal forex dealings.

He said the Bank had received information from an SA citizen who fled to London last year amid claims of theft and foreign exchange contraventions.

The man, Roy Myers, had given information to the Bank which had been passed on to the Office for Serious Economic Of-

TIM MARSLAND

fences for investigation.

Myers, accused of theft and foreign exchange contraventions, fled to London and offered the information to the Bank in exchange for indemnity.

Myers later committed suicide in London.

He had already appeared in a London court in connection with the theft of more than R5m from a Johannesburg pair.

The official said there had been an inves-

To Page 2

Bank probe

tigation from the Bank's side into Myers "who was instrumental in getting funds offshore on behalf of others".

He was unable to say how much money was involved in the investigation or how many people the probe affected.

However, "a number of people were affected", he said. BIDA 15/3/93

Myers is believed to have passed on information which led to six SA residents being prosecuted in connection with fraud and foreign exchange contraventions amounting to about R350m.

The official said about 10 cases involving foreign exchange irregularities were before the courts at the moment.

From Page 1

REVENUE COMPARISONS

(M4) ~~(114)~~
~~(114)~~

	1992-93 Budgeted Rm	1992-93 Revised estimate Rm	1993-94 Budgeted at exist- ing rates Rm	1993-94 Budgeted at new rates Rm	% Change on 1992/93 revised
Inland Revenue					
Income tax on:					
Individuals	35 511	32 572	37 680	37 627	15,5
Non-mining companies	13 356	10 796	11 101	11 101	2,8
Gold mines	472	482	500	500	3,7
Diamond and other mines	855	603	425	401	-33,5
VAT/sales tax	21 020	17 376	19 188	24 858	43,1
Gold mine leases	145	163	115	115	-29,4
Stamp duties	830	750	825	815	8,7
Transfer duties	810	870	922	991	13,9
Other	1 627	2 014	1 325	735	-63,5
Total	74 626	65 626	72 081	77 143	17,5
Customs and Excise					
Customs duty	3 124	2 975	3 132	3 132	5,3
Import surcharge	1 670	1 525	1 635	1 635	7,2
Excise duty	4 519	4 097	4 236	4 556	11,2
Fuel levy	6 634	6 810	6 893	7 633	12,1
Ordinary levy	64	85	88	88	3,5
Miscellaneous	252	355	383	383	7,9
Total	16 263	15 847	16 367	17 427	10,0
Less: Customs Union payments..	5 040	5 160	5 675	5 675	10,0
Total	11 223	10 687	10 692	11 752	10,0
Total Revenue	85 849	76 313	82 773	88 895	16,5

Weak rand falls through key barrier

THE rand broke through key psychological resistance of R3,200 against the dollar yesterday before recovering in thin and cautious trade, dealers said.

The rand ended at R3,1976 to the dollar from R3,1933 on Friday. Against other major currencies it also ended weaker, finishing at R4,5825 against the pound from Friday's R4,5553.

A dealer said sentiment towards the rand was being hurt by a number of factors, chiefly the strength of the dollar. He said if the dollar rose to DM1,72 in the next few months from its current level of DM1,66, the rand could fall to R3,35 against the dollar. Also weighing on sentiment was the dwindling gold and foreign exchange

(74) TIM MARSLAND

reserves, as well as the coming negotiations on the debt standstill.

Another dealer said exporters had been active in the market above the R3,20 level, which helped the rand off its lows.

A market analyst said the Bank might have entered the market in support of the rand, but it would probably not regard R3,20 as a key level, since it took a long-term view of the rand.

The financial rand continued to lose ground and ended at R4,6580 against the dollar from R4,6150. Dealers said the financial rand would be in "dangerous territory" if it fell below R4,68 to the dollar.

SIDAM 16/3/73

Rand slide poses a teaser.

Star 16/3/93

74

By Derek Tommey

Did the rand fall or was it pushed?

This is the question a number of dealers are asking because finding the correct answer should provide an indication of how the rand could fall in coming months.

For the past nine months the rand has been slowly depreciating against the dollar and in this period has fallen 13,5 percent from around R2,7653 to R3,1985.

In the same period, it has dropped 19,5 percent against the yen, but has risen 16 percent against sterling.

Its depreciation against the mark has been small — a mere 3,3 percent. It has fallen only 2 percent against the Swiss franc and by virtually nothing against the French franc.

How much of the devaluation is due to the firmer dollar and yen and how much to weakness?

In other words, could the Reserve Bank have kept the rand at a higher level?

The general response to this is "possibly", but that given the situation South Africa is in, the Reserve Bank probably decided it would be in the country's best interests to have a secret devaluation and let the rand slide against the currencies of its two major trading partners.

The result is that exporters are clearly going to do much better this year than last. Rising exports should in turn create more jobs and a more cheerful business climate.

However, a lower rand means more inflationary pressures. So the question remains: When will the Reserve Bank check the slide in the rand to avoid further import-led inflationary price rises?

Star 17/14/93

Financial rand set to go, market-watchers predict

By Magnus Heystek
Finance Editor

A strong rumour that the financial rand could be scrapped by Finance Minister Derek Keys in today's Budget swept through financial markets yesterday.

Several callers to The Star suggested that this could be the surprise element in today's Budget, which so far

has seemed fairly transparent and predictable.

Such a move, if implemented, would have a major impact on financial markets and would, inter alia, lead to a sharp devaluation of the commercial rand of up to 20 percent.

It would also have a major impact on shares on the Johannesburg Stock Exchange, and capital market rates could soar.

However, Mike Brown, economist at stockbroking firm Frankel, Pollak Vinderine Inc, played down the possibility of such a move, saying this would have a negative impact on the country's foreign exchange reserves.

The scrapping of the financial rand — South Africa's "investment currency" — could be done only if it were accompanied by a sharp decline in the value of the commercial rand.

Yesterday the financial rand was trading at R4,70 and the commercial rand R3,20 to the US dollar, a difference of 32 percent.

While SA's two-tier currency system protects the foreign exchange reserve levels of the country, it discourages foreign investment to a certain extent as the financial rand is volatile.

A stable currency is a prerequisite for renewed foreign investment in the country.

A sharp drop in the value of the rand would have a negative impact on the inflation rate but would boost the export sector, especially sectors directly influenced by dollar prices, such as the gold mining industry.

● Keys starts delivering his Budget speech at 2.15 pm.

Finrand may boost the bond market

ANDY DUFFY
B/DAY 17/3/93
THE growing stability of the financial rand should give SA bonds a wider market among foreign investors, according to a leading investment house.

Broker James Capel said that Reserve Bank efforts since October to steady the financial rand by stemming offshore investment meant foreign investors should accept lower yields on SA bonds. The nominal yield target — the lowest point at which a bond offers an adequate return — had risen over last year to nearly 24% by December as offshore activity by SA companies increased.

But in its latest bond market report, the target has been cut back to 18%, and Capel said it expected the bond to trade in the 18-20% yield range through 1993.

"The Reserve Bank has tightened up and this has made a big, big difference," said report author Jon Bergtheil. "There is nothing on the horizon that will push (the target) up again this year." The fall in inflation to 9,6% had also helped cut the yield requirements.

The new target meant that the real yield for SA bonds dropped to less than 9%, against a global average of 3%-5%. The differential was the result of the risk premium attached to the bonds, and remained at 4%-5%.

Policy about-face as govt imposes sanctions

BIDA 17/3/93

RAY HARTLEY

nouncement by Foreign Minister Pik Botha last year that SA would adhere to all mandatory UN Security Council regulations, including sanctions.

The spokesman would not comment on whether SA had changed its long-held view that sanctions were ineffective as they hurt ordinary people and not those in power.

Trade and Industry chief director of foreign trade Bert Pienaar said the move

IN A policy about-face, government has decided it does support the idea of economic sanctions after all, and has prohibited SA companies from trading with the Federal Republic of Yugoslavia — made up of Serbia and Montenegro.

The ban — in keeping with a UN decision to stop trade because of Serbian aggression in Bosnia-Herzegovina — has been gazetted.

A Foreign Affairs spokesman said the decision was taken in line with an an-

was unlikely to have any effect on SA businesses as his department was not aware of any SA company engaged in trade with Yugoslavia.

He said before the break-up of Yugoslavia, SA companies had exported steel to the country, but this was no longer the case because of the civil war.

"It's like Angola. Nobody's doing trade with Angola, there's too much conflict there," he said, adding: "It would be highly irresponsible for SA not to go along with UN sanctions."

Exchange controls 'soon unworkable'

SA's foreign exchange controls will become unworkable as the country takes its place in the global economy once more, according to the Bank of Lisbon International.

In its latest update, the bank said that whether or not government scrapped the controversial system, the controls would be rendered redundant by developments outside SA's political arena.

The breakdown of sanctions against SA was expected to increase the movement of funds to and from SA, which would undermine exchange controls. SA's daily foreign exchange transactions currently total just \$4,2bn, compared with

8/DAM 17/3/93
ANDY DUFFY
\$73bn in Hong Kong. (74) (21)

The bank said the system was also likely to be swamped by investors moving to spread their currency holdings as economies worldwide forged closer links.

And the worldwide trend towards the elimination of exchange controls meant it would also become far tougher for SA to retain the system.

"Exchange controls have become largely redundant in developed countries," the bank said. It was only a question of time before SA was forced to follow suit.

The bank added that even in the period from 1984-89, when sanctions intensified, SA's economy became more open. The share of the gross domestic product taken by imports and exports in those years rose from 56,6% to 57,1%.

That trend, the bank said, "could now start to speed up".

The bank conceded that the removal of exchange controls could lead to the rand's devaluation, given that they form an important component of economic policy.

The recent currency turmoil in Europe had dramatically underscored the impotence of such central control in protecting currencies.

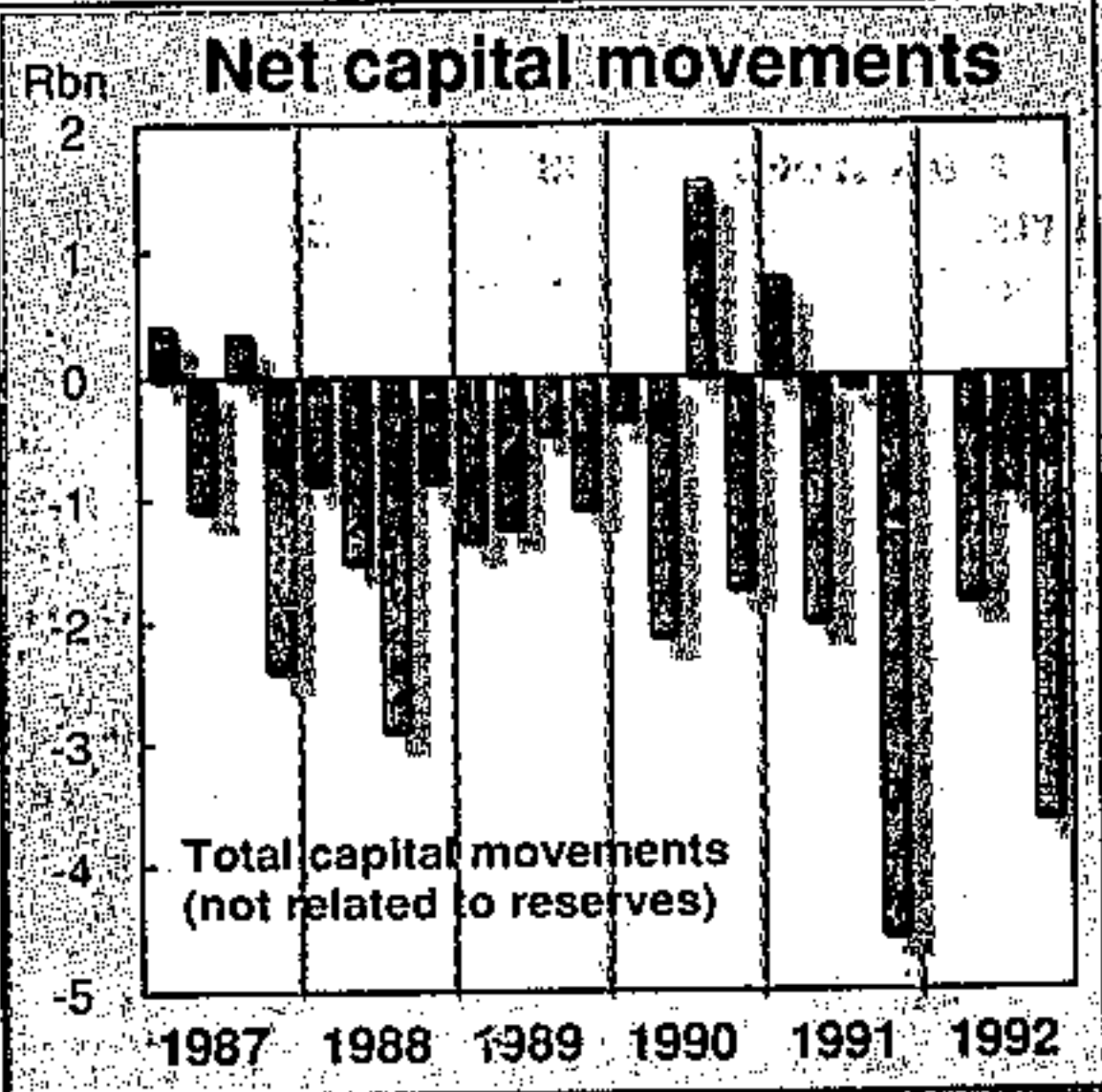
Outflow B1074
17/3/93

From Page 1

net importers of long-term capital (R1,2bn in the first half) to net exporters (R900m in the second half). The private sector exported about R300m in long-term capital in the fourth quarter.

the record annual high of R7,4bn in 1991. The report said a fall in the value of net gold exports was partly responsible for the smaller surplus. However, the drought had also made a major contribution. If agricultural imports and exports were excluded, the adjusted surplus rose in the fourth quarter to R4,6bn from R4,3bn in the previous quarter.

Surplus on the current account of the balance of payments (seasonally adjusted and annualised) fell to R4,3bn in 1992 from



Graphic: RUBY GAY MARTIN Source: RESERVE BANK

Stalled talks sped outflow of capital

TIM MARSLAND

THE net capital outflow from SA in the three months to end-December was R3,7bn, bringing the total for the year to R6,5bn, according to the latest Reserve Bank Quarterly Bulletin.

It said the capital account started to deteriorate in the second quarter of last year after a deadlock in the political negotiations process. B1074 17/3/93

The outflow in the fourth quarter was caused mainly by a decrease in SA's short-term foreign liabilities. The short-term outflow in the fourth quarter soared to R2,8bn from R700m in the previous three months, bringing the total to R5bn for the year from 1991's R3,3bn.

This outflow could have been caused by replacing offshore loans with local loans because of cheaper domestic finance, balance sheet adjustments by foreign organisations at the end of their financial year and appreciation of the dollar in international markets, which led to an outflow of capital through forward cover transactions in third currencies.

The fall of the rand against the dollar could "probably also have led to leads and lags in foreign payments and receipts and therefore to an outflow of short-term funds".

Outflow of longer-term capital rose to R900m in the last quarter from R200m in the previous three months. This was mainly the result of the Treasury repaying a DM250m foreign loan, and also high refinancing costs charged by foreign institutions because of the political risk.

Public authorities changed from being

To Page 2

Sell order sends finrand tumbling

A LARGE sell order from a local bank, estimated at R70m to R80m, sent the finrand tumbling yesterday.

The currency closed at R4,7250 against the dollar, from an intra-day low of R4,7350 and the previous day's R4,6580.

DUMA GOUBULE (74)

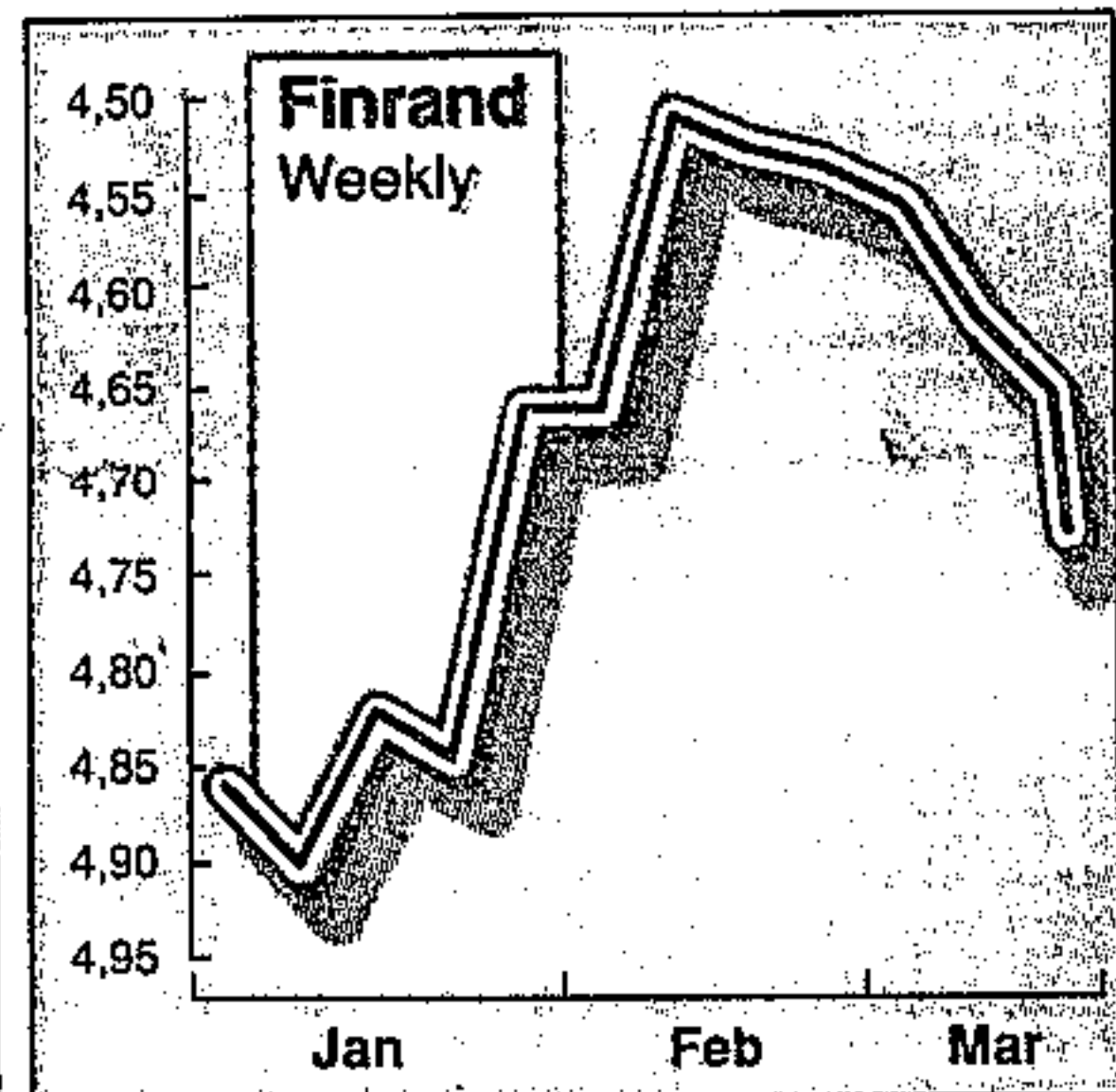
The investment unit had been on a firmer trend since the start of the year, rising from R4,94 to a high of R4,50 last month because of the improved political outlook, market sources said.

A dealer said yesterday's finrand weakness seemed to be a follow-through from the previous day when the currency lost more than four cents against the dollar.

He said a "big seller" had been in the market over the past few days, but selling became more aggressive yesterday.

Another dealer said the selling could also be based on rumours that Finance Minister Derek Keys would address the finrand's future in today's Budget. Some dealers believed the fall could be related to the expiry on Monday of the Elfi III instrument. A dealer said this was unlikely as settlement for the Elfi III was April 1.

The commercial rand was slightly firmer against the US currency yesterday, closing at R3,1926 from Monday's R3,1988.



Graphic: RUBY GAY MARTIN Source: I-NET

BIDAM 17/2/93

Outflow

BIDAM 17/3/93

(74)

From Page 1

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the record annual high of R7,4bn in 1991.

The report said a fall in the value of net gold exports was partly responsible for the smaller surplus. However, the drought had also made a major contribution. If agricultural imports and exports were excluded, the adjusted surplus rose in the fourth quarter to R4,6bn from R4,3bn in the previous quarter.

NEWS IN BRIEF

Double tax agreements made

DRAFT double taxation agreements had been initiated by SA with France, Hungary, Namibia, Poland, the Republic of China and Rumania, Finance Minister Derek Keys said in his Budget Review.

Keys added that negotiations were also taking place with Lesotho, Mauritius and the Russian Federation.

SA's greater international acceptance had also paved the way for more active involvement by the World Bank and the International Monetary Fund.

UN backs opening of business data system

(74) PETER DELMAR

TWO UN agencies have publicly endorsed SA's inclusion in an international business information system.

The UN Industrial Development Organisation (Unido) and the UN Conference on Trade and Development (Unctad) have backed the SA launch of the Swiss-based Kompass information system.

Safto is launching the SA edition of Kompass which will feature 15 000 local companies.

Kompass currently operates through 61 companies in 130 countries. *BY DAM 19/3/93*

Unido director-general Domingo Siason said the local publication was a long-awaited development. "Unido sees extensive scope for co-operation with SA companies in its efforts to secure new investment for, and transfer of technology to, the developing countries," Siason said.

Until now UN agencies have been reticent about openly expressing commercial links with SA. The UN Development Programme recently denied it was compiling data on potential SA contractors for development projects in Africa.

Kompass chairman Max Neuenschwander said yesterday the local publication would boost small and medium-sized business while exposing SA products to export markets worldwide.

Development of a local data base was encouraged by the two UN bodies, said Neuenschwander, who had been compiling a worldwide network on their behalf, of which SA would form an important part.

One use would be in Unctad's efforts to boost international trade with developing countries through the 200 trade efficiency points identified by an Unctad summit last year.

BUREAU OF STANDARDS
FM 19/3/93
Facing a new test

The SA Bureau of Standards will get more competition next month, providing a boost to local private testing services and to trade with the European Community.

The revised Standards Act, which will allow private businesses to test more products, will bring SA closer into line with

Gatt when it takes effect on April 1. This will pave the way for EC recognition of bureau standards and reciprocal SA recognition of EC standards without the need for dual testing.

Trade & Industry Deputy Minister David Graaff says: "The changing international scenario has made it imperative that all technical barriers to free trade be done away with."

The deregulation is expected to speed up the process of quality verification, cut testing costs and, ultimately, make the SABS operate in a more competitive way.

Of course, it could be some time before outside players offer any meaningful competition to the bureau. Establishing large-scale testing facilities can be prohibitively expensive. Says the SABS's Martin Kellermann: "I don't believe there will be a flood of activity. High-tech labs and equipment cost a fortune and no-one is going to make the investment overnight."

But Robert Peeters, of product quality controller SGS, suggests that his company can already certify many local goods marked for export.

It's clear that government also wants the bureau, with its 700 technical and 700 professional employees, to operate more like a business. Says Graaff: "The legislation will enable the SABS to become more financially self-sufficient."

Such talk raises the question of whether government is preparing the bureau for privatisation. It now generates about 80% of its R120m annual budget through quality certification, testing and other services, but tough competition after deregulation could see the deficit balloon. The bureau's director-general, Jean du Plessis, maintains that the setting of standards will always remain a function of government, not part of a for-profit organisation.

Some argue that the legislation doesn't go far enough towards deregulation. Though the private sector will now be able to test more products against non-compulsory specifications — about 80% of the SABS's work — the bureau remains the sole custodian of all standards setting. It has the power to police the private-sector players, though Department of Trade & Industry legal adviser Johan Strydom suggests that the Act also allows the private sector to police the SABS.

The Free Market Foundation's Marc Swanepoel says an independent body should be responsible for setting standards. He adds that opening up the setting of standards to competition would raise standards or make them more realistic. "Standards are now set as minimum standards." He adds that the standing of an organisation setting standards could develop with its competence.

Swanepoel says the current situation — which allows only the bureau to set standards — allows for established companies to set criteria for government based on their own manufacturing specifications. "This tends to cut out smaller or new players." A

case in point, he says, is the US Environmental Protection Agency, which sets standards for pollution. He says the agency is continually criticised because its standards are influenced by car makers and other groups that want to protect their own technology.

Under the new legislation, the private sector's role will be curtailed through an accreditation system that still has to be formulated. Says Strydom: "Every Tom, Dick and Harry won't be able to enter the arena. Government's intention is that future players will be competent to perform certification."

The bureau's Kellermann says there's a need to ensure that the quality of certification does not drop. "We want certification in SA to have credibility elsewhere in the world. We've worked hard over the past 10 years to keep standards high. Too many certifiers on the market could lead to a price war and lowering of standards. But we don't want to create another monopoly. The SABS has enjoyed such a monopoly for the past eight years, though more by default than design."

FM 19/3/93

74

TRADE POLICY

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FM 19/3/93

Talking tough on tariffs

The World Bank has added its weight to the growing belief that the country's costly and unwieldy trade policies must be reformed. A study completed last month under the bank's auspices, but not yet publicly released, finds that high tariff walls and other misguided policies raise prices for products in the local economy by an average of 30%.

In contrast to Finance Minister Derek Keys's Normative Economic Model released last week, which omits any programme of bold reform, the 92-page World Bank study revives the debate provoked by the Industrial Development Corp's June 1990 report, which recommended a phased sharp reduction in tariffs but was never implemented.

The report, which is labelled an informal discussion document and not official World Bank policy, highlights the following issues:

- SA's trade barriers are not considered overly protective for a developing country, but they are considered highly protective for a developed country, which is how SA is classified under Gatt.

The tariff schedule is the most detailed and complex in the world, consisting of 13 609 items in 1990. The range of tariffs (0% to 1 389%) is also far greater than in most countries and changes from week to week as government responds to requests from industrialists for protection;

- A strong anti-export bias exists. Protection not only makes local market sales more profitable than exports but also raises the costs of inputs, placing local exporters at a disadvantage in world markets; and

- While the tariff debate has, up to now, focused on reducing the tariffs and bringing down the country's high prices, the World Bank would like to see an immediate improvement of the rebate system, which grants exporters rebates of the duties they pay on imported inputs and exemptions from duties. Streamlining and modifying the system would give exporters greater access to imported inputs and capital goods at world-related prices.

Successful East Asian economies operate sophisticated systems that give the green light for duty-free imports of inputs within hours, but SA's red-tape-ridden system has led most importers and exporters to ignore the system's dubious benefits. Instead, exporters have opted for the easy pickings of the General Export Incentive Scheme (Geis) subsidies.

While the report finds that Geis compensates for the negative impact of tariffs on manufacturing inputs, it suggests that Geis overcompensated in 55 out of 77 cases studied. It is also an expensive exercise — in 1990, two-thirds of Customs' revenues from manufactured goods were paid out as export

subsidies.

When all is said and done, the World Bank isn't looking for a speedy but painful Big Bang. Against the background of SA's long history of import-replacement protectionism that allowed industries to flourish in the greenhouse atmosphere of restricted and captive local markets, gradual tariff reform is seen as the more acceptable route.

But that does not mean the continued promotion of Geis, which flies in the face of Gatt, nor support for export processing zones, now preferred by Trade & Industry director-general Stef Naudé. Instead, bonded — and export-focused — manufacturing warehouses, which can be located anywhere in the country, are recommended instead of specific zones.

The report also rejects the concept of



zones because they are more successful in countries that rely heavily on foreign investment and their relative importance tends to decline after a while. Naudé supports the zones because government apparently lacks the manpower and expertise to administer the more complex warehouse system.

Compared with the specific policy focus of the World Bank report, Keys's document, which refers to the creation of "smarter industries," is vague on any policy guidelines and prefers generalisations. While it states clearly that SA's economy can achieve an envisaged GDP growth target only "by becoming fully competitive in internationally tradeable goods," it then hedges this lofty aim with a long list of preconditions.

Says Free Market Foundation executive director Leon Louw: "It is important for government to minimise investor uncertainty by establishing unambiguous policies and timetables for phasing out protection. This is lacking in the Normative Economic Model."

Louw prefers the more focused approach of the Old Mutual/Nedcor "Pep" report released last month, which offers a 70-page

list of more than 90 measures that inhibit the economy. Louw served on the Professional Economic Panel (Pep) that drew up the report. "An urgent and concerted effort to remove these and other controls is called for to allow the economy to develop and reflect the wishes of consumers." ■

EXECUTIVE CLUB

Cereal with Cyril 19/3/93.

Frankel Pollak Vinderine's latest offering costs R2 000 and guarantees a return on investment. That is, if ANC secretary-general Cyril Ramaphosa carries through his promise to share the most up-to-date ANC thinking on topical issues with the 150 members of the new Executive Club.

According to a letter sent last week by the brokerage firm to prospective members, the club is an effort to "help promote closer ties between the ANC and the financial community."

The letter says Ramaphosa "has promised that the briefings will include information and analysis not available to the press or to the general public. The idea is to ensure that business community leaders are fully informed about ANC strategies, policies and views and to foster closer relationships between the ANC and the business/financial world."

It also says Ramaphosa "commissioned" the firm to organise the club. CEO Sidney Frankel, however, will not say whether the idea was his or Ramaphosa's.

The way the club works is that up to 150 members each pay R2 000 a year, excluding Vat, and get a minimum of six "confidential, in-depth briefings" from Ramaphosa. He is expected to talk about "political developments and other topical issues of the day from an ANC viewpoint." The first meeting, a breakfast at the Transvaal Automobile Club, is set for March 29.

The R300 000 raised from membership fees, minus expenses, will go to the ANC's general fund. "The money is not really of significance," Frankel adds. "All the political parties need millions for the election."

He will not say how many members have signed up, though he adds that there is "strong interest" and he expects it to be fully subscribed. "It's important for my clients, for the investment community, to know what the ANC is doing and for the ANC to know the feelings of the corporate community."

"I believe that in SA it is important to exchange ideas. It's better to get something working than to sit back and do nothing. I am pro-active in exchanging ideas." cont-

Star 19/3/93

Budget finds favour overseas

By Neil Behrmann

LONDON — The South African budget has lifted the financial rand slightly as foreign investors responded favourably to tax changes.

"It was an inventive budget," said John Bergtheil, South African analyst at James Capel.

He said the government's borrowing requirement was in line with market expectations and

he was not surprised when bond prices rallied.

Another analyst said the cut in company tax to 40 percent from 48 percent should encourage domestic investment and in theory it should help foreign investment.

In practice, however, there was unlikely to be much foreign inflow until an interim government was formed, the political climate became more sta-

ble and the economy improved.

There was confusion, however, about the implications of the 15 percent dividend tax. Dealers here wondered whether it would make gilts more attractive than shares and help the government finance its budget deficit.

In general, the budget was described by international market players as neutral.

The financial rand has been under pressure recently, say dealers, partly because of continual sales for sterling by Royal Corporation for Del Monte, the European food company.

Once the Royal sales come to an end, dealers expect the FR to appreciate. The supply of this small volatile market will then have narrowed considerably.

THE Department of Trade and Industry (DTI) is planning to take a high-level trade mission to several South-East Asian countries during the first two weeks of September. *SI Times Business 21/3/93*

It will coincide with the South African national trade fair in Singapore and will include some of South Africa's captains of industry.

DTI director general Dr Stef Naude says the trade delegation forms part of the DTI's long-term pro-active strategy to assist South African exporters in penetrating international markets which were previously inaccessible to them.

It can also be seen as further proof of government's desire to co-operate with the private sector at the highest level, says Dr Naude.

The DTI has stationed representatives in Singapore and Thailand. They are also responsible for developing South African export trade with countries such as Malaysia, Indonesia, Sri Lanka, Vietnam, Cambodia and Laos.

In addition, economic representatives have been placed in the People's Republic of

Branching out around the world

China, and a representative will also be stationed in South Korea towards the middle of this year.

Given the many exciting new export opportunities which have opened to SA in recent times around the world, Dr Naude urges South African companies to make full use of the wide range of export services provided by the DTI both locally and abroad.

They can obtain assistance from officials of the DTI Export Centre in Pretoria or its regional offices in Durban, Port Elizabeth and Cape Town.

PORT OPEN TO ALL

SINGAPORE, the world's busiest port, is seen as the ideal trans-shipment point for South African goods into South-East Asia.

It is the focal point for all the region's sea routes and is linked to ports in more than 80 countries by more than 700 shipping lines.

Grinrod Seafreight national sales and marketing manager, Mike Millard, says Singapore's port is the most common calling point in South-East Asia and the Far East for

all the major lines serving South African trade.

Apart from domestic imports and exports, Singapore is the main trans-shipment point into neighbouring states for the five-line Safari consortium: Safmarine (the local and most powerful player), NYK Lines, Mitsui OSK, Nedlloyd and K Line.

The island state is also the major trans-shipment point for its neighbour Malaysia, being the active port for both economies, says Mr Millard.

Renfreight chief executive Eddie Stead says: "Singapore is the first stop for shipping lines en route to South-East Asia and the last port of call on their return."

"This makes it an ideal hub for the region, storing and distributing South African products throughout neighbouring countries."

He adds: "Shippers must be aware, however, that transit times may be in the region of 30 days, as allowance has to be made for four days stack closing, sailing times of 15 days and seven to 15 days between Singapore and the final destination."

"In addition to planning the physical delivery of cargo, the shipper should consult foreign trade professionals for guidance on terms of trade and Safto for strategic advice on all aspects of the export sale."

In association with overseas partners throughout South-East Asia, Renfreight claims to be the major South African presence in the region.

Following a recent major extension of its major agency partnership agreement with the Jardine Group's forwarding subsidiary, Dynamic Freight Services, Grinrod Seafreight has established direct forwarding links with all countries in South-East Asia.



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SINGAPORE

Quality is now the key word in Malaysia

S/Times (8455) 74
21/3/93

ECONOMIC planners can take a leaf out of Malaysia's book. Over the past 30 years it has put a number of plans into action which have made it one of South-East Asia's fastest growing economies.

Safto international manager David Graham says that, following serious racial rioting in 1969, the country launched the New Economic Policy (NEP).

It included a number of education and financial concessions aimed at eradicating general poverty and improving the lot of the Bumiputras, or Malays, which make up 55% of the population.

The objective was to increase the Bumiputras' modest share of the corporate sector to 30% by 1990, principally through economic expansion.

Target

Malaysia also introduced a ten-year industrial master plan in 1986 to transform it into an industrialised country. The target was to speed up the expansion of its manufacturing sector and to use its vast natural resources more efficiently.

Mr Graham says the success of these programmes cannot be doubted, even though the NEP did not fully achieve its full target. It had boosted the Bumiputras' share of Malaysia's economic wealth to 20.3% when it ended in 1990.

The country has, however, managed to expand and diversify its economic base. The share of agriculture in GDP has dropped from 23% in 1980 to 17.2% in 1991. Manufacturing has taken over as the main engine for economic growth, accounting for 20% of GDP.

GDP growth in 1991 was 8.8%, following a rise of 9.8% the previous year. It has averaged 6.7% a year for the last 20 years.

Malaysia, a market of 17.8-million people, has benefited from an explosion of foreign investment, particularly from Japan and Taiwan.

Its prime draws have been low wage costs, attractive investment incentives and a reasonably educated work

force. It also has more than 100 free trade zones and industrial estates to meet the needs of export orientated operations.

Its major industries are rubber products, cement, cigarettes and semiconductors. It also builds off-shore oil rigs and manufactures fertilisers, pharmaceuticals and textiles.

Despite its declining share of GDP, agriculture remains an important sector, employing 40% of the workforce and accounting for more than 40% of export earnings.

Malaysia is the world's leading supplier of rubber, palm oil, tropical hardwoods and pepper. Crude oil accounts for 25% of its export revenue and the country supplies two-thirds of the world's tin.

Malaysia has, however, been developing a deficit problem because of fast rising imports, especially of machinery to back up its foreign manufacturing investments.

One solution has been to promote tourism. A major tourism campaign in 1990 saw tourist arrivals jump 55% in that year from from 4.8 million to 7.4 million.

The NEP has now been succeeded by the New Development Policy, which covers a 10-year period to the year 2000.

It also aims to achieve a more equitable distribution of the country's wealth, but there has been a major shift in strategy — away from achieving numerical targets of equity ownership to strengthening the Bumiputras' ability to manage, operate and own businesses.

Friendly

The government is also closely monitoring new foreign investment with an emphasis on higher technology, says Mr Graham.

Manufacturing is expected to spearhead economic development and the Malaysian government's catchword for the 90s is "quality".

Mr Graham says Malaysia, although it still has sanctions against SA, is the kind of market South Africans can feel very comfortable with.

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Philippines goes for growth

THE first Safto trade mission departs tomorrow for the Philippines — a market of 64-million people which has only just started opening its doors to South Africa.

Safto Asia manager Graham Limerick says the Philippines government has been actively encouraging its businessmen to establish links with SA.

He adds that many import opportunities have emerged since the Philippines began reducing its long-standing dependence on the US about two years ago.

After 300 years under Spanish rule, a revolution saw the Philippines ceded to the US in 1898. In 1946, the Philippines obtained inde-

pendence, but its strong ties with the US continued. It benefited from US investment and preferential trade treatment.

Partners

Grinrod Seafreight national sales and marketing manager Mike Millard says: "The Philippines has already played a role as a sanctions-busting destination for large quantities of SA paper products and steel. And because of the strong American influence it is a relatively sophisticated market in South-East Asian terms.

"But with the withdrawal of US military bases there is

a breaking of the umbilical cord and the Philippines is now out looking for new trade partners."

According to Mr Limerick, steel is already SA's largest export to the Philippines, but there are possibilities for further sales of iron ore and other minerals to its steel industry.

He says other potential imports includes Portland cement, metal manufactures, power generators and chemicals.

Another possibility is mining equipment. Breyer Development Services managing director John Bell says the Philippines recognises that South African machinery is better suited to its

harsh operating conditions and availability of low cost labour than the more sophisticated equipment traditionally sourced from the US.

The Philippines consists of 7 100 islands, 110 of which are inhabited. Its population is predominantly Malay.

It is a country with abundant raw material resources, which includes forests, good fishing and extensive mineral deposits.

Its economic growth, however, has lagged behind that of other countries in South-East Asia. Prime reasons have been poor economic management and structural weaknesses in its economy.

It has also suffered from volatile commodity prices and, in recent times, a series of natural disasters and the world economic downturn. GNP per capita is low for the region at \$700.

Despite the restoration of democratic institutions over the past few years, its economic landscape is still populated with monopolies, cartels, businesses which have grown big behind tariff walls and elites with reasons to obstruct change.

For many years the Philippines' imports have been greater than its largely agriculturally based exports, leading to a continued budget deficit problem. Agriculture contributes about 25% to GNP and employs half of the country's labour force.

Impressive

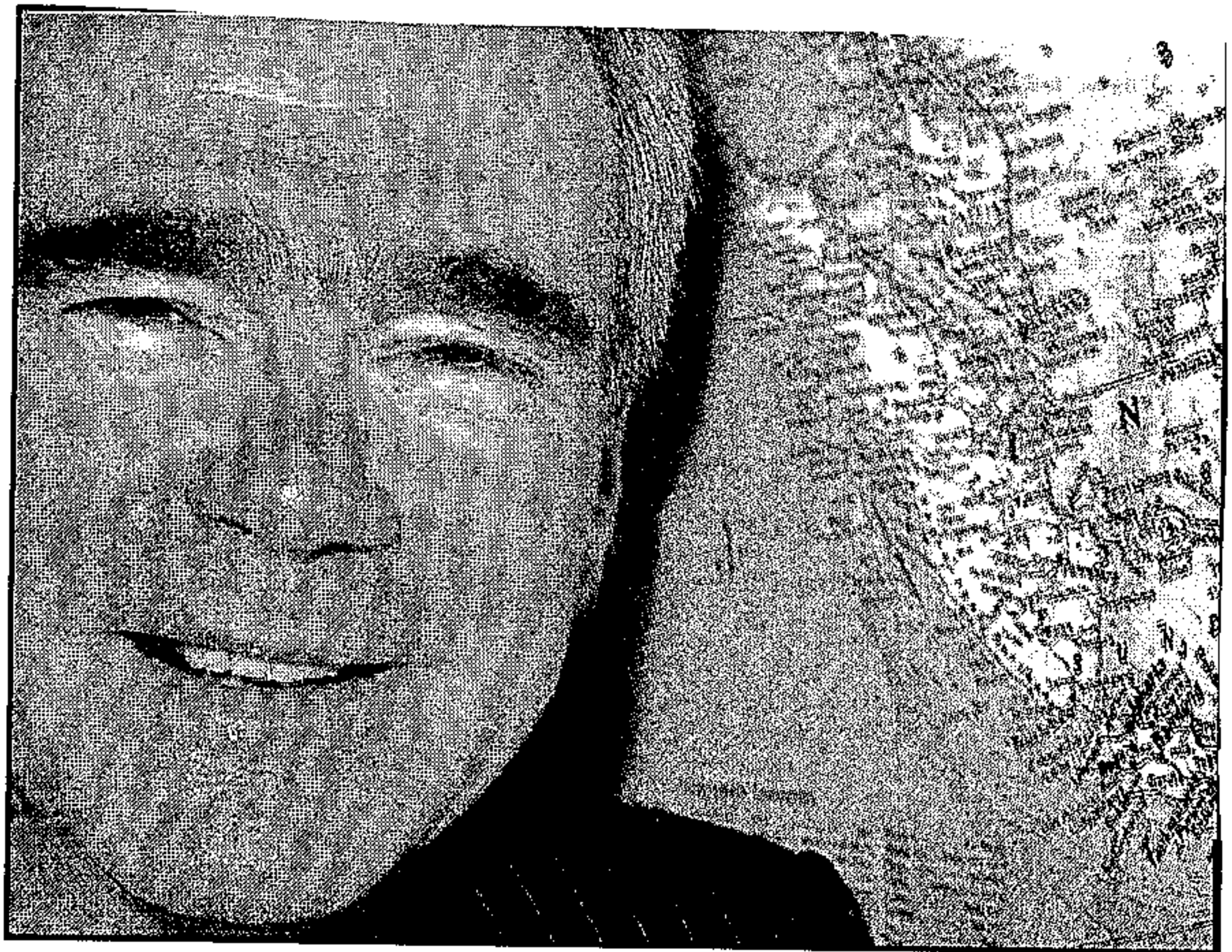
A reorientation of government industrial policies has, however, resulted in a shift from the Philippines being a mere supplier of raw materials to being a processor.

Its manufacturing sector has performed impressively since 1980, often growing at double digit figures annually. Manufacturing now accounts for 33% of GNP and employs 17% of the labour force. Key manufacturing areas include the chemical industry, mechanical engineering, food processing, steel, textiles and garments.

Mining, however, only accounts for 3% of the Philippines GNP because its extensive mineral deposits remain largely untapped. Most of the richest deposits are untouched. Nonetheless, copper is the leading product and output of iron, nickel, chrome and coal is substantial.

The Philippines' low wages, high standard of education and the widespread use of English has helped it attract foreign investors, especially from companies wanting to relocate their labour-intensive industries.

This investment has largely come from Japan, Hong Kong, Taiwan and the US and has mainly gone into the energy, construction, tourism, mining and textile sectors.



GRAHAM LIMERICK . . . Singapore is encouraging investment from overseas

How little Singapore became a powerhouse

ST Times (BUS) 2/13/93. (74) (19)

SINGAPORE is one of the most successful developing countries in the world. It has grown strongly for 30 years and is now close to the productivity and standard of living of industrialised countries.

Safto Asia manager Graham Limerick says its growth has been based on sound, but tough, macro eco-

nomie policies. In manufacturing, tourism and financial services, Singapore followed market trends instead of "picking winners".

He says Singapore has no natural resources other than its port and relies on imports for most of its basic requirements. Its prosperity was originally built on the entrepot trade, chiefly crude rubber,

timber, pepper and the petroleum trade.

To widen the base of the economy and provide for more rapid growth, an industrialisation programme was launched in 1960. A second "industrial revolution" was launched in 1979.

Mr Limerick says the government was committed to upgrading the economy into one of middle and higher technology and to establishing export-orientated projects.

It aimed to enable Singapore to become the financial, hi-tech manufacturing, communications and servicing centre of the region.

However, the sharply increased wage levels flowing from this strategy and the drop in the demand in the US market (which takes about a quarter of Singapore's manufactured exports) resulted in a recession in 1985 and 1986.

Strain

Strong measures taken by the government brought a quick turnaround with a return to traditional growth levels of more than 8% in 1987. The economic expansion continued in 1988 with GDP growth reaching 10.9%, the highest in 15 years.

Manufacturing dominates the economy's export-led growth. It employs 25% of the working population and contributes roughly 27% to GDP.

Singapore has no petroleum reserves of its own, yet it has the third largest refining complex in the world. It accounts for 40% of manufacturing output.

A tight labour market, rising wages and a reluctance to allow in foreign labour has led to a gradual shift in emphasis to higher technology manufacturing, increased automation and expansion of the service sector.

Mr Limerick says that to ease some strain on labour supply, Singapore's government is encouraging overseas investment, especially in neighbouring Johor in Malaysia and on Indonesia's Batam Island.

Base

However, Singapore's attractive range of incentives, good location and conducive business environment has helped it attract considerable foreign investment. The electronic sector has especially benefited, expanding by more than 30% in recent years.

Singapore has also become manufacturing base for shipbuilding and other heavy industries.

Other major industries include food processing, fabricated metal products, transport equipment, paints, broken granite, soft drinks and cassette recorders.

WORLD'S BUSIEST PORT BUILT ON FREE TRADE

St Times (8455) 21/3/93
SINGAPORE is not about to lose its title as the world's busiest port. Its government has plans to make it a megaport into the 21st century.

In 1991, 61 000 vessels called at Singapore and it handled 6,35 million 20-foot equivalent units (TEUs).

However, a new project — the Pasir Panjang Terminal — will be designed to handle up to 36 million TEUs a year, nearly three times the current total container-handling capacity.

The project will be carried out in phases over many years.

Foundation

Phase I, which begins this year, will cost more than \$2-billion. Some 129ha of land off the island's west coast will be reclaimed to build eight container berths. The first three berths should be ready by 1997.

Singapore is believed to have already been a thriving port in the 7th century, but when Sir Stamford Raffles arrived in 1819 to establish a trading station it was inhabited only by a small Malay community.

In 1823, Raffles declared: "... the Port of Singapore is a free port and the trade thereof is open to ships and vessels of every nation free of duty equally and alike to all ..."

His free trade policy laid the foundation

for Singapore's development. (74)

Chinese junks, Indian opium clippers, Thai wangkangs and Indonesian palaris began to drop anchor in Singapore.

By 1827, exports from Singapore reached \$45 million, even though the population then only numbered 11 000.

Trade continued to grow and more ships came. By 1965, Singapore was the world's fifth busiest port in terms of shipping tonnage. By 1982, it became the world's biggest.

Two years later it became the world's top container port, overtaking Hong Kong. For the last five years, the Asian freight industry has voted Singapore the best port in Asia.

Prime minister Goh Chok Tong said at the opening of a terminal in October last year: "Singapore is now more than a world class port. It is a global maritime hub, living up to Raffles's vision."

Singapore has also been investing in its airfreight facilities. Changi Airport's capacity is being expanded to handle 1,35-million tons of air cargo annually by the year 2000.

Singapore is linked by more than 50 international airlines to at least 110 cities in 54 countries.

In 1991, Changi Airport won the "World's Best Airport" award for the fourth year in a row in an international poll of business travellers commissioned by UK travel magazine, Business Traveller.

Real tourist paradise

S/Times (Buss) 21/3/93.
SINGAPORE is fast becoming a popular tourist destination — especially for South Africans.

More than five million tourists visited the city state in 1991, bringing in estimated earnings of about \$8,7-billion.

Although tourism only grew 1,7% in that year, it showed a 18% leap in 1990 when it contributed 6,2% to GDP and 12,5% to Singapore's net foreign exchange earnings.

Today, about one in nine Singaporeans are employed in a job generated by the tourism industry.

Singapore's Pacific Rim neighbours are the main contributors to the visitors' boom, but solid progress has been made in attracting tourists from established markets such as the US and UK.

So besides being renowned for its cleanliness and being virtually crime-free, what are Singapore's main attractions?

One is value for money. A recent London-based survey

ranked Singapore as the second least expensive city among 10 major Asian and Pacific destinations.

In addition, the Japanese National Tourist Organisation ranked it as the fourth least expensive city among 22 cities around the world.

According to South African Airways, Singapore is "a surprising kaleidoscope of sights and attractions, a mosaic of cultures and heritages, a contradiction of gleaming high-rises and old fashioned shop houses".

Roots

The city's history is a blend of riches and romance, spice trading and piracy, colonialism and growth.

Of the many names that Singapore has had, Singapura (meaning "Lion City") comes closest to the modern name for this republic.

The name comes from Sang Nila Utama, Prince of Palembang, who reported seeing an animal "very swift

and beautiful, its body bright red, its head jet black".

Obviously, the prince was no zoologist and what he probably saw was a tiger, but the name remains to this day.

Singaporeans have cultural roots which stretch beyond the island republic's borders to India, Malaysia, China and Portugal. The Chinese make up 76% of its population, the Malays 15,1%, Indians 6,5% and other ethnic groups 2,4%.

SAA says: "One of the best ways to see Singapore is to get away from it. It is only from the deck of a cruise boat that you can really appreciate the dramatic skyline, the energy of the port and the serene contrast between quiet little islands and the vibrant city streets."

Singapore has been described as a shopper's haven because of its location and duty-free status. From tiny market stalls to huge, air-conditioned emporiums, visitors can pick up some of the most competitive buys in the world.

Strict US rules hold up cash for ANC, IFP

STRICT accounting requirements are slowing disbursement of US "democracy" money to the ANC and the IFP.

Responsible for ladling out the \$10-million (R32-million) initially appropriated by Congress in 1990 to help the ANC and other parties prepare for democratic elections is the US-SA Leadership Exchange Programme (Ussalep), a respected private group.

Its Washington-based director, Robin Hoen, admitted last week that it was having difficulty pushing the money, which includes R12-million for

the ANC, out of the door to recipients.

"It's going very slowly," Mr Hoen said, "because the purpose is very restricted. It's hard to spend the money in accordance with the terms and conditions."

These include a fully documented accounting for expenditures by recipients.

The lifespan of the so-called "Transition to Democracy Project" — which should have been almost complete by now — has had to be extended by 15

months. When initially proposed by the Congressional Black Caucus, the project was supposed to be a slush fund to help the ANC build up its political operation in South Africa after years in exile.

After months of haggling between the sponsors, Congressional Republicans and the State Department, it was finally decided that most of the money should be divided between the ANC and Inkatha, with the former getting the larger share.

The funds were to be spent on office expenses, and further delays were

generated in a debate over whether the parties could use the funds to pay salaries.

It was finally agreed that they could not.

Expenditures would be limited to equipment and furniture.

Mr Hoen downplayed suggestions that there were problems with the accounts submitted by the recipients, preferring to stress the stringency of the accounting rules laid down by the US government.

Ussalep and the parties were also discussing using remaining funds for voter education programmes.

By SIMON BARBER
Washington

Times 21/3/93

74
17280

Conman's Swiss account is frozen

8/Time 21/3/93 74

By CHARMAIN NAIDOO

A SWISS bank account belonging to the late Roy Myers, the international conman at the centre of a multimillion-rand forex fraud involving some of South Africa's most prominent families, has been frozen.

Trustees of the Myers estate — he was declared insolvent three months before he killed himself — won an 11th-hour dash last Thursday to recover R2,5-million secreted in the account.

The Bonny Rig Foundation, registered in Liechtenstein with the fund account kept at the Swiss Volksbank in Zurich, was set up by Myers last September and managed by a Swiss attorney, Dr Urs Wehinger.

Hiding

Myers's aged mother, Mrs Beatrice Cohen, 71, of Cape Town, was named as the sole beneficiary of the fund.

On September 18, the day the foundation was created, \$1,5-million (R4,8-million) was transferred from the Coutts and Co bank in London to the Swiss Volksbank.

Twelve days later, \$500 000 (R1,6-million) was sent back to London, evidently for use by Myers, who had left South Africa and was in hiding in that city.

Myers fled South Africa last September leaving behind an angry mob who claimed he had robbed them of millions.

From his hideout in London, he claimed those people who accused him of theft had, in fact, been his partners in crime. He said he had helped them smuggle currency out of the country.

Last week liquidators brought an urgent application in the Cape Town Supreme Court to prevent Mrs Cohen from touching the millions of rands secreted by her son.

In an affidavit, trustee Oliver Powell

said of Mrs Cohen: "... despite her years (she is) wily, evasive and cagey...."

A letter from London attorneys Paisner and Co, acting for the trustees, shows that Mrs Cohen and her husband had transferred £250 000 (R1,25-million) on September 15 last year from their account at Barclays Bank (Whetstone) to an account at Lloyds Bank (Pall Mall).

On October 21 they transferred £230 000 (R1,15-million) from the Lloyds account to the account of Centre Trust Ltd in Jersey — where the funds were to be held by a trust to which Mr Cohen had signing powers.

On November 26, Mr Cohen instructed the trustees to transfer about £214 000 (R1,07-million) from the trust account to the account in Ireland of an associate of Myers at Myers's request.

In November Myers's associate, Mr Frank Fallon, approached the attorneys with information — which is how they discovered the existence of the money.

The court heard that more than R22-million had been hidden by Myers in Ireland, England, the United States and Switzerland.

Inquiry

This week major players in the Myers saga were interrogated during a trustees inquiry held at the Master's Office in Pretoria.

Mr Allan Levin, attorney for the joint trustees, refused to comment because, he said, the proceedings had been held in camera.

In a startling new development this week, a statement made by Myers just weeks before he killed himself came into the possession of the Sunday Times.

In it he revealed how he met potential clients — named in the document — and how he drew them into his forex export web.

Glimmer of hope seen for beleagu⁽⁷⁴⁾ered rand

By Neil Behrmann

LONDON — Sharp rallies of sterling and the Australian dollar are warning signs to over-enthusiastic rand bears.

In the months ahead, the commercial rand could take the market by surprise and rally, despite the Reserve Bank's low foreign exchange reserves.

On Friday it recovered from its all-time low of 3,20 to the dollar reached earlier in the week.

Foreign exchange dealers had similar positions against sterling and the Australian dollar.

But in recent days they have caught fright and bought frantically. They were also overloaded with US dollars and were forced to sell.

In an informal survey of London foreign exchange dealers last week, there was not one who was bullish about the rand. Reports from South Africa indicate that the local foreign exchange market also believes the commercial rand is on a one-way track downwards.

Most traders involved with the rand are dollar bulls, even though the US currency is failing to make much headway against the mark and yen.

This overwhelming pessimism indicates that the foreign exchange market has large short positions against the rand.

In other words, dealers have sold rands on expectations that they will profit from buying the currency back at lower rates.

So far the foreign exchange market has been a teddy bear's picnic for rand traders.

Since the beginning of the year, the commercial rand has tumbled by 6 percent against the dollar to 31,25 US cents, or 3,20 to the dollar, before recovering to R3,18 on Friday.

From its high point in September 1992, it has declined by 15 percent against the dollar. The trade-weighted average also depreciated substantially in the first 10 weeks of the year.

While reserves are low the commercial rand will remain weak. But there are signs that bad news is already being discounted by the market and that the rand is unlikely to continue to slide at such a fast rate.

There are several technical and fundamental factors indicating that the commercial rand is beginning to look oversold, although there may be bouts of weakness until mid-year.

Firstly, exporters as well as importers have been hedging

against rand weakness by selling the currency forward.

To be sure, such a policy has been recommended in these columns over the past few months, mainly because of the deterioration of gold and foreign exchange reserves.

Now that the rand has fallen sharply, hedging is becoming less attractive. For a start, businesses that have hedged will have to cover their positions and buy rands in coming months.

South African interest rates are much higher than those of its trading partners.

When the rand is sold forward, the dollar, mark and sterling are effectively bought with borrowed rands. The borrowing cost is the interest differential.

Foreign currencies, particularly dollars and yen, must thus be bought at steep premiums on forward markets.

The one-year forward rate is at present R3,41 to \$1, giving a 7,2 percent premium to the spot rand rate of R3,18.

Putting it another way, the forward rand rate is being sold at a deeply discounted rate of 29,33 US cents against the present level of 31,44c.

A rate of around 29c implies that the rand will have devalued

by 12 percent from the beginning of 1993.

This is double the inflation differential between South Africa and its major trading partners.

The same applies to other currencies. The one-year forward rate of sterling is R4,96 against the spot rate of R4,71. A month ago the one-year forward rate was R4,62 to £1.

It is thus becoming less advantageous and costly to hedge at present depressed rates because the forward rates are already discounting substantial devaluation.

Secondly, trade flows should reverse in favour of the rand as "leads and lags" turn around.

Inward payments have "lagged" because exporters have been keeping receipts in foreign currency for as long as possible. Meanwhile importers have "led" outward flows by making payments as swiftly as possible.

Once businesses begin to perceive that the rand is stabilising, exporters will swiftly convert receipts into rands and importers will delay payments.

This will help foreign exchange reserves.

Thirdly, foreign exchange dealers will then be forced to turn their trading book around and buy back rands.

Trade figures may show drought easing

B/PAW 22/3/93 74

EVIDENCE continues to mount that the worst effects of the 1991-92 drought on the external accounts have now passed, and the new trade figures due for release early this week could reinforce this impression.

The February trade balance should be published today or tomorrow and follows a sequence of erratic outturns in which the level of the trade surplus has varied abruptly according to the swings of the drought effect.

The surplus dipped to R838.5m in January from December's R1.76bn as imports jumped 12.5% from their December level. Meanwhile exports, still dulled by stagnation in some major markets, declined 5.5% in January.

But there are increasing signals from the trade sector that the hard-pressed trade figures have now absorbed the peak impact of the drought. The Maize Board has stated that only R24m remains to be paid out in the R1.6bn overall maize import programme, and that only one shipment is outstanding before the programme expires at the end of next month.

Another indication that the worst is over comes from a breakdown of the lower and, on the face of it, disappointingly small January trade surplus. The overall narrowing in the January surplus concealed an underlying improvement in the sectoral, drought-related balance of trade, as indicated in the chart.

Seasonally adjusted trends in agricultural imports and exports show a pronounced peaking in agricultural imports at December's daunting R566.9m, as the Jan-

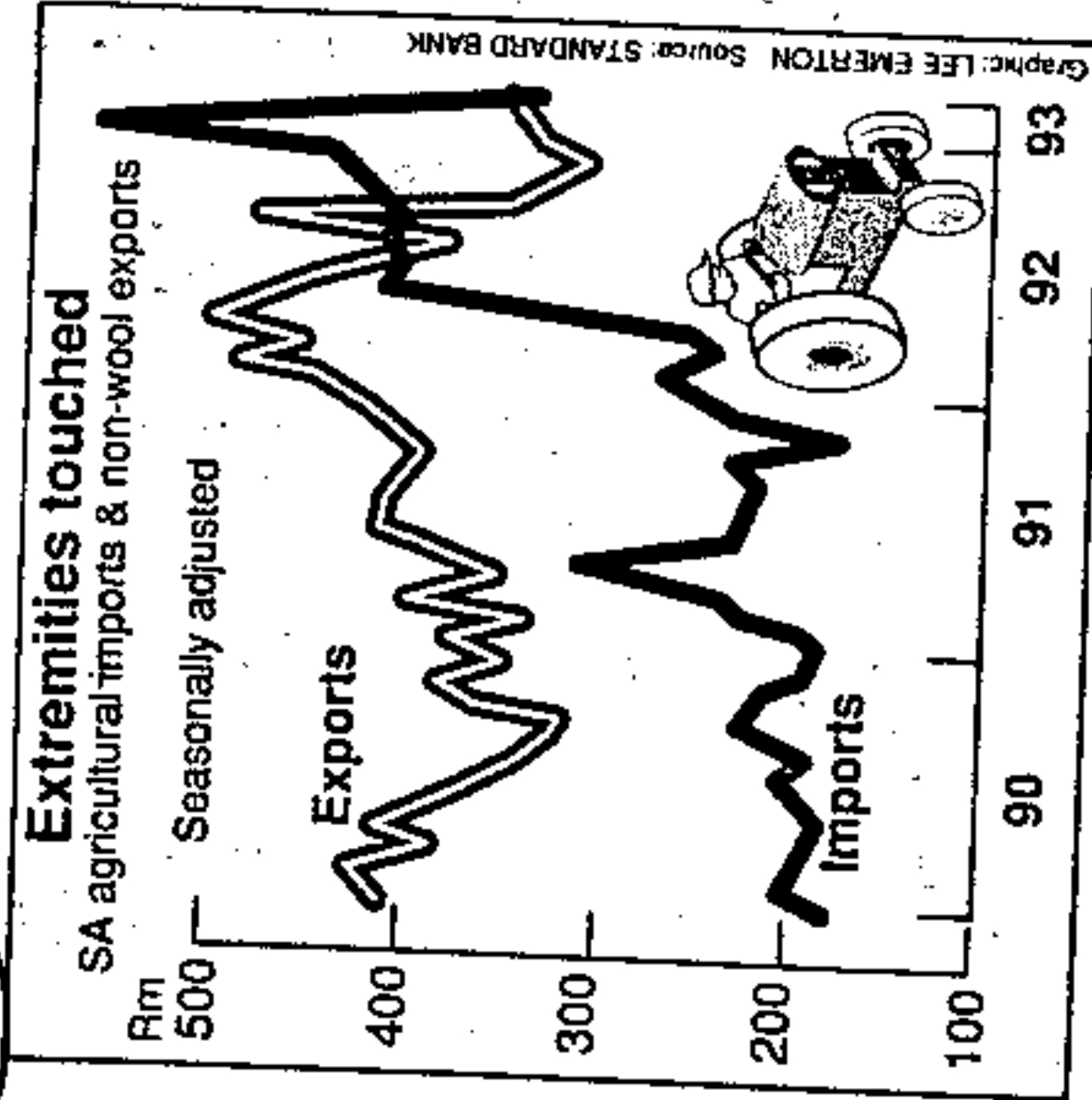
uary figure fell to R336.1m an eight-month low. Just as significant, however, has been the trend in agricultural exports.

As the other trace plotted in the graph portrays, agricultural exports excluding wool — shearing not being greatly affected by drought — began to fall away at the same time as the drought effect began to suck in an increasing level of farm imports. Thus the deterioration to the external accounts caused by the drought was a pincer movement in which a fall-off in farm exports compounded the adverse consequences on the trade balance of the sharp rise in agricultural imports.

As the chart also shows, the relationship between the two principal drought indicators in the trade figures was preserved in the January trade data, as non-wool farm exports recovered in synch with the drop in agricultural imports, rising to R343.1m from December's trough at R340.5m.

The continuation of near-normal summer rainfall over the interior in recent months prompts the not unreasonable expectation that the peak in agricultural imports and the trough in farm exports in the chart are indeed the extremities in each indicator in the current cycle.

Last week's discount rate cut in Germany confirms that the European interest rate cycle has peaked, and that monetary conditions in several of SA's key export markets will ease further during the course of the year. A nearer-normal domestic harvest to cut back agricultural imports, combined with continued restraint on consumer imports exerted by last



week's deflationary Budget and with monetary stimulus to export markets means the embattled trade account should, in theory, be able to look forward to a series of steadier surpluses.

Internationally, there are key data from another important export market due for release later this week. US durable goods orders for February are published on Wednesday and follow a fall of 1.7% in January. The January dip, however, followed a 9.6% rise in December, so the US manufacturing sector retains growth momentum on a three-month view.

On Friday, the final revision to US fourth-quarter GDP is released and, after the pyrotechnics of the first revision, almost anything is possible. The first revision took quarterly annualised US growth to a four-year high of 4.8%, a full percent-

age point above the advance outturn. The way US unemployment data have moved recently, another upward revision to the figure cannot be ruled out. In February non-farm payrolls, which lag the performance of the real economy, surged by 365 000 — another four-year high — suggesting that industrial conditions really did take a turn for the better in the fourth quarter.

Other significant data due this week concern the Japanese economy. On Friday Japanese leading indicators for January are published, and may continue the gentle rise in this variable from what now seems to have been a trough of 22.7 in October last year. Two successive rises took the index to 27.3 in December and, considering the figure projects activity two to three calendar quarters off, could well rise again in this week's release — although that will be of little comfort to Japanese feeling economic discomfort here and now.

Japanese February inflation is also published on Friday, and follows a 1.3% increase in consumer prices in the year to January. Monthly movements in average Japanese consumer prices since October last year read 0.1%, -0.2%, 0.0% and -0.1%, so the dangers of inflationary ignition anytime now — especially with the yen at record dollar highs — are virtually nil.

On Wednesday French January unemployment is published, and comes in time to sway voters before Sunday's final round of parliamentary elections. At 10.5% in December, French joblessness is one of the main factors generating dissatisfaction with the government.

NEWS IN BRIEF

B/OA 22/3/93. (74) (4)

SA's economic offices

GOVERNMENT wanted to open economic offices in Mexico, Pakistan, Indonesia, India and Australia, the Trade and Industry Department said at the weekend.

It also hoped to establish a presence in Saudi Arabia and the United Arab Emirates, the department said. SA had 45 economic offices covering 53 countries.

Star. 23/3/73

AECI opens doors with US

The US Trade and Development Agency, in the first grant of its kind since the introduction of sanctions, has made \$450 000 (R1,44 million) available to AECI for a feasibility study into the production of penicillin in South Africa. AECI will match the amount.

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Congo, SA agreement (74)

THE Congo and SA yesterday established diplomatic relations.

The agreement was signed at the Palais des Congres in Brazzaville at a ceremony attended by SA Foreign Affairs Deputy Minister Renier Schoeman and the Congolese Foreign Affairs and Co-operation Minister Benjamin Bounkoulou.

B10/2/93
23/3/93

Rand gold price keeps firm as dollar gold price rises

SEAR 23/3/93



By Derek Tommey

The rand gold price remained firm yesterday on the back of the higher dollar price and the continuing weakness of the rand.

It advanced another R3 to close at R1 056 an ounce. This is a recovery of R128 from the metal's 1992 low of R928 an ounce reached in August last year.

It is also the highest rand gold price seen by the industry since August 1991.

In London, the gold price gained another dollar on increased demand.

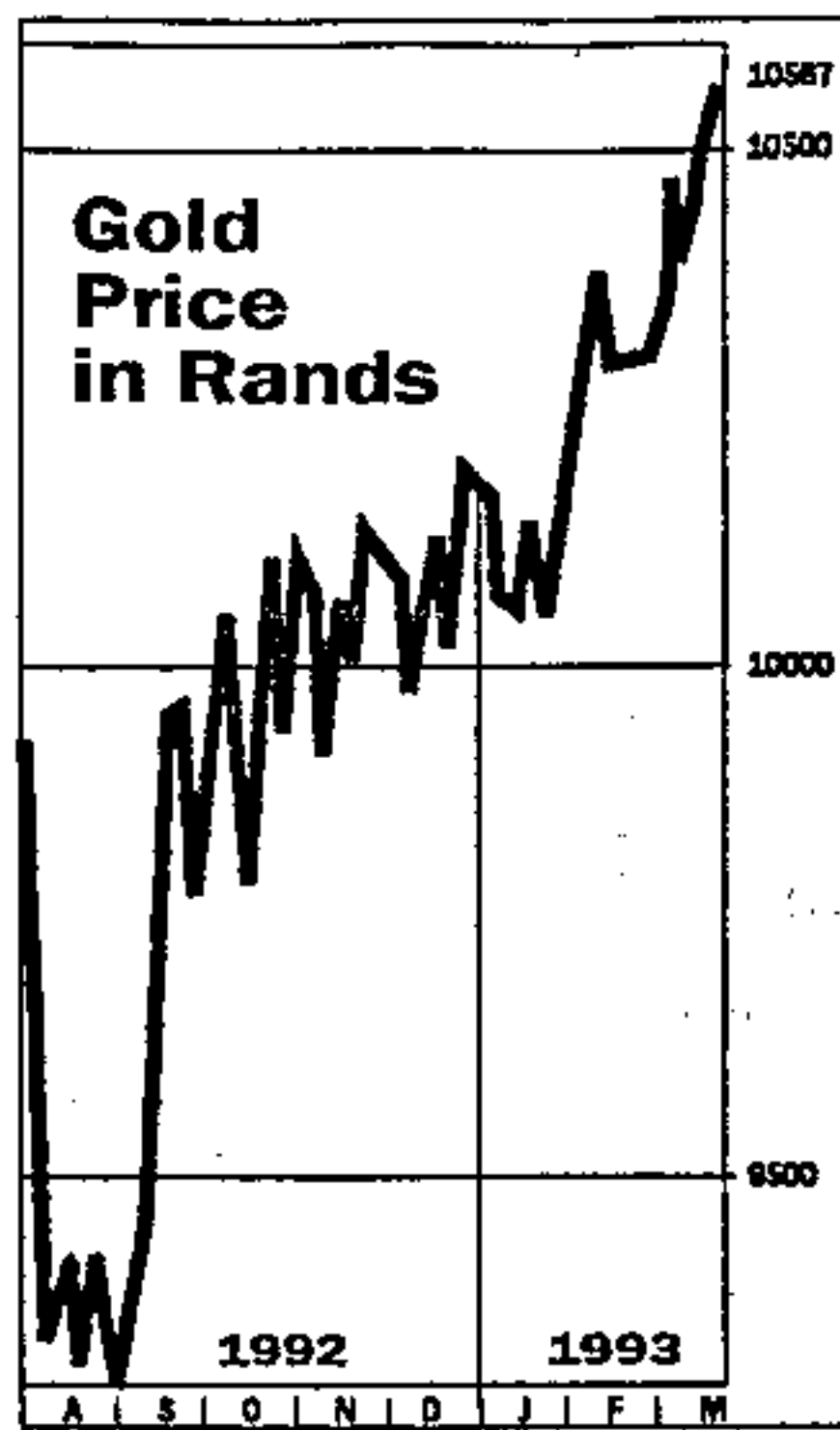
It was fixed at \$322,60 — its highest price since the start of the year.

With the rand remaining in the 3,18-to-the-dollar bracket, the benefits of the higher dollar gold price are being passed almost in full to the gold mines.

Bullion dealers said yesterday that most of the buying was coming from the US.

But they did not know the specific reason for the upsurge in interest in the metal. As a result they were not able to say whether the higher price would continue.

A broker said the gold buying was linked to fears of renewed inflation in the US, fears which



have been triggered by a rise in a commodity futures index.

But he pointed out that there was no other sign of rising prices in that country.

A second reason for the price rise was linked to the decision of Boris Yeltsin, the Russian president, to rule by presidential decree.

This is seen as a dangerous move which carries the risk of plunging Russia — the world's second-biggest producer of gold — into even greater chaos than

at present.

Most European share markets dropped sharply yesterday as a result of the uncertainty arising from the Russian political crisis.

Americans have a further concern in that if the Russian situation continues to deteriorate, many of their planned defence cuts could be shelved.

This could put in jeopardy President Bill Clinton's plans for curbing government spending and possibly trigger inflationary pressures.

The one other factor that might have played a part in the increased demand for gold is the continued violence in SA, and especially Friday's attack at Walkerville on some school-children.

This could easily be interpreted overseas as the start of intensified violence, which could affect the operations of the gold mines.

But despite possible fears overseas about SA's ultimate fate, foreigners are buying gold shares.

The reason is that the higher rand price of gold has a strong gearing effect on gold mining profits. This more than outweighs any reduction in dollar dividend payments caused by the weaker rand.

Star 24/13/93

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Russian economic uncertainty boosts price of precious metals

By Neil Behrmann

LONDON — Russian political and economic problems are boosting precious metals prices.

Gold has broken through its \$327 to \$332 range and is trading in London at around \$332.

Platinum has rallied by \$1.50 to \$556 an ounce.

Edwin Arnold, metals analyst at Merrill Lynch in London, says

that in the past year Russian exports have been hit by production problems at mines and an increase in domestic demand.

More people in Russia and other Commonwealth of Independent States (CIS) are buying gold to protect themselves against hyper-inflation.

CRU International, a London-based commodity consultancy, estimates that Eastern bloc sales,

mainly from the CIS, fell to 150 tons last year from 226 tons.

Arnold and London and Swiss dealers say that Russian sales have slowed to a trickle.

Nickolai Menjshikov, a director of Almazjuvelirexprot, the Russian precious metals export agency, said in Tokyo recently that Russia intended selling less platinum and palladium this year because of poor Western demand.

Morgan Guaranty Trust in a recent report said the gold market had been forming a base for some time.

Gold prices have traded in a narrow range for several weeks, despite unusually large volumes.

Provided central banks refrain from selling large quantities, the price could rally to \$340, says the bank.

Thus, as gold rallied towards

\$332, speculators, professional dealers and commodity fund managers who had sold gold short on expectations that they would profit from lower prices, covered their positions. Their purchases helped push the gold price up.

Arnold believes the gold market has bottomed, but cautions against too much enthusiasm.

SA and Australian producers have held back in recent days

and are waiting to sell at higher prices, he says.

He has detected a chunky sort of seller lurking about in the market offering two to three tons at the London fixings.

"The central bank appears to have withdrawn in recent days, but if the price rises further, it could be a seller," says Arnold.

"At levels below \$330, the gold price is boosted by large-scale physical demand from the jewel-

ery industry and Far Eastern private investors.

As prices rally, physical demand will wane, he says.

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Star 24/13/93

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"At levels below \$330, the gold price is boosted by large-scale physical demand from the jewel-

lery industry and Far Eastern private investors.

But the super bulls who expect a gold rally to around \$370 are forgetting that the Far Eastern market is price sensitive, says Arnold.

As prices rally, physical demand will wane, he says.

Swiss bullion dealers confirm that jewellery and Far Eastern purchases have fallen since the price has risen.



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Direct foreign investment halved

Star 24/3/93 -

By Derek Tommey (114)

Direct foreign investment dropped in real terms by 52 percent between 1980 and 1989, an analysis of the latest Reserve Bank's census of foreign transactions, liabilities and assets shows.

In the same period, total non-direct foreign investment in real terms rose by 46 percent.

Overall total foreign investment in real terms in this period showed a slight decline.

The drop in direct investment is not unexpected in view of the bans imposed by many countries and the pressure put on companies already in South Africa to disinvest.

The increase in non-direct investments is also understandable.

These are funds where there is no special relationship between the investor and the recipient.

Consequently, the investor is not completely locked into South Africa.

In view of SA's political and economic uncertainties, one cannot blame foreign investors for taking this course.

However, the census figures show that SA was able to increase its investments abroad in real terms in this period. These grew from R8,5 billion (in 1980 rands) to R48,3 billion (in 1989 rands).

In this period, the US dollar rose only 3,4 times against the rand, the mark 3,25 times and the pound 2,37 times.

So it is clear that the the rand value of SA assets abroad has grown faster than the deprecia-

tion in the rand's external value.

This indicates that there was some growth in SA assets overseas in the 1980s.

The Reserve Bank figures show that total foreign investment in SA in 1980, in 1980 money terms, was R25,5 billion. This figure had grown 238 percent to R86,4 billion in 1989 money terms.

But as the consumer price index (CPI) in this period grew 243 percent, there was no real growth in foreign investment.

The overall lack of growth in foreign investment has had one beneficial effect.

Dividends and interest payments to overseas investors are probably no higher in real terms in 1989 than they were in 1980.

So SA is virtually free from the foreign-payments burden that cripples so many other countries.

On the other hand, SA has been deprived of the prosperity-creating drive and know-how that foreign investment brings.

According to the Reserve Bank, European Community members owned not quite 50 percent of foreign investments in SA in 1989.

This is a decline from 58 percent at the end of 1980 and 71 percent at the end of 1956.

Just over 70 percent of SA's foreign assets was in the European Community. A further 11 percent was in North and South America, followed by 7,4 percent in Africa.

The next biggest investment — 6,7 percent — was in international organisations, presumably the World Bank and the IMF.

Southeast Asia visit

PETER DELMAR

TRADE and Industry Director-General Stef Naude said yesterday he would lead a trade mission to southeast Asia later this year. BIDAM 25/3/93.

He said the visit would coincide with an SA exhibition in Singapore in August and September organised by his department, Foreign Affairs and the SA Foreign Trade Organisation.

"The delegation is to include several of the captains of industry in SA," Naude said at the launch in Johannesburg of the exhibition A New Link: SA and Southeast Asia.

He did not name the leading businessmen.

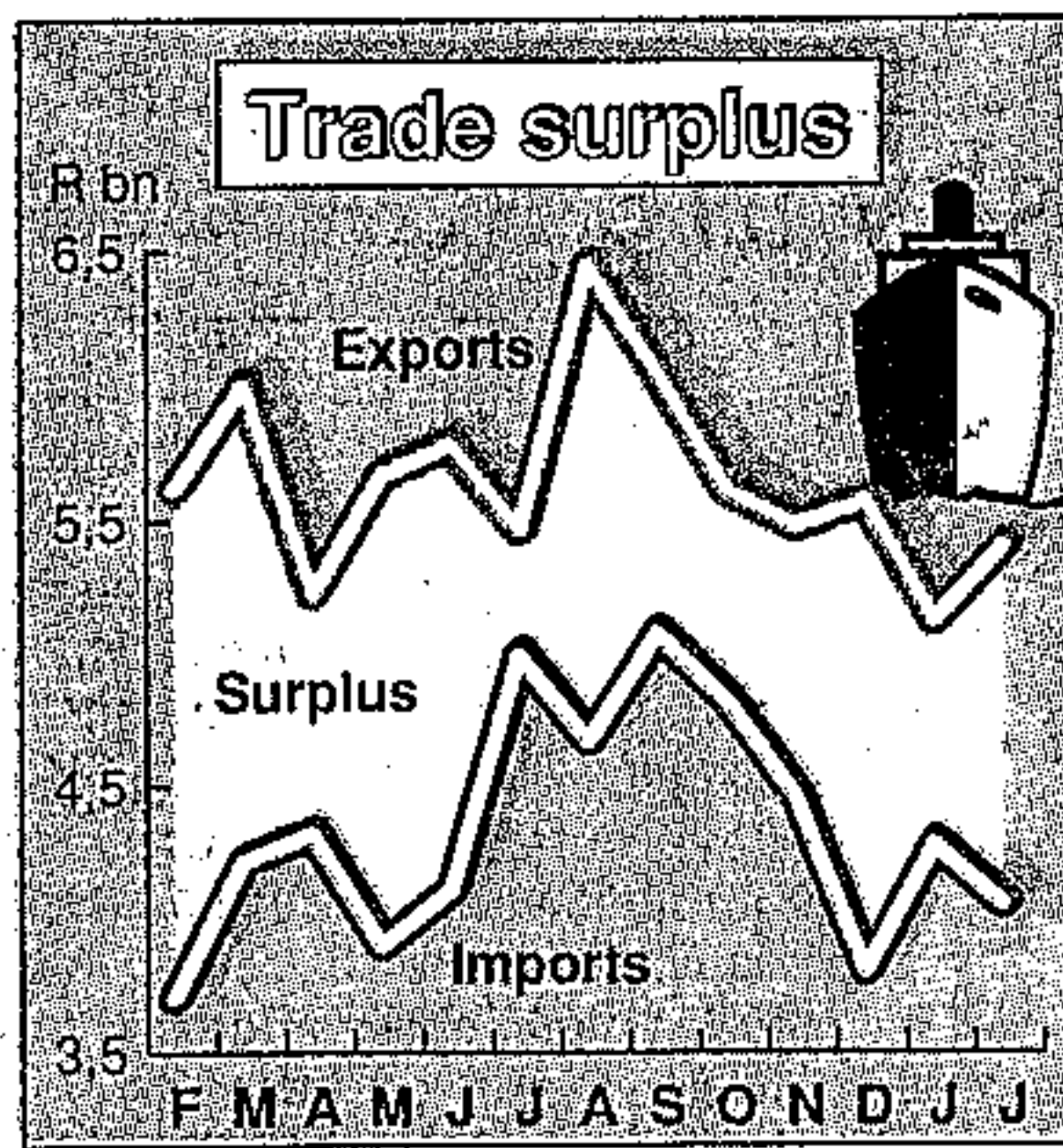
Naude said: "The department attaches great importance to the development of trade with the Far East and with the countries of southeast Asia in particular."

To this end, the department had already stationed representatives in Singapore and Thailand. These were responsible for developing trade with countries such as Malaysia, Indonesia, Sri Lanka, Vietnam, Cambodia and Laos.

An economic representative had been posted to (mainland) China and one would be stationed in South Korea later this year.

The exhibition will feature 100 South African companies and focus on manufactured goods.

It will coincide with a seminar in Singapore on doing business with SA.



Graphic: RUBY-GAY MARTIN Source: CUSTOMS & EXCISE

Trade surplus causes concern

31/08/93 26/3/93
THE trade surplus widened to R1,3bn in February from January's R839m, Customs and Excise figures showed yesterday.

The rise was due to exports rising 5,3% from January while imports fell 5,2%.

However, taken year on year the surplus fell 30% from R1,936bn in February 1992. Exports fell 4,5% from 1992 to R5,372bn, while imports rose 9,5% to R4,042bn.

Nedcor Bank chief economist Edward Osborn said that when rand depreciation was taken into account, exports fell a real 7,4% while imports were down just 0,6%.

Safto economist Bruce Donald said despite the rise from January's R839m the surplus was shrinking in real terms. "This could be of concern to the authorities, especially in light of the recent fall in foreign exchange reserves." It was disappointing that manufactured categories such as chemicals and plastics, in which there had been strong growth over the past few years, had registered declines.

Osborn said the major reason for declining exports was lower diamond sales. Mineral exports rose R81m from a year ago to R735m because of increased coal sales.

This rise was offset by a drop in vegetable exports due to the ending of maize exports to Zimbabwe last year. Maize exports rose sharply early last year because SA had to fulfil maize contracts it had with Zimbabwe, despite having to import its own maize.

26/3/93
 The drought continued to be a main contributor to the sinking surplus, Donald said.

Trade surplus improves

Star 26/3/93
74

By Sven Liinsche

The trade surplus improved in February, rising from R839 million in January to R1,33 billion last month.

The improvement was achieved on the back of a decline in imports to R4,04 billion (January: R4,26 billion) and a rise in exports to R5,37 billion (January: R5,1 billion).

Economists caution, however, that a stronger export performance by the manufacturing sector is required to sustain growth in the trade balance over the next few months.

A healthy trade surplus is essential to rebuild declining foreign exchange reserves.

The manufacturing sector has been identified as crucial to an export-led growth phase.

Compared with the first two months of 1992, however, the rise in exports in January and February was by and large limited to improved metal sales.

Exports of unclassified goods so far this year at R4,38 billion are R300 million up on the same period last year. Base metals have improved to R1,39 billion (1992: R1,27 billion) and mineral products to R1,39 billion (R1,14 billion).

The exception to this trend was the export of diamonds, which slumped sharply from R1,37 billion last year to R960 million in January and February.

Poor economic growth in Europe, SA's largest export market, seems largely responsible for the falling exports of the manufacturing sector.

Exports to Europe so far this year at R3,15 billion are R500 million down on 1992.

The decline in manufacturing exports was led by paper and pulp products at R269 million (R330 million), textiles R266 million (R294 million) and chemical products R375 million (R452 million).

Exports of vegetable products were still substantially lower at R205 million (R381 million), while imports of these goods rose from R157 million to R389 million.

SA ready to 'exploit overseas trade'

Weekend Argus Reporter

OFFICIALS of the department of trade and industry are gearing up to visit a number of overseas countries in an effort to exploit trade opportunities created by the lifting of sanctions.

Dr Stef Naudé, director-gen-

eral of trade and industry, said in a statement that his department regarded outward trade missions as a crucial element in the promotion of South African exports.

This could play a major role in the country's return to international markets.

74 ARCT 2/13/92

Destinations include visits to the Middle East, Far East, United States, Mexico, South America and Western Europe. The guidelines of the Export Marketing Assistance Scheme will apply to the trade missions, which will be organised and led by Department of Trade and Industry officials.

70 countries sign on for first trade exhibition

FOREIGN companies are likely to dominate the first South African International Trade Exhibition (Saitex).

So far, 70 countries have signed for the multi-sector show at the National Exhibition Centre, Johannesburg, in October.

Among them will be contingents from China, India, the Pacific Rim, Latin America, the Middle East, the US, Europe and Africa. Uganda, Saudi Arabia, Latvia and Nepal have booked space.

Foreigners are expected to make up 70% of exhibitors, well up on the 50% initially expected by Saitex management.

Canada is expected to launch its return to the SA market, providing agreement on an interim government has been reached.

The Republic of China (Taiwan) has booked the largest stand ever taken at an SA trade fair. The Indian exhibitors will bring 500 buyers with them.

Saitex marketing manager Pep Joubert expects between

By ZILLA EFRAT

R1,5-billion and R2-billion worth in business — or 1% of SA gross national product — to be generated by the show.

A media campaign in Africa should draw an estimated 2 500 visitors. Another 2 000 are expected from the rest of the world.

Computers

Mr Joubert says about 40% of the international companies aim to source products in SA for re-export.

For example, a large Middle Eastern contingent will look for products to substitute imports from Europe and the US, especially in motor parts, pharmaceuticals and computers.

The departments of trade and industry and foreign affairs, Sacob, Safto, Handelsinstituut, Small Business Development Corporation and the City of Johannesburg are among those helping to promote the fair.

Si Times (BUS) 28/3/73

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Missions planned

(74)

PRETORIA — The Trade and Industry Department would lead missions across the globe this year in an effort to exploit growing trade opportunities, director-general Stef Naude said at the weekend. Israel, Bahrain, Thailand, Korea, China, western Europe, the US, Mexico and South America were on the itinerary.

Star 31/3/93

Interest rates under pressure ⁽¹¹⁴⁾

Interest rates were currently under pressure to rise because of the squeezing of liquidity in the domestic money and capital markets, Reserve Bank Governor Chris Stals said in Johannesburg yesterday.

He told the annual general meeting of the Johannesburg Afrikaanse Sakekamer the country's declining foreign reserves had led to liquidity being

drained from the money and capital markets and had also placed pressure on the exchange rate.

"There is consequently strong upward pressure on interest rates now, and a greater demand for accommodation at the Reserve Bank's discount window."

"The Reserve Bank would not want to oppose these trends for

much longer, especially as the capital outflow over which we have no control will continue."

He said the Reserve Bank would not deviate from creating financial discipline and said critics who believed the central bank wanted to push up interest rates were incorrect.

The monetary authorities money supply and did not fix in-

Stals

controlled the growth in the interest rates.

"You must therefore continually recognise and interpret the underlying trends in market factors," he said.

"Do not depend on the Reserve Bank to bring out a magic wand to give us the interest and exchange rates that we would like," Dr Stals told his audience.

-- Sapa.

Elfi curbs hit futures market

TIM MARSLAND

RESERVE Bank moves to stop foreigners buying new equity-linked fixed interest (Elfi) issues has caused a sharp falloff in futures market activity, draining some liquidity from an otherwise active market, dealers said yesterday.

SA Futures Exchange figures show foreigners owned only 5% of futures contracts traded on the exchange compared with a peak of 15% shortly before the March 15 close-out which coincided with the expiry of Transnet's Elfi III contract.

Exchange assistant GM Patrick Birley said this meant foreigners owned contracts worth about R180m from the peak of R550m. *Bloom 31/3/93*

Foreigners bought the contracts largely to hedge against potential capital loss of the Elfi III bear tranche. They let the contracts expire along with the Elfi III since there was no need to roll over the futures contracts.

Elfi is split into a bull and bear tranche

and is linked to the JSE's all share contract. The bull gains in value if the index rises while the bear is worth more if the index falls. ~~73~~ (74)

On the Elfi III issue, Transnet paid a fixed interest rate of 4% on the bull issue and a 25% rate on the bear issue. The high interest rate on the bear issue attracted foreigners since they are able to repatriate interest earnings but not the capital because of foreign exchange controls.

A futures dealer explained that foreigners were able to buy less of the Elfi IV issue with the money received from Elfi III since the Elfi IV was more expensive. This meant they needed fewer futures contracts to hedge their Elfi positions.

Birley said foreigners tended to take once-off positions in the market, rather than play futures on a daily basis.

Gold price ^{Star 31/31/93} puts on some weight

By Derek Tommey

The rand gold price jumped R14 to R1 068 an ounce last night.

This is its highest price since mid-1991 and is the result of a rise in the London gold price and a slight easing in the rand-dollar exchange rate.

The rand gold price has risen R138, or 14,8 percent, since it hit a low of R930 last August.

Fears that gold supplies could be affected by Russia's critical political situation sparked the London gold price into rising just over \$4 to \$335,75, its highest since the beginning of December.

Similar fears about Russian platinum supplies led to a rise in the London price. It was quoted in London at \$360,50. This is a significant recovery from the \$341,85 an ounce at which platinum was trading at the beginning of the month.

Yesterday's \$4 spurt in the London gold price suggests that the heavy forward sales of the past few weeks, which have tended to retard the rise in the metal price, must have eased significantly.

One possible reason is that after their recent efforts, many marginal mines have little gold left to sell.

It would not be surprising, therefore, to see the dollar gold price spurt even higher in coming weeks.

Gold may have made a breakout

By Derek Tommey ^{STAR 1/4/93}

The gold price jumped above \$340 in early London trading yesterday, fell back to \$337.80 at the afternoon fixing and then climbed to \$338.35 to close almost \$4 higher on the day.

In New York last night, however, it fell back again to \$337.60, just 60 US cents higher than the previous close.

This trading pattern should bring cheer to gold bugs for it shows that strong demand exists for the metal — and suggests the rally could continue.

Those who remember the exhilarating days of the early 1980s when the gold price would rise by \$10 or \$20 in a day wonder why the share market now gets excited about a \$2 or \$4 rise.

But whenever the gold price started to move 10 years ago, producers would hold back supplies to create a shortage and help the price on its way.

The initial result was sharp price increases. But it led ultimately to a collapse in the price. For when the price started to drop, producers would rush in with their accumulated stocks and flood the market.

Sophisticated

These days producers are more sophisticated. When the price rises, marginal mines can be counted on to start selling forward and dampen the rise.

But price movements in the past three days suggest that forward selling has been greatly reduced and that gold might at last have made a breakout.

Producers have possibly sold forward all the gold they want to, and are allowing the price to start advancing.

Whether the advance will continue depends on who is buying.

It has been suggested that current demand is the result of hedging against the Russian political situation disrupting supplies.

It is also possible that people are hedging against renewed US inflation. But bullion dealers say a more likely cause for the rise is simply the steady increase in commercial demand.

Sales in Southeast Asia, particularly in southern China, have been strong recently, a trend that is expected to continue.

An added stimulus to gold purchases in these countries is the fall in the exchange rate of the dollar which has reduced the price of gold in the currencies of these countries and made it an even more attractive proposition.

—WORLD—

SA on US list of trade transgressors

BIDAM 2/14/93.

WASHINGTON — The Clinton administration accuses 44 countries of using unfair trade barriers to keep American products from being sold in their markets.

As in previous years, Japan leads the list of alleged infractions followed by the 12-nation EC and China. SA is also included.

The report, prepared by the office of US Trade Representative Mickey Kantor and released on Wednesday, is the first step in a process that ultimately could lead to trade sanctions if the administration decides to open formal investigations on any of the allegations it has made.

The 275-page report covered the gamut of trade practices the US considers offensive to US producers, from Japan's near-total ban on rice imports to what the administration charged was improper protection of US copyrights and patents by the government of Venezuela.

In releasing the report, Kantor took a hard bargaining stance, saying the administration intended to "expand trade through market opening measures backed by the rigorous enforcement of US laws".

President Bill Clinton, during last year's campaign, accused the Bush administration of failing to aggressively tackle foreign trade barriers. This administration's approach to the inventory of barriers is therefore being anxiously watched by governments around the world.

"We believe that the markets of our trading partners should be comparably open to those in the US," Kantor said in a

statement accompanying the report.

He said the US would negotiate firmly to open foreign markets and would increase enforcement of intellectual property rights protection in other nations.

Trade office general counsel Ira Shapiro said no decisions had been made on whether to open up investigations on any of the alleged abuses cited in the report.

The EC, in response to the US report on barriers, issues its own report on barriers that the US erects to protect its own industries from imports.

Kantor pledged that the new administration would use its information to dismantle trade barriers that were robbing US companies of sales.

The report targets foreign trade practices ranging from general import barriers and discriminatory government procurement policies to the use of standard-setting to keep foreign goods out of a country.

Yesterday Japan disputed the US claims, saying many barriers had been dismantled.

Tatsuya Terazawa of the International Trade and Industry Ministry said clearly there were "significant misunderstandings regarding various points".

The mild Japanese response was seen as avoidance of acrimony as Prime Minister Kiichi Miyazawa prepares to meet with President Clinton for the first time.

Miyazawa told reporters yesterday he hoped to have details of a new economic stimulus package in time for the meeting on April 16. — Sapa-AP.

Spotlight falls on gold and forex reserves

GRIM warnings from the Reserve Bank last week about upward pressure on interest rates have raised the profile of the gold and foreign exchange reserves data due for release in the next few days.

The March reserves figures are out this week, and will be scanned anxiously by markets still mindful of Bank Governor Chris Stals's cautionary a week ago, when he said the decline in the reserves was pushing up on rates. Lower reserves have been pushing liquidity from the money markets, and players have been queuing up at the Bank's discount window for accommodation at official rates which, at their current levels in a tightening market, are not as penal as they used to be.

Total gross reserves have fallen for four consecutive months and stood at R8,3bn in February, a 14-month low. The fall in reserves would have been steeper but for Bank drawdowns of reserve-related loans in recent months. The borrowing to shore up reserves ends a period of nearly two years without

reserve-related loans, in which gross reserves and net reserves were level. Borrowings spoke for nearly all the reserves in mid-1989, but for all of 1991 and most of last year no loans were required. Now, however, net reserves are again lower than gross reserves. The Bank is coy about saying how much lower, and politely declines invitations to quantify net reserves. But published figures suggest the change in net reserves in the fourth quarter. Furthermore, Stals has stated that R1,4bn was borrowed to prop up gross reserves in February, which would leave February net reserves around R6,9bn. The Bank's current secrecy is a turnaround from last August, when it published a net reserves graph. Seven months ago, however, there was no pressure on the reserves and the Bank had something to crow about. Besides, it is just as easy to err in the other direction. Two weeks ago the French authorities planned to support their prolonged defence of the franc

with a heavily topped release of France's strong February reserves position. Sure enough, the first sheet off the facsimile machines showed a F16,4bn rise in total gross reserves to F1327,3bn. Unfortunately, the zealous economics ministry clerk at the fax machine also sent the other — normally secret — seven pages of reserves data, which gave details of all the swaps and loans used to prop up the gross reserves. These foreign liabilities left net French reserves at a less impressive F18,3bn, and probably bequeathed the errant clerk lifetime employment in the ministry cloakrooms.

Internationally, some key European data emerge this week which could help determine the fortunes of the European exchange rate mechanism in the wake of the French elections. French February money supply aggregates are due this week and, at 5.3% in the year to January, French M3 growth is tidily in the middle of its 4%-6.5% 1993 target range. Any slip towards the range floor will raise pressure on the French government to cut interest rates irrespective of the franc's ERM level.

The German Bundesbank held off any change in official rates at its regular council meeting last week, but the German economy has entered recession. Western German unemployment in March should be released this week and, having risen to 7.7% in February from January's 7.5%, German joblessness is also exerting pressure on the central bank for easier monetary conditions.

Higher growth in the UK narrow money supply of late has encouraged hopes that the longest British recession in 50 years could be ending. UK March money supply data are due today, and will be scrutinised to see whether the narrow-money M0 aggregate remains above its 0%-4% monitoring range as, at 4.5%, it was in the 12 months to February. Broad-money UK M4 was, conversely, only just above its 3%-9% monitoring range in the year to February, when it grew 3.3%.

BMW 7/4/73

Zimbabwe trade fair

MORE than 10 SA companies will exhibit at the Zimbabwe International Trade Fair in Bulawayo this month. BMW and Dorbyl will be among the expected 1 200 exhibitors at the fair.

Safto and the SA Trade and Industry Department also support the fair.

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Bank reviews forex controls

Bloom 7/4/93

(74)

GRETA STEYN

THE Reserve Bank, with the help of a committee of bankers, was reviewing the nuts and bolts of foreign exchange control regulations, bankers said this week.

Bank exchange control GM John Postmus confirmed a committee was looking at exchange control issues.

"We have an ongoing liaison committee which studies issues arising out of the administration of exchange control regulations. The main purpose is to ensure a level playing field. We want to be sure the rules are applied in the same way by everyone."

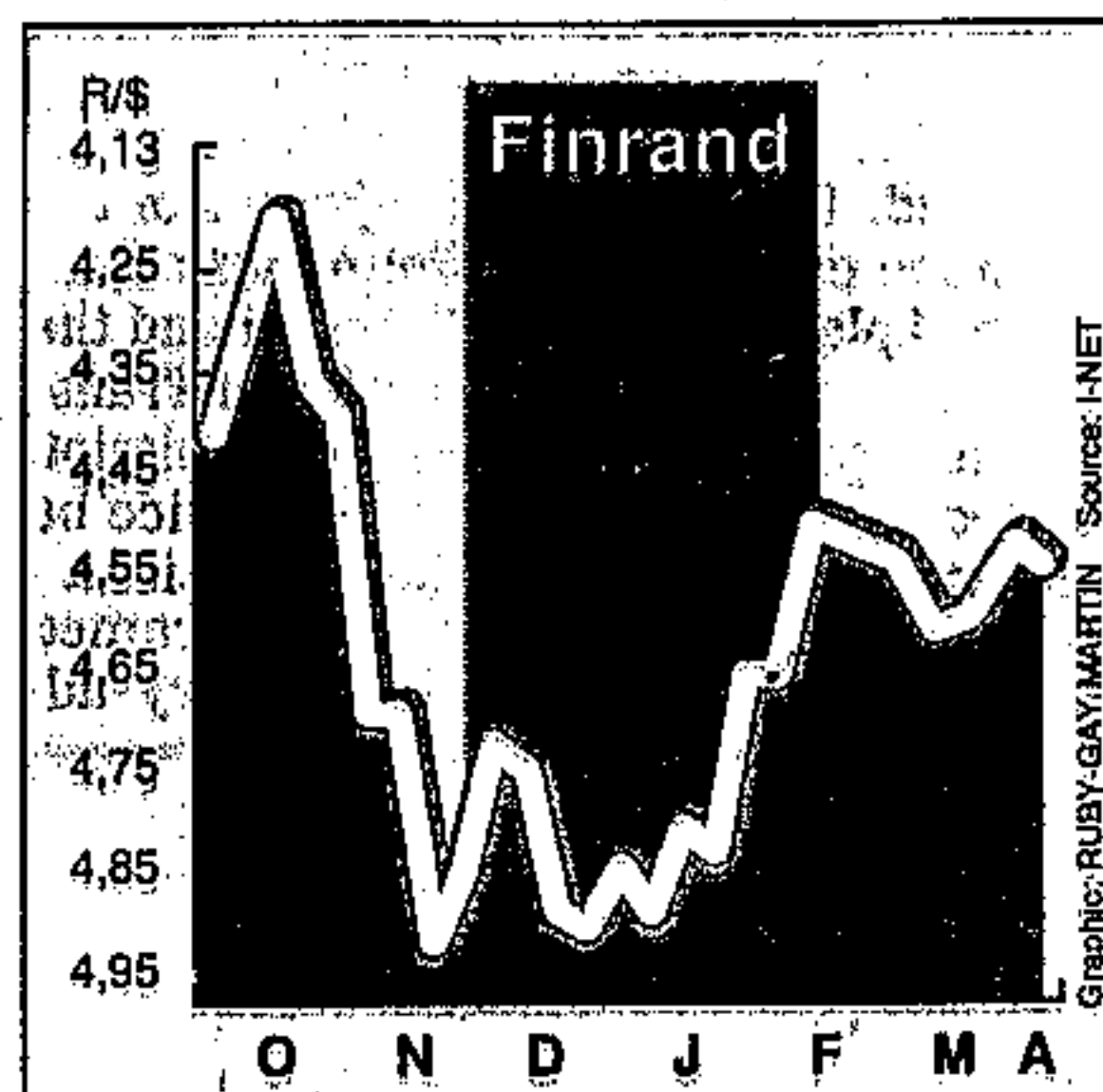
Bankers said the committee was focusing its attention on new, sophisticated financial instruments.

The exchange control implications of these instruments were not always clear

and consensus had to be reached. Currency options, foreign exchange swaps, futures and forward rate agreements were under the spotlight.

The Bank's decision to ban foreign participation in Transnet's Equity-Linked Fixed Interest (Elfi) investment had been a result of the monitoring of the "spirit and letter" of exchange control. High coupon gilts and zero coupon bonds were also under the spotlight.

Bankers said it was possible further action could follow the Elfi move, although Postmus emphasised the idea was not to tighten controls, but to ensure consistent application.



Finrand rises to six-month high

BLOM TIM MARSLAND 7/4/93

THE financial rand appreciated to a six-month high of R4,51 to the dollar in early trade on Monday before selling saw the unit weaken to close at R4,55, dealers said.

The discount between the finrand and the commercial rand — which ended at R3,1803 to the dollar from R3,1713 — was at its narrowest for seven months at 29,5%. A dealer said this reflected improved foreign sentiment towards the country.

Buying related to the stock market was behind the unit's current strength, he said. However, sell orders remained in the market which kicked in when the unit rallied, preventing it from appreciating too far.

The finrand could break below R4,50 in the next few weeks, which would be "an extremely bullish signal".

Another dealer said there had been a psychological change in sentiment towards the finrand. For example, outbreaks of violence no longer set off a flurry of selling as was the case previously.

He said Monday's retreat was as a result of profit-taking, but confirmed there were a number of sell orders in the market.

"There tends to be selling into rallies," he said. "A number of foreign players still want to get out of this market."

Finance Department moves last year to prevent local companies using the finrand to invest offshore had improved foreign perceptions of the unit. Nonetheless, it would be a "hard slog" to break below the R4,50 to the dollar level.

New trading rules which came into effect recently had also limited volatility of the unit, he said.

(b) to the Postmaster-General in terms of section 7 of the Radio Act, 1952, for a licence to be issued to use radio stations in the appropriate frequency bands in respect of the rendering of the service referred to in paragraph (a).

Invitation forms can be obtained from:

The Office of the Postmaster-General
Attention: M. Faasen
Eighth Floor, Old Mutual Building
Andries Street
Private Bag X860
PRETORIA 0001
Tel.: (012) 311-8010.

P. J. WELGEMOED,

Minister of Transport and of Posts and Telecommunications.

(8 April 1993)

(b) by die Posmeester-generaal vir die uitreiking ingevolge artikel 7 van die Radiowet, 1952, vir 'n lisensie om radiostasies in die toepaslike frekwensiebande te gebruik in verband met die lewering van die diens na verwys in paragraaf (a).

Uitnodigingsvorme kan verkry word van:

Die Kantoor van die Posmeester-generaal
Vir aandag: M. Faasen
Agtste Verdieping, Ou Mutualgebou
Andriesstraat
Privaatsak X860
PRETORIA 0001
Tel.: (012) 311-8010.

P. J. WELGEMOED,

Minister van Vervoer en van Pos- en Telekommunikasiewese.

(8 April 1993)

NOTICE 317 OF 1993

DEPARTMENT OF MANPOWER

MANPOWER TRAINING ACT, 1981

ACCREDITATION OF THE CARBONATED SOFT-DRINK INDUSTRY TRAINING BOARD FOR AMALGAMATED BEVERAGE INDUSTRIES LIMITED

It is hereby notified for general information that the Registrar of Manpower Training, in terms of section 12B of the Act, accredited the Carbonated Soft-drink Industry Training Board, P.O. Box 76202, Wendywood, 2144, on 19 February 1993, in respect of the Industry as defined in Government Notice No. R. 72 of 15 January 1993.

(8 April 1993)

KENNISGEWING 317 VAN 1993

DEPARTEMENT VAN MANNEKRAG

WET OP MANNEKRAGOPLEIDING, 1981

AKKREDITERING VAN DIE GEKARBONEERDE SAGTEDRANKNYWERHEID-OPLEIDINGSRAAD VIR AMALGAMATED BEVERAGE INDUSTRY BEPERK

Hierby word vir algemene kennisname bekendgemaak dat die Registrateur van Mannekrageopleiding die Gekarboneerde Sagtedranknywerheid-opleidingsraad, Posbus 76202, Wendywood, 2144, kragtens artikel 12B van die Wet, op 19 Februarie 1993, geakkrediteer het ten opsigte van die Nywerheid soos omskryf in Goewermentskennisgewing No. R. 72 van 15 Januarie 1993.

(8 April 1993)

NOTICE 318 OF 1993 • KENNISGEWING 318 VAN 1993

PRELIMINARY STATEMENT OF TRADE STATISTICS OF THE REPUBLIC OF SOUTH AFRICA RELEASED BY THE COMMISSIONER FOR CUSTOMS AND EXCISE

VOORLOPIGE OPGAWE VAN HANDELSTATISTIEK VAN DIE REPUBLIEK VAN SUID-AFRIKA VRYGESTEL DEUR DIE KOMMISSARIS VAN DOEANE EN AKSYNS

Remark: The import and export figures reflected in this statement have been adjusted largely to bring them into line with the requirements for the compilation of the balance of payments.

The undermentioned data entails the total foreign trade statistics of the common customs area of the Republic of South Africa, Botswana, Lesotho, Swaziland, Namibia as well as Transkei, Bophuthatswana, Venda and Ciskei.

N.B.: The change-over to the Harmonized Tariff System with effect from 1 January 1988, altered the classification of certain commodities. When comparing the section totals for 1988 and later years with those of previous years the possible differences due to the change-over should therefore be taken into consideration.

Opmerking: Die in- en uitvoersyfers wat in hierdie opgawe verskyn is grootliks aangepas om dit in ooreenstemming te bring met die vereistes wat gestel word vir die opstel van die betalingsbalans.

Die ondervermelde syfers omsluit die totale buitelandse handelstatistiek van die gemeenskaplike doeanegebied van die Republiek van Suid-Afrika, Botswana, Lesotho, Swaziland, Namibië asook van Transkei, Bophuthatswana, Venda en Ciskei.

L.W.: Die oorskakeling na die Geharmonieerde Tariefstelsel met ingang van 1 Januarie 1988 het die indeling van sekere kommoditeite verander. Wanneer die afdelingstotale vir 1988 en later jare dus met dié van vorige jare vergelyk word, moet die moontlike verskille as gevolg van die oorskakeling nie uit die oog verloor word nie.

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PERIOD/TYDPERK: JANUARY/JANUARIE 1993

TABLE A: TOTALS IN MILLIONS OF RAND ACCORDING TO WORLD ZONES AND SHIPS' AND AIRCRAFT STORES
TABEL A: TOTALE IN MILJOENE RAND VOLGENS WÊRELDSTREKE EN SKEEPS- EN VliegTUIGVOORRADE

World zones—Wêreldstreke	Imports—Invoere		Exports—Uitvoere	
	1993	1992	1993	1992
Africa—Afrika	255,6	232,3	816,0	931,0
Europe—Europa	3 591,6	3 747,8	3 137,9	3 643,5
America—Amerika	1 340,1	1 148,8	870,9	780,0
Asia—Asië	2 013,2	1 843,8	1 962,3	1 744,9
Oceania—Oseanië	105,2	93,5	63,2	30,7
Other unclassified goods and balance of payments adjustments Ander ongeklassifiseerde goedere en betalingsbalansaansuiwerings	999,8	736,8	3 509,7	3 215,9
Ships'/Aircraft Stores—Skeeps-/vliegtuigvoorrade	—	—	114,4	113,3
Grand total—Groototaal	8 305,5	7 803,0	10 474,4	10 459,3

TABLE B: TOTALS IN MILLION RAND ACCORDING TO SECTIONS OF THE HARMONIZED SYSTEM
TABEL B: TOTALE IN MILJOEN RAND VOLGENS AFDELINGS VAN DIE GEHARMONIEERDE STELSEL

Sections—Afdelings	Imports—Invoere		Exports—Uitvoere	
	1993	1992	1993	1992
I. Live animals; animal products Lewende diere; dierlike produkte	60,8	49,3	133,1	109,6
II. Vegetable products Plantaardige produkte	389,2	156,7	204,7	381,0
III. Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal and vegetable waxes Dierlike of plantaardige vette en olies en splitsprodukte; voorbereide spysvette; dierlike en plantaardige gewasse	79,3	63,4	18,2	16,6
IV. Prepared foodstuffs; beverages, spiritus and vinegar; tobacco and manufactured tobacco substitutes Voorbereide voedsel; drankes, spiritus en asyn; tabak en vervaardigde tabaksurrogate	128,4	195,4	215,3	271,3
V. Mineral products Mineraalprodukte	95,8	97,5	1 393,4	1 144,7
VI. Products of the chemical or allied industries Produkte van die chemiese of verwante nywerhede	875,7	839,3	375,4	452,3
VII. Plastics and articles thereof; rubber and articles thereof Plastieke en artikels daarvan; rubber en artikels daarvan	376,6	339,5	93,8	103,4
VIII. Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods handbags and similar containers; articles of animal gut (other than silk-worm gut) Ongelooide huide en velle, leer, peisvelle en artikels daarvan; saal- en tuiemakersware; reisartikels, handsakke en dergelike houers; artikels van dierederm (uitgesonderd sywurmsnaar)	38,5	36,6	53,7	56,5
IX. Wood and articles of wood; wood charcoal; cork and articles of cork; manufactures of straw; of esparto or of other plaiting materials; basketware and wickerwork Hout en artikels van hout; houtskool; kurk en artikels van kurk; fabrikate van strooi, van esparto of van ander vlegwerkstowwe; mandjiewerk en vlegwerk	87,2	71,3	60,0	55,5
X. Pulp of wood or of other fibrous cellulosic material; waste and scrap of paper or paperboard; paper and paperboard of paper or paperboard; paper and paperboard and articles thereof Pulp van hout of van ander veselagtige sellulosiese stof; afval en oorskiet van papier of papierbord; papier en papierbord en artikels daarvan	251,8	235,0	268,5	329,6

Sections—Afdelings	Imports—Invoere		Exports—Uitvoere	
	1993	1992	1993	1992
XI. Textiles and textile articles Tekstiele en tekstielartikels	393,3	447,9	265,5	294,4
XII. Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers; articles of human hair Skoeisel, hoofdeksels, sambrele, sonsambrele, wandelstokke, sitstokke, swepe, karwatse en onderdele daarvan; bereide vere en artikels daarvan gemaak; kunsblomme; artikels van mensehaar	48,2	44,9	5,1	5,5
XIII. Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware Artikels van klip, gips, sement, asbes, mika of dergelike stowwe; keramiese produkte; glas en glasware.....	110,6	103,5	51,5	43,9
XIV. Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal and articles thereof; imitation jewellery; coin Natuurlike of gekweekte pèrels, edel- of halfedelstene, edelmetale, metale met edelmetale bedek, en artikels daarvan; nagemaakte juweliersware; muntstukke	186,5	39,6	959,8	1 368,4
XV. Base metals and articles of base metal Onedelmetale en artikels van onedelmetaal.....	402,0	366,2	1 338,9	1 272,8
XVI. Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles Masjinerie en meganiese toestelle; elektriese toerusting; onderdele daarvan; klankopnemers en -weergewers; televisie- beeld- en klankopnemers en -weergewers, en onderdele en bybehoorsels van sodanige artikels	2 305,2	2 483,1	310,1	237,0
XVII. Vehicles, aircraft, vessels and associated transport equipment Voertuie, lugvaartuie, vaartuie en verwante vervoertoerusting.....	1 030,8	1 085,0	281,4	180,6
XVIII. Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof Optiese, fotografiese, kinematografiese, meet-, kontroleer-, presisie-, mediese en chirurgiese instrumente en apparate; uurwerke en horlosies; musiekinstrumente; onderdele en bybehoorsels daarvan	354,1	319,1	28,2	19,6
XX. Miscellaneous manufactured articles Diverse vervaardigde artikels	77,1	85,3	38,8	35,0
XXI. Works of art, collectors' pieces and antiques Kunswerke, versamelaarstukke, en antieke	6,2	3,0	1,8	2,5
Other unclassified goods and balance of payments adjustments Ander ongeklassifiseerde goedere en betalingsbalansaansuiwerings	1 008,2	741,4	4 377,2	4 079,1
Grand total—Groototaal	8 305,5	7 803,0	10 474,4	10 459,3

(8 April 1993)

BOARD NOTICE

BOARD NOTICE 36 OF 1993

DEFINING OF WESTERN CAPE

The Wine and Spirit Board, acting under section 6 of the Wine of Origin Scheme published by Government Notice No. R. 1434 of 29 June 1990 hereby defines the area specified in the Annexure as a geographical unit under the name Western Cape.

M. H. VAN DER MERWE,
Secretary: Wine and Spirit Board.

RAADSKENNISGEWING

RAADSKENNISGEWING 36 VAN 1993

OMSKRYWING VAN WES-KAAP

Die Wyn- en Spiritusraad, handelende kragtens artikel 6 van die Wyn van Oorsprong-skema gepubliseer by Goewermentskennisgewing No. R. 1434 van 29 Junie 1990, omskryf hierby die gebied in die Bylae gespesifiseer as 'n geografiese eenheid onder die naam Wes-Kaap.

M. H. VAN DER MERWE,
Sekretaris: Wyn- en Spiritusraad.

Route to foreign borrowings easier

BLOM. 8/4/93

GRETA STEYN

A FIRST sign that SA's problems in raising foreign capital are about to ease has emerged in Frankfurt with a fall in the interest rate premium on SA issues in the Eurobond market.

The easing in the rate SA parastatal borrowers would have to pay has brought some relief after a sharp rise in foreign borrowing costs sparked by the collapse in negotiations and the Boipatong and Bisho incidents.

A top financier who has just returned from Europe predicted the easing would continue, raising the possibility of parastatal borrowers entering the market against expectations earlier this year.

Government and other borrowers said at the beginning of the year punitively high interest rates would rule out rollovers and new loans for 1993, putting pressure on SA's foreign exchange reserves. But market sources said the present level of foreign interest rates still seemed too high.

When SA fell from favour, the premium it paid on borrowing in Frankfurt rose to 300 points above the interest rate on German government bonds. This compared with 150 points in March last year, when faith in the country was at its peak. In the

past few weeks, the premium has eased to 230-240 points.

The improved climate is reflected in the heightened demand for SA's outstanding bonds in the secondary market. Bonds that had been trading at a discount to face value were now trading at a premium. An Eskom bond was trading at 104 from 98.

The financier said a factor in SA's favour was that the Eurobond issues so far this year had failed to satisfy the demand of private investors for high yielding investments. SA bonds have traditionally been popular with individuals rather than institutions. If present trends continued, bond issues would become feasible this year. "Cautious optimism" was warranted.

A Reserve Bank source said margins on short-term borrowings had remained more or less static with little sign of the negative sentiment feeding through on that end. The rate on the Bank's own borrowings was in line with the market.

An analyst said improved foreign sentiment was further reflected in the narrowing of the discount between the financial and commercial rands.

LITTLE IN RESERVE

Fm 9/4/93

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74

Deterioration in the Reserve Bank's gross gold and foreign exchange reserves is undermining any hopes of lower interest rates this year. Reserves have declined from R11,5bn in August to R8,3bn in February. Reserve Bank Governor Chris Stals says about R1,4bn in other liabilities was incurred to bolster gross reserves. If this is stripped out of reserves the

figure is less than R7bn.

The decline follows a fall in the trade surplus and large outflows of both short- and long-term foreign capital since September. No wonder the money market is feeling the pinch of lower liquidity and Stals is talking of maintaining interest rates or even of pushing up Bank rate before the year is out.

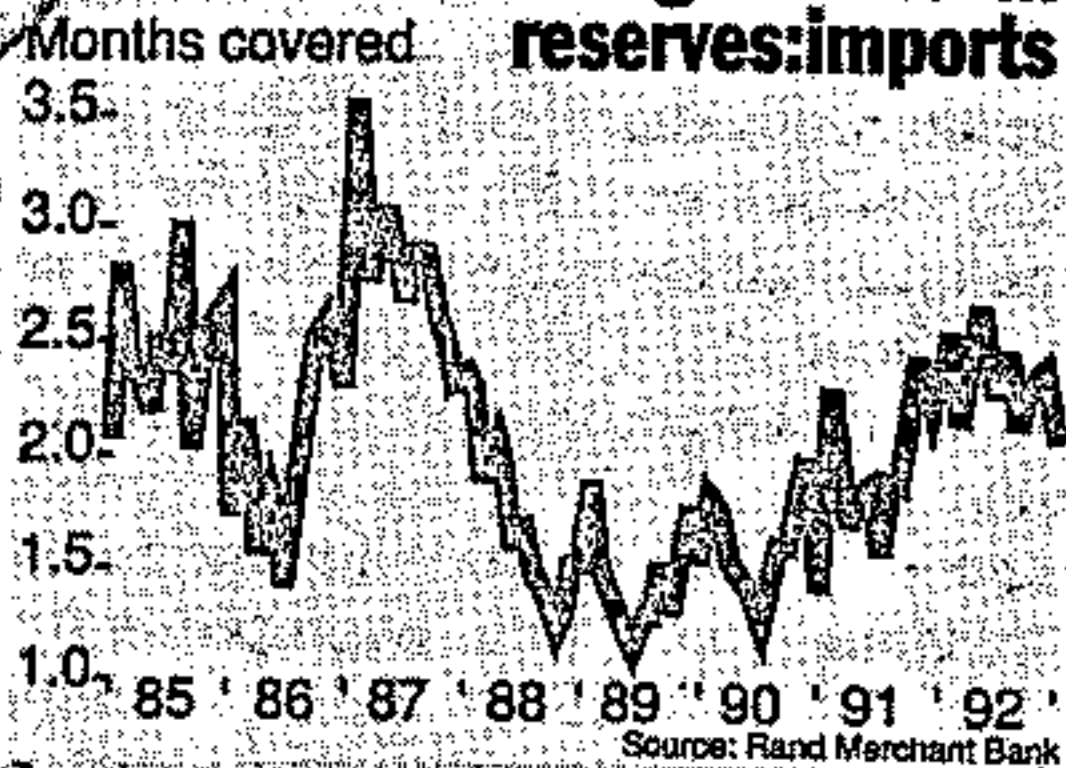
Already short-term market rates have moved up. From a level of around 11,6% in the middle of February for three-month liquid BAs the rate has now moved to around 11,9%. The rates on negotiable certificates of deposit have also risen from February levels of around 11,9% for three-month instruments and 11,85% for one-year paper to 12,1% and 12,35%.

Import cover, which had grown through most of 1991 and 1992, has fallen since September (see graph).

The situation should improve later in the year. A normal agricultural year will eliminate drought-related imports and the higher Vat rate applicable from this week could curb the demand for imports.

Blowing the cover

Ratio of RB gold & forex reserves: imports



Nasrec fair a *Star 10/4/93* 'wake-up call' *(74)* for SA trade

FOREIGN trade with South Africa will be given a strong boost with the launch of an annual international trade fair in October at the National Exhibition Centre (Nasrec) outside Johannesburg.

The South African International Trade Exhibition (SAITEX) is the first broad-based international trade exhibition of its kind hosted on the subcontinent. SAITEX exhibition manager Pierre Potgieter said international business in South Africa was set to boom with such an exhibition.

"Local commerce and industry may sometimes lack capital, but our infrastructure and expertise are second to none on the continent, making joint-venture potential massive. If the foreigners can profit from exporting our products, so can we. We need a wake-up call... I believe SAITEX is it."

Stalls

There will be about 900 stalls at SAITEX — 70 percent of which have already been booked by international exhibitors from 67 countries. So far 200 South African companies are committed to taking part.

SAITEX promoter Lesley Perkes said the show was born out of the experience of the Rand Easter Show and intense interest from international companies to show off their wares in South Africa. It had received the backing of local business and foreign trade organisations, and was being marketed in 96 countries abroad.

SAITEX marketing

LOUISE MARSLAND

manager Pep Joubert said the exhibition was breaking records in international and local participation. Sixty-seven countries had already booked a stand, with the Republic of China taking the largest single display. There were also strong contingents from the Pacific Rim, the European Community, South America, Middle East, India, America and Africa.

Joubert said: "Most competitive businesses are rightfully perceiving South Africa, and specifically Johannesburg, as this continent's premier platform for global business. Through SAITEX we are offering the world genuine access to Africa's massive markets."

Joubert said the Indian exhibitors alone would be accompanied by 500 buyers from that country. The Middle East contingent would be looking for products to substitute for imports being purchased from Europe and the US — especially motor parts, pharmaceuticals and computers.

There are several trade sectors catered for, as determined by international and local demand, including general industrial, manufacturing and engineering; electrical engineering and electronics; mining and materials handling; petro-chemical and chemical; plastics, rubber, industrial glass and alternative materials; packaging and printing; agriculture and food; and pharmaceutical and medical.

SA must export processed goods

714
C/Pres 11/4/93

■ MONEY TALK

IT was with considerable surprise that South Africans read during the past week that the US government was complaining that SA was unfairly restricting the entry of American goods into its markets.

After all, Washington has been in the vanguard of the sanctions campaign against this country. Even today certain of its cities and states are still applying sanctions. It has been alleged that some are even considering the tightening of these sanctions.

Why?

Firstly, the US is running a massive deficit in its business dealings with the rest of the world. Even Washington seems to realise the only way to pay debts is to earn foreign exchange by increasing exports.

Secondly, we are part of a general group of 44 countries that stand accused by the US of unfair trading practices.

Thirdly, there is growing awareness in the US

that increasing unity in Europe during the next decade will cause competition in international trade to become much tougher. At the same time south eastern Asia is making rapid strides as a trade bloc under the leadership of Japan.

SA is not a part of the three dominant trade blocs, but must somehow find its way among the industrial giants of the world.

So how should we approach Washington's accusation about unfair trade practices?

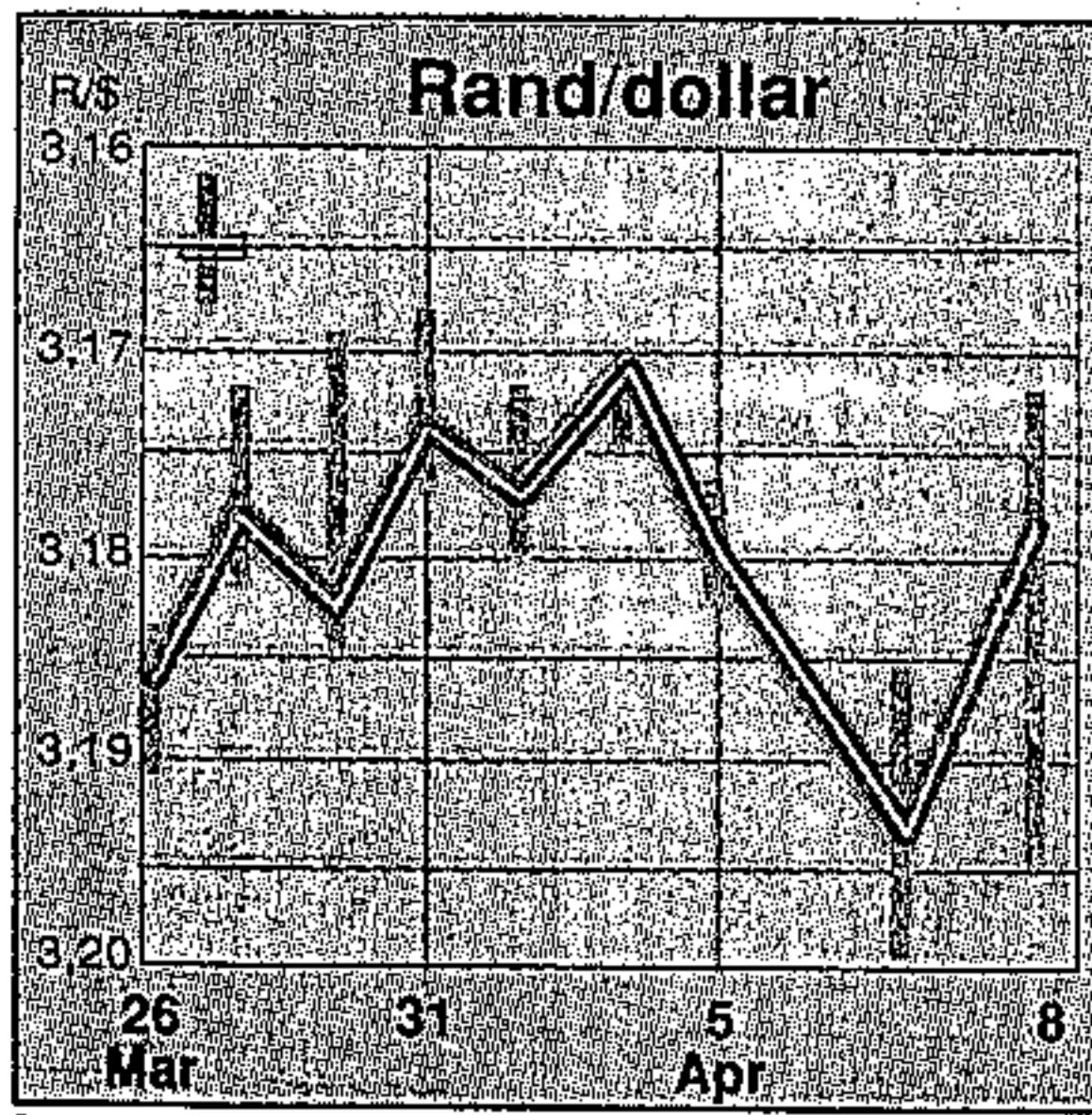
The old principle that there are no friends in international politics but only common interests should apply. It is as much in our interest to increase trade with the Americans as it is in theirs. So let us use the

opportunity to take a careful look at how this can be achieved.

Another important point is that America, in contrast to Europe, expects a reasonable growth rate this year. It is important that we ensure that we benefit from this, because the US is a large buyer of many of the commodities we can supply.

However, we should bear in mind that while it is fairly easy to sell our relatively low-priced raw materials to the outside world, the real need is jobs for our rapidly growing population. And this will have to come from manufacturing and the local beneficiation of metals and minerals.

Let us bear this in mind when negotiating with the Americans and our other trading partners. These negotiations are going to be tough, because - make no mistake - while the Americans may be quick to cry foul they are far from being innocent of restrictive trade practices.



Graphics: LEE EMERTON Source: I-NET

Depreciating rand slides further

74

GRETA STEYN

90

THE rand has depreciated by almost 4% against a trade-weighted basket of currencies since October last year when the currency first came under pressure.

The Standard Bank's index of the rand exchange rate to the currencies of SA's major trading partners shows accelerated depreciation in April. The index was 36,8095 on Thursday, from 37,1848 at the end of last month and 38,2429 on average in October.

B/DAM 13/4/93

The rand shed 1,8% in the first week of April on a trade-weighted basis as it failed to benefit fully from dollar weakness.

Economists said depreciation against the basket of currencies was evidence of rand weakness — a reflection of SA economic fundamentals rather than the result of international currency market trends.

Standard Bank foreign exchange dealer Dave Collett said the rand had been "living on borrowed time. The chickens are coming home to roost and the rand did not benefit much from the recent dollar weakness. There is a perception that the foreign exchange reserves situation is worsening and that the Bank does not have the currency to protect the rand."

Simpson McKie economist Graham Boyd said falling foreign exchange re-

To Page 2

Rand

B/DAM 13/4/93

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From Page 1

...serves were indicative of pressure on the rand. Capital outflows and the drought's effects on the current account balance had so depleted reserves that the Bank was experiencing difficulties in supporting the currency. However, he believed the effect of the weak rand on inflation would be muted as the Bank's tight clamp on money supply would make it difficult for importers to pass on price increases.

The weak rand would also provide a

boost to exports, which would lead to an improvement in the reserves situation and ultimately to a strengthening of the rand.

Since mid-February, the rand has weakened considerably against the Japanese yen and the British pound, while the losses against the dollar have been less severe.

Dealers said the Reserve Bank stepped in decisively on Thursday to protect the rand, pushing the exchange rate against the dollar to R3,1780 from R3,19.

SA's forex reserves fall to two-year low

B/DAM 13/4/93

(74)

TIM MARSLAND

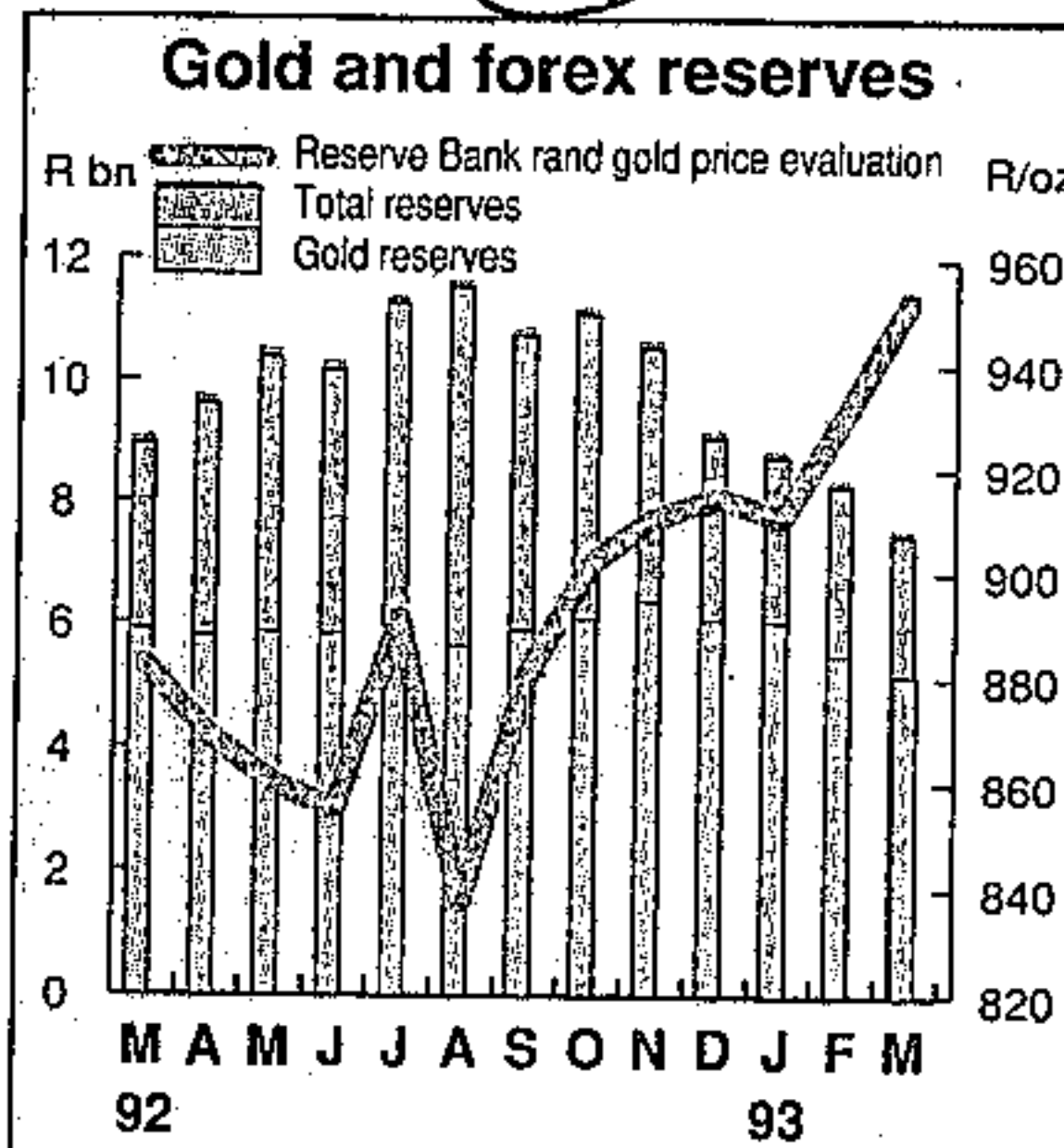
SA's foreign exchange reserves plunged R800m to a two-year low of R7,48bn in March, forcing the Reserve Bank to increase short-term foreign borrowings to R2,1bn to support the reserves.

When it released the figures last week, the Bank took the unusual step of disclosing that it had shored up reserves by increasing short-term foreign borrowings to R2,1bn at the end of March from R1,4bn at the end of February.

This effectively means the net reserves dropped to about R5,4bn — enough to pay for about one month of imports. The Bank believes net reserves equal to three months' imports would be appropriate.

The figures showed that the Bank's foreign currency holdings fell R510m to R2,274bn in March. The value of the gold component dropped R310m to R5,205bn. The Bank held 5,462-million ounces of gold valued at R953,03 an ounce in March compared with February's 5,922-million ounces valued at R931,29.

Economists blamed the declining



Graphic: LEE EMERTON Source: SA RESERVE BANK

reserves on the repayment of foreign loans, but said the downward cycle was near its bottom. They said the decline meant there was "no chance" of a cut in Bank rate until reserves increased sub-

□ To Page 2

Reserves B/DAM 13/4/93

(74)

□ From Page 1

stantially. However, it was also unlikely Bank rate would rise because of the blow to confidence.

Nedcor Bank chief economist Edward Osborn said the figures were "harsh news". It meant the Bank would stick to its tight monetary policy. He added the Bank had little room to manoeuvre this year in terms of the reserves. SA had to repay foreign debt of about R5bn on its capital account this year. He calculated that the surplus on the current account of the balance of payments (the difference between imports and exports) would also be about R5bn, which meant the two would "be roughly in balance".

An economist with a firm of stockbrokers said the decline in reserves was due to the repayment of foreign loans. Offshore loans were being repaid as local borrowing

was relatively cheaper because of high interest rates foreigners demanded on loans to SA. He expected, however, that once the ANC called for the lifting of financial sanctions, the premium demanded by foreign lenders would drop because SA's foreign debt was small compared with that of other countries.

He said the only encouraging information in the Bank's figures was the increase in cash in circulation, which rose by about R800m to R12,255bn in March. This showed a rise of 13,6% from March 1992 against February's rise of 10,3% from a year ago. This accelerating trend was one of the few signs that the economy was expanding.

However, he pointed out that the rise could also reflect consumer spending ahead of the higher VAT rate.

Wine exports double in a year

182 745 Business Editor CT13/4/93

THE wine industry maintained sales and doubled exports in the past year, the directors of KWV say in their annual report released yesterday.

Total industry sales reached a record volume of 2,3m cases "representing more than double the 1991 exports (an increase of 124%)".

The volume of KWV's natural wine exports rose by 34%, in spite of recessionary conditions in some of its major markets. "This category was established as its most important one for export.

"Several new markets are involved, with the result that KWV now exports its products to more than 40 countries."

Sales to the Far East, alone, rose by 128% although from a small base.

The report says that in 1992 sales of grape juice concentrate also more than doubled. KWV spent R80m on expanding its production facilities and buying a 25% share in Ceres Fruit Juices.

Discussing wine exports, it says the downturn in Britain has caused an increasing shift to the super-markets in terms of liquor sales.

The American market is also under pressure, with recessionary conditions causing the consumer to "buy down". And sanctions against SA are still in place in several cities.

"The EC not only suffers from a poor economy but also experienced huge wine crops in 1992. Prices of some French wines decreased by as much as 40% while large volumes of wine from the East European countries are flooding the EC at low prices. The Italian lira devalued, making Italian wines more competitive worldwide.

"Markets such as Canada, Norway, Sweden, Australia and New Zealand are still inaccessible."

However, the report continues, "Despite the unfavourable global market conditions, 1992 was characterised by excellent export results for KWV and the SA wine industry. Several SA producers entered the export market."

Star 14/14/93

JSE and finrand feel the heat in wake of violence

Finance Staff

Share prices on the Johannesburg Stock Exchange fell sharply yesterday in response to the latest bout of violence following the Chris Hani assassination.

Hardest hit by investor uncertainty, however, was the financial rand, South Africa's investment currency, which plummeted by almost 5 percent to R4,78 to the US dollar as foreign investors expressed their concern about possible damage to the economy in view of the planned stayaway and further mass actions.

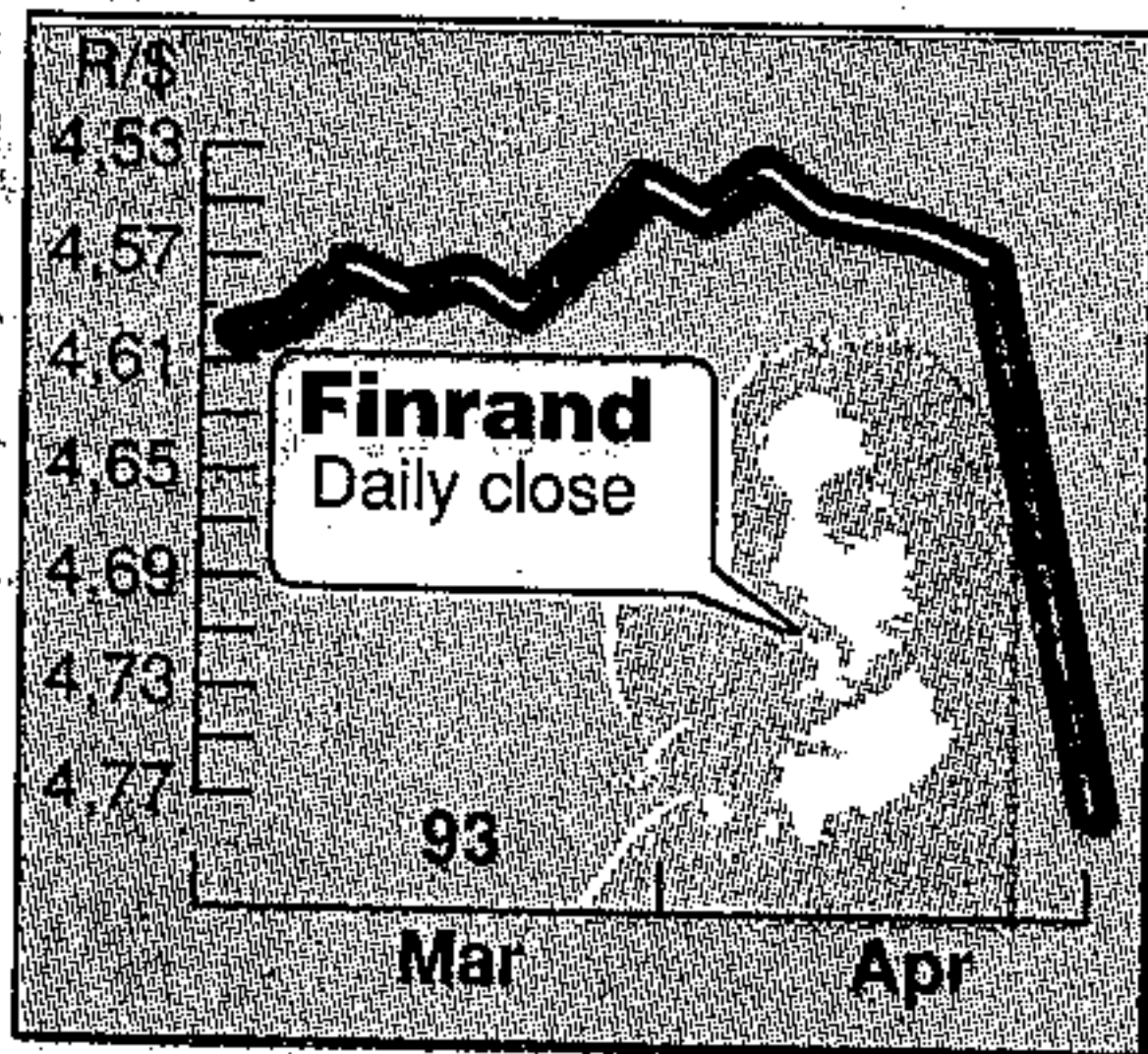
The slump is seen as a warn-

ing that there will be a flight of international capital unless political parties move swiftly towards an interim government.

Local economists warned that the upturn in the economy could be delayed further if mass action was extended beyond today's stayaway.

The impact on the economy is set to feature prominently at today's regular meeting of Reserve Bank governors, a Bank source indicated.

On the JSE, the overall index fell 1,6 percent, or 57 points, to 3532 and the gold index fell by 3,4 percent, or 43 points, to 1221.



Graphic: LEE EMERTON Source: I-NET

Markets reeling as finrand falls (74)

TIM MARSLAND and MERVYN HARRIS

LOCAL markets reeled yesterday in reaction to SACP general secretary Chris Hani's death. *BOM 14/4/93*

The financial rand, which reflects foreign sentiment towards SA, shed 5% or 13c to R4,7750 on sporadic offshore selling and speculative activities by local banks. The capital market was the hardest hit, with key medium-dated bonds weakening up to 50 points — one of the sharpest moves in months.

The finrand initially fell to R4,70 before recovering to R4,66. At that point, a German-based sell order kicked in to knock the unit back past the R4,70 level. It hovered around R4,72 in the afternoon before dropping to R4,77 in the 10 minutes before the close as some local speculators, who had bought finrands in excess of their overnight limits, were forced to sell off their positions to offshore players.

A dealer said the finrand fell on relatively thin volume, which could be ascribed to locals marking the unit lower rather than actual selling. He said locals tended to overreact when faced with unfavourable political events, which resulted in the unit falling further than it ought to have.

JOHN CAVILL reports from London that UK stockbrokers Credit Lyonnais Laing said: "There has been no wholesale exit by foreign investors. And, in a sense, it has been surprising that SA had got this far since 1990 without something like the Hani murder happening."

Capital market dealers reported heavy

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From Page 1

Finrand BOM 14/4/93

local selling and "some foreign selling", which saw bonds trade at their weakest level since January.

The key Eskom long-dated bond last yielded 15,160% from Thursday's 14,840% close — a loss of R15 255 on a R1m bond. However, the stock fared better than the similar-dated government bond, the R150, which ended at par with the E168 after closing at 14,780% previously.

Medium-dated bonds took the brunt of the selling, also under pressure from the sharp fall in SA's reserves. Transnet's T007 closed at 14,650% from 14,170% while Telkom's TK05 ended at 14,655% from 14,180%. The biggest loser was the Land Bank's LB00 which shed more than 48 points to 15,055%.

Dealers said the market was focusing on

today's stayaway. If that proved to be violent, the market would plunge further. The finrand helped support prices on the JSE and dealers said the market held up well "under the circumstances" with the overall index dropping 69 points to 3 530.

Dealers said the assassination could be the catalyst for the sharper fall of gold shares which were seen to be overpriced. A London stockbroker said: "Buying interest has fallen away and there has been some profit-taking by people who bought into golds and De Beers."

Reserve Bank support for the commercial rand saw the unit closing stronger at R3,1603 to the dollar from R3,1790. Bank foreign exchange GM James Cross said the Bank's activity was "not exceptional" given the rand's current value.

Finrand, shares battered by news of Hani slaying

Star 14/4/93

74

By Neil Behrmann

LONDON — SA securities slumped on international and local markets yesterday in response to the latest bout of turbulence in the wake of the assassination of SACP general-secretary Chris Hani.

Hardest hit by investor uncertainty was the financial rand, the investment currency, whose value fell by almost five percent.

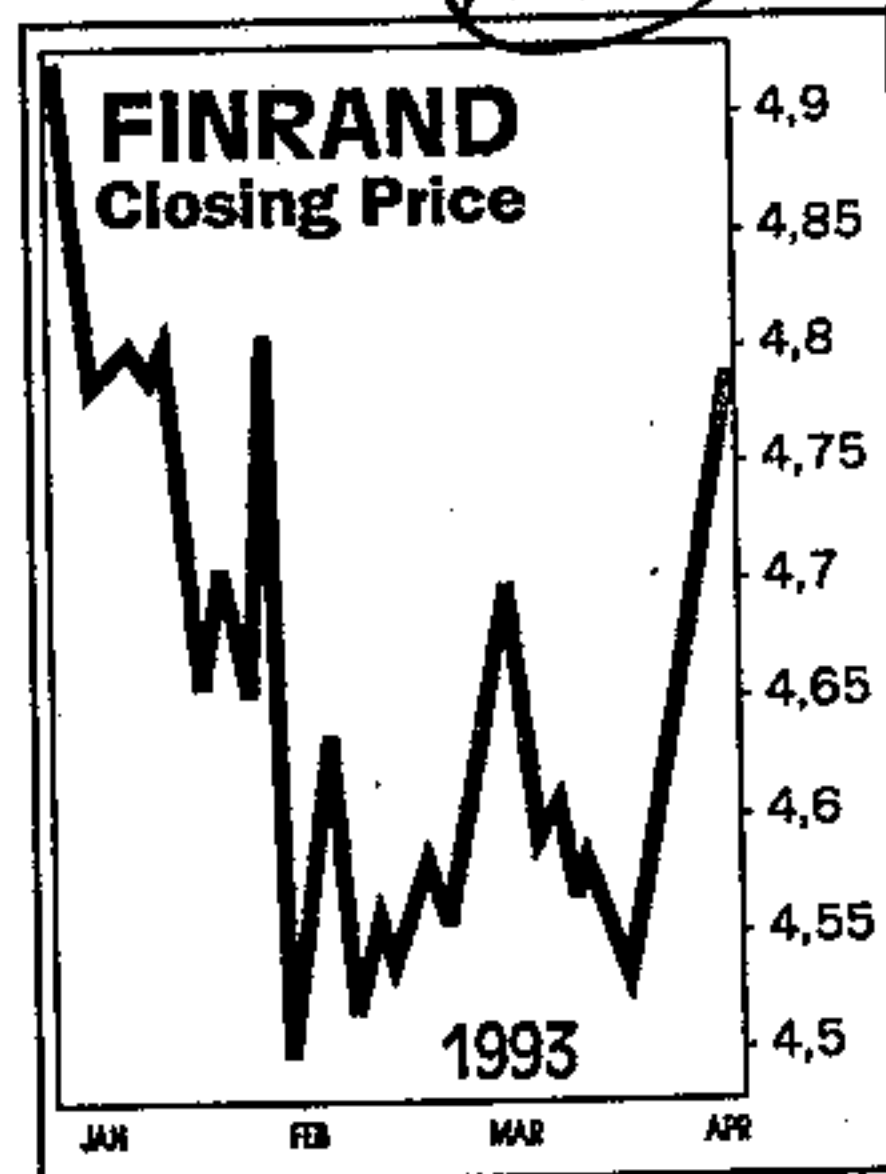
The lower finrand, however, helped to limit losses on the JSE, where the overall index fell by 1,6 percent, or 57 points, to 3532 and the gold index by 3,4 percent, or 43 points, to 1221.

The slump is a warning that there will be a flight of international capital unless political parties move swiftly towards an interim government.

In London, compared with last Thursday's close, gold shares crashed by an average of 10 percent, with Anglo American down to \$23 from \$25,50, diamond giant De Beers to \$15,75 from \$17 and Vaal Reefs to \$47 from \$50.

The financial rand tumbled 4,6 percent to R4,78 from Thursday's R4,56 close in volatile trading, reflecting international concern about possible strife in coming days.

As a result, the discount to the commercial rand widened to 34



from under 30 percent.

Several dealers said the collapse in the finrand and securities prices was not accompanied by a wave of selling.

Instead, the market was thin and nervous, and largely reflected cautionary moves by professional dealers marking down prices.

Bond prices also weakened and the yield on long Eskom bonds jumped to 22,7 from 21 percent.

Since SA securities are bought through the finrand, their prices partly reflected the slide of the currency.

British, German and Swiss holders took an even worse beating because the dollar, and hence the rand, weakened against their currencies.

During the morning, it appeared that the market was fairly sanguine about SA's political situation.

At one stage, the finrand had fallen by less than two percent and gold share prices were down by only two percent.

Yet it appears that players were fearful of selling from New York after large-scale purchases of gold shares in the past few months.

The gold share market had become overbought and between November and last week, the Financial Times gold share index had doubled. So shares were due for a correction.

The weakening bullion price did not help.

Dealers fear that the finrand will be tested in coming days.

International investors are nervous about today's day of mourning.

If there is insignificant violence, the finrand and SA securities are expected to strengthen.

Indeed, if the financial rand and SA securities strengthen abroad, it would be an indication that international investors are prepared to wager their money on political settlement.

"Institutions were impressed with the statements by De Klerk, Mandela and other political leaders who emphasised that peaceful negotiations should not be disturbed," said a London dealer.

Spinoff for US from aid to SA

B/DAM

15/4/93

M4

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SIMON BARBER

WASHINGTON — The Clinton administration wants to help fund the planning costs of SA capital projects to promote domestic investment by SA companies — and win contracts for US ones.

The first SA firm to benefit from the scheme is AECI, which has received a R1.5m grant for the planning phase of a major biotechnology plant to produce penicillin for both local and regional markets.

The grant will be used to hire a US engineering firm to design the facility and will cover more than half AECI's projected preparation costs.

The US Agency for International Development (USAID) has placed a notice in the commerce department's Business Daily, the bulletin board for US government contracts, on AECI's behalf.

Bidders have until mid-May to submit proposals to Dr P J Gubb, GM of AECI's biotechnology unit in Modderfontein.

According to the notice, the new facility will produce 650 tons of basic penicillins a year using local sugar and grain as feedstocks, and 600 tons of related products.

The grant, the first of its kind to an SA entity, is being provided by USAID's Trade and Development

Agency (TDA). It represents 10% of TDA's total budget for Africa this year.

AECI has agreed that at least 80% of the proceeds will flow to a US contractor, with the remainder restricted to South Africans.

TDA regional director for Africa and the Middle East John Richter said his agency's mandate was to provide technical assistance for development in "low income" countries and to help position US firms to compete for business "in the procurement stage".

The AECI grant met both those objectives, he said, and would ideally lead to the successful bidder for the design phase receiving the engineering contract as well.

The grant had "enthusiastic support" from US ambassador Princeton Lyman who saw it sending a strong signal that "SA companies should be investing in the SA economy for the future", Richter said.

Further grants in other sectors are being evaluated.

SA became eligible for TDA assistance last year when then secretary of state James Baker declared it a "friendly" country.

No respite for share market and finrand

Star 15/4/93

(74)

By Stephen Cranston

The share market and the financial rand took a further battering yesterday, with the overall index falling 32 points to 3498, bringing the fall since the Easter weekend to 89 points.

The financial rand exchange rate to the dollar slipped from R4,76 to R4,84 — down from R4,56 at yesterday's opening.

However, precious metal prices were lifted by the political turmoil following the Chris Hani assassination.

The financial rand was reacting to continued overseas sales of South African securities.

Gold shares in London showed losses of up to \$2 as buyers abandoned the market amid growing worries about SA's stability after a day of political violence, dealers said.

"Fear of the unknown has sent

the rand into a spin and its stocks that are taking the strain," a dealer said.

"It's the violence that outside investors fear," he said. "It's blood, blood and yet more blood that is causing concern."

Vaal Reefs was down \$2 at \$45,50, Driefontein lost 57c to \$7,83 and Kloof shed 40c at \$7,25.

De Beers fell 60c to \$15,10.

Ivor Jones, Roy's Doug Brooking said that Hani's assassination had removed buyers from the market who were reluctant to put in their buy orders in case another major incident caused a markdown in share values.

Sentiment was not helped by Tuesday's announcement that foreign reserves had plunged by R800 million to R7,48 billion.

Brooking said that an increase in interest rates would be psychologically devastating, which meant that the Reserve Bank had no choice but to let the rand slide.

Local institutions are not react-

ing as strongly as their overseas counterparts, but have nonetheless stopped buying equities for the time being.

Sanlam's investment chief Ronnie Masson said it would not be too wise to resume active buying until the current crisis had been sorted out.

"The market is indicating that there is much more uncertainty about the prospects for negotiations. And if current events do get out of hand, it could still have a very negative effect on the market."

But broker Martin & Co's Richard Stuart said Hani's assassination would make politicians realise that something had to happen quickly.

Nevertheless, the market was troubled by the heated emotions caused by the assassination. The duration of the crisis would be crucial, he said, as the longer it took, the more out of control the reaction would be.

A glimmer of hope is in the gold price, which had fallen from pre-weekend levels of \$338 to \$336, but rose above the \$339 level in New York last night.

The news came too late to help the gold index which fell 51 points to 1167 to lose 84 points in two days.

The weakness in the financial rand was beneficial to rand hedges, with Richemont adding 100c to R38,15, Minorco up 200c to R68, Charter Consolidated adding 250c to R46 and Lonrho strengthening 20c to 620c.

Rand hedges have contained the slide in the industrial index to 29 points. Industrial counters are less vulnerable to foreign selling, and most investors are holding on to their blue chips for the long haul.

There were enough sellers in the market, however, to push SA Breweries down 125c to R56,50 and push Barlows down 25c to R41,50.

INTEREST RATES

FM 16/4/93





Upward pressure: the price of violence

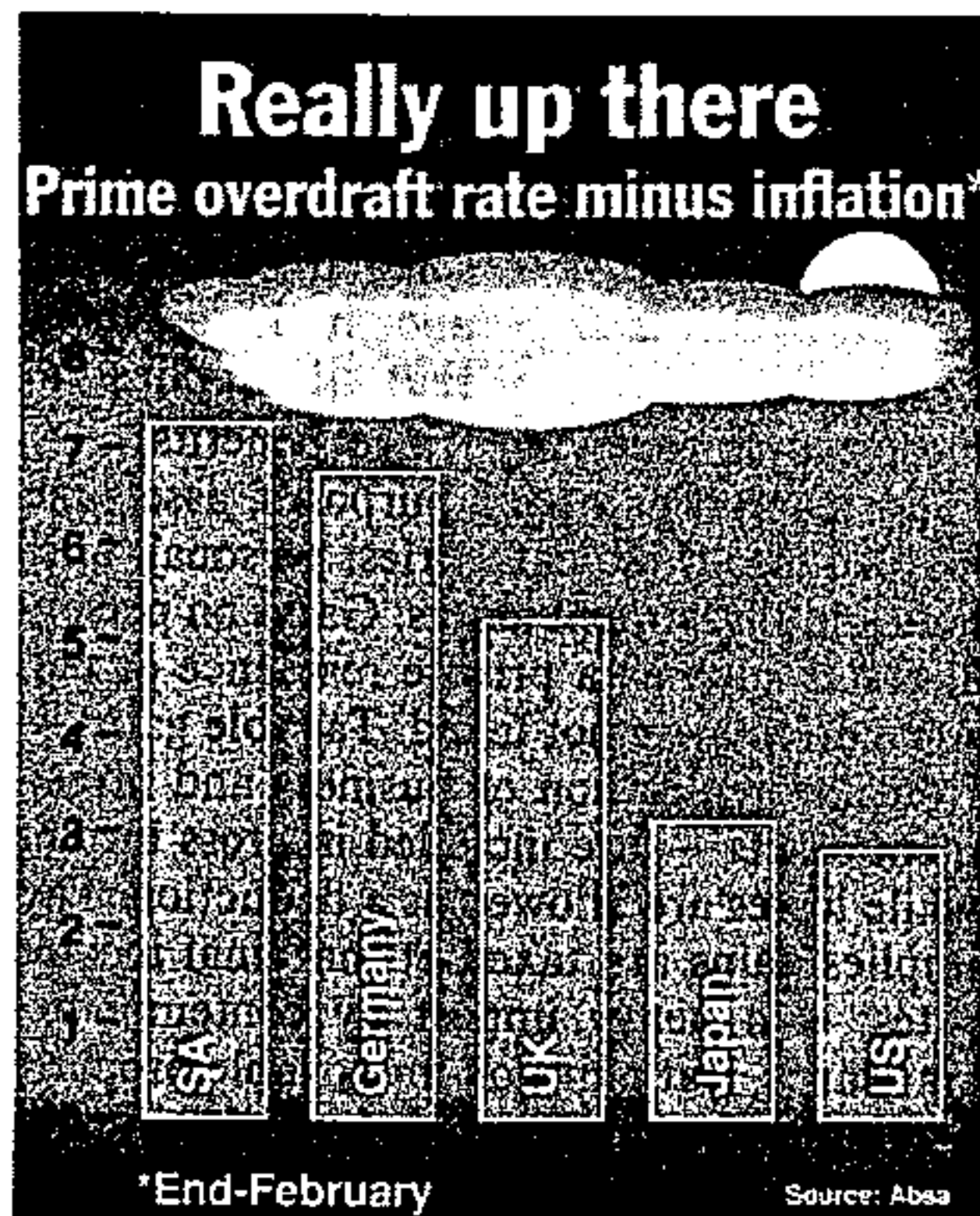
The bullet which ended Chris Hani's life last Saturday and the turbulent days which followed, could see a premature reversal in the interest rate cycle.

The depletion of foreign reserves, which helped create a record money market shortage last week (see box) is a measure of the damage already inflicted by political events. After the massacre at Boipatong in June last year and the breakdown of Codesa, the premium which SA borrowers pay on foreign funds rose from about 1,5 percentage points to three percentage points. Not even the resumption of negotiations and the more realistic approach of the participants had eroded this margin of safety required by foreign lenders (*Economy* April 9).

Unable to afford the prohibitive cost of servicing foreign debt, domestic borrowers reduced their foreign liabilities over the past eight months, creating net outflows of foreign reserves.

The Reserve Bank's official gross gold and foreign exchange reserves fell by R818,5m to R7,5bn (US\$2,4bn) in March — the fifth successive monthly decline, considerably down from the peak of R11,5bn (US\$4,2bn) in August. This was despite the R2,1bn, in short-term finance, raised by the Bank abroad. The end-March level covers only one month's worth of imports, compared with the three months the Bank sees as desirable.

Expectations are that the surplus on the current account of the balance of payments



will improve later this year when drought-related imports are no longer reflected in the bill. A projected current account surplus of R5bn-R5,5bn should offset the capital outflows. But, even if this improvement materialises, SA cannot continue to finance capital outflows and achieve meaningful growth. In such circumstances, it is doubtful whether the shrinkage which has been taking place in the economy in the past three years can be halted.

Unless confidence is restored and net outflows reversed, the import bill will have to be slashed. And borrowers will have to be persuaded to seek funds abroad at domestic rates, which are higher than the combined cost of offshore interest charges and forward cover. Which means a rise in interest rates.

This tightening of monetary policy will further suppress demand for credit and, therefore, for goods and services — after four consecutive years of declining gross domestic expenditure.

Ironically, the latest threat to interest rates comes when:

- The official inflation rate has been in single digits for three months;
- Twelve-month growth in the broad money aggregate M3 fell to 5,4% in February, following 5,3% in January — below the Bank's target range for growth for the current guideline year of 6%-9%; and
- Credit extension remains weak, with 12-month growth in claims on the domestic private sector below 9% in January.

And it comes when the gap between the prime lending rate and the inflation rate is seven percentage points. This makes real rates in SA higher even than rates in Germany (see graph), whose central bank is renowned for monetary discipline and who

has been holding out against pressure from its EC partners to reduce what they see as unreasonably high interest rates.

Fortunately, there should be a hiatus in repayments of foreign debt by government and semi-State organisations as well as payments under the debt standstill until August.

Clearly, the events of this week — and foreign perceptions of the way in which the key players respond to these events — will be critical. ■

TAXATION

FM 16/4/93

New order

Lesotho tax rates will be reduced, the base widened and new concepts including a tax on capital gains (at income tax rates) and fringe benefits introduced. The Income Tax Order 1993, prepared with IMF help, took effect on April 1.

The changes will affect expatriates working in Lesotho — for example on the Lesotho Highlands Water Project — but the approach to a capital gains tax is too radical to offer guidance to SA policymakers. Lesotho Commissioner of Income Tax adviser Kieran Holmes says the Order is the culmination of several years' work in reform, started in 1990 with a tax on parastatals and a reduction in the number of exemptions. All personal rebates, apart from a single abatement for

REGULATION

FM 16/4/93

The most controversial of recommendations submitted by Judge David Melamet to Deputy Finance Minister Theo Alant last week is the merging of the Companies Act with other legislation relating to financial services.

This is an attempt to regulate the issue of debentures by companies, following the collapse of Masterbond whose unscrupulous fund-raising schemes fell outside the ambit of legislation.

However, while the banking and insurance sectors fit comfortably within one comprehensive piece of legislation, the inclusion of companies in the same framework raises the question of whether it is desirable to attempt to supervise the operations of companies. Fund-raising forms only a fraction of their activities.

Copies of the report are available from the Financial Services Board. Comment is invited.

MONEY MARKET

The average daily level of accommodation at the discount window rose from a low of R1bn in April last year to R4,1bn in October. On Wednesday last week it soared over R5,5bn, on Thursday it hit R5,8bn and on Saturday dropped marginally to R5,7bn. These figures were the highest since the R5,5bn shortage in January 1990.

But both figures are lower, in real terms, than the R2,8bn shortage recorded in July 1984 (a year when gross domestic expenditure rose more than 7%). According to the Reserve Bank, this would have equalled a shortage of over R6bn at January 1990 levels.

Last week, liquidity was drained by government funding at the start of the fiscal year, as it was by drawings of notes and coins during the Easter holidays, coming on top of continuing capital outflows.

Bank promoting foreign credit use

THE Reserve Bank had cut the cost of forward cover in an effort to encourage foreign borrowing, market sources said yesterday.

The Bank declined to comment, confirming dealers' belief it was playing its cards close to its chest in the spot and forward commercial rand markets. However, they said the Bank's pricing of forward cover in recent days suggested strongly the Bank wanted to encourage major corporations to use foreign credit lines rather than domestic credit.

The move is widely seen as motivated by an urgent need for new dollar inflows to shore up ailing foreign exchange reserves. SA's net reserves fell to a two-year low at the end of last month and have been on a declining trend since the end of August.

The cost of forward cover, if it was entirely market-determined, would be based on the differential between SA interest rates and the Eurodollar rate. But the Bank is able to manipulate the price by playing around with the interest rate differential. While in

the past two years it gradually reduced its intervention to 0,65 percentage points, the present margin is about 1,25 percentage points.

Bankers said the fall in SA interest rates had encouraged local companies to switch from foreign to domestic finance for short-term trade-related borrowing. There were already signs that the Bank's move would spur a fresh inflow of short-term dollars.

There was also speculation that the Bank was using the forward cover market to access dollars to support the rand. There has been active intervention in the spot market in the past two weeks.

Dealers said less market-related forward cover rates could result in losses for the Bank. The dollar bull run had already triggered losses of more than R1bn, with last week's Bank balance sheet indicating losses of R100m in March alone.

74

1401

GRETA STEYN

FOREX TURNOVER (74)

Currency survey FM 16/4/93

Global net turnover on the world's foreign exchange markets averaged US\$880bn a day in April 1992, according to a survey of 26 central banks by the Bank for International Settlements. A survey of 21 countries, in 1989, showed net average daily turnover in April amounted to \$640bn.

The latest report shows that more than a quarter of currency traded in 1992 was out of London, where more US dollars and D-

* cont'd

ECONOMY & FINANCE

FM 16/4/93 (74)

marks were traded than in either the US or Germany. And domestic currency transactions account for less than a quarter of total trading in London.

The dollar remained the most widely traded currency in the world, accounting for seven out of 10 reported transactions while the D-mark was involved in 38%.

"The evidence strongly suggests that (the D-mark's) importance rose sharply between 1989 and 1992 at the expense of the dollar," according to the report.

SA participated in the 1992 survey, though not in the previous one — net turnover is estimated at \$3,5 bn. This differs from the \$2,9bn recorded by the Reserve Bank *Quarterly Bulletin*, for April 1992, because of differences in coverage and definition.

According to the Bank for International Settlements, individual country figures provide a slice-of-time view of spot, forward and derivative instrument transactions concluded in one month. The country reports reveal considerable overlap among markets; so ad-

justments are made to data to arrive at a global picture of the exchange market.

It adds that volume and composition of business can fluctuate in response to macro-economic developments, exogenous shocks and shifts in market sentiment. So "the results for any month indicate only the scope and structure of foreign exchange market activity."

In March 1986, similar surveys were conducted by the central banks of the UK, the US, Japan and Canada. ■

PTA Bank team on 'exploratory' visit

BIDM 19/14/93 SHARON WOOD (74)

RELATIONS between the Preferential Trade Agreement countries and SA thawed further last week when PTA Bank president Martin Ogang and a three-person delegation concluded their first visit to SA on Friday after years of no contact.

The aim of the "exploratory visit", organised by the Development Bank of Southern Africa, was to exchange views on socio-economic development with SA's key economic players and to explore areas of co-operation for economic development.

The delegation met representatives of Safto, Sacob, Credit Guarantee Insurance Corporation, the Institute of Bankers of SA, Standard bank and the JSE.

Discussions were held with the Development Bank about potential co-operation between the two banks.

The PTA Bank is primarily involved in funding private sector projects in eastern and southern African countries.

Ogang said he was hopeful and sure that there were areas in which the two could co-operate. The banks had agreed to exchange corporate strategy documents later this year and aimed to reach a co-operation agreement as soon as possible.

Co-operation could take several forms, he added, including co-financing and joint ventures of projects in the eastern and southern African region.

Ogang said tariff and non-tariff barriers throughout the region were the largest obstacles to trade and investment between SA and PTA countries.

MONEY MARKETS by Tim Marsland

SA markets must stop crying 'Wolf!'

6/10/93 19/4/93
A WELL-known fable tells of a young shepherd boy who entertained himself by crying "Wolf!" to frighten the nearby villages. One day there really was a wolf and the villagers ignored the boy's cries for help. The wolf feasted well that day.

And so it is with the SA markets. (74)

The irresponsible moves of the past week are a case in point.

Chief culprit is the finrand. TV reports on Wednesday night (the day of the stayaway) said foreign selling caused the finrand to plummet. How could this have been since the unit actually rose 10c against the dollar when the worst pictures of the day's looting were being flashed across the world's TV screens?

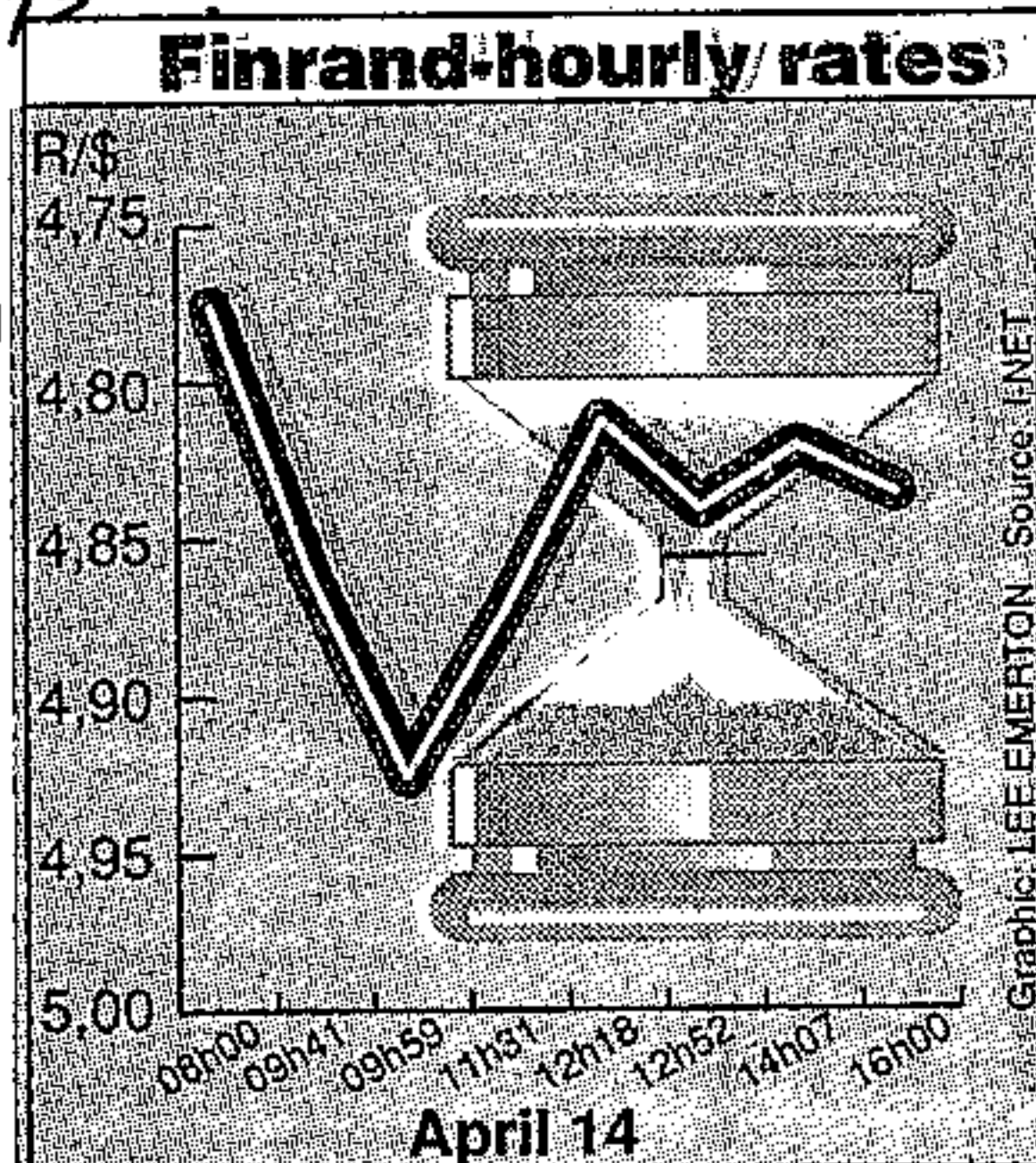
The finrand was rising, as shown in the graph, around midmorning, when Europe opened for business. Had Europe been a seller, the finrand would have continued falling.

So blame for the wild fluctuations must lie with some of the local banks, who can — and do — trade the unit as though it were any other commodity, and who took it upon themselves to decide for foreigners that the unit should crash in reaction to the political turbulence.

Most local currency dealers admit there was little foreign selling this week. In New York on Monday night a few finrands were on offer but there were no takers.

How fickle the local market must appear to foreigners.

This fickleness, more than any other reason, is to blame for the unwillingness of



foreigners to invest locally. Why would they want to invest here when they run the risk of having their investments devalued sharply within hours of having made it?

Until the finrand and capital market take on a more professional hue, some SA markets will retain their pariah status (with the notable exception of the equity market).

What is needed is for the Bank to look again at its finrand monster. Since it cannot scrap it, perhaps it should consider installing a mechanism to prevent such large movements on very thin volume.

Perhaps a more stable finrand will be a sufficient buffer to prevent the capital market from following the finrand's example in future.

Business community

Star 20/4/93

welcomes relative calm

By Derek Tommey

Bankers, businessmen and senior public servants will have breathed a sigh of relief over the limited violence accompanying the funeral of SACP leader Chris Hani yesterday.

SA is facing a major balance of payments crisis that is threatening to dash any hope of an improvement in living standards.

A resumption of violence on any major scale yesterday would have frightened away foreigners yet again, intensifying the crisis and forcing the authorities to take measures that could further depress the economy.

It is clear that the ANC hierarchy made tremendous efforts to ensure the affair passed off as peacefully as possible.

The crisis and the effect it is having on the economy were highlighted by the Governor of the Reserve Bank, Dr Chris Stals, at the weekend.

He was extremely concerned

about the balance of payments situation, he said, adding that net gold and foreign exchange reserves had been cut by a third over the past nine months.

He warned: "People should expect the economy to be depressed when there is a deficit on the overall balance of payments and only limited access to foreign finance."

He said the solution lay in a sustained and dynamic export drive and serious efforts to make SA attractive to foreign investors.

The crisis is the result of export earnings showing little growth because of the worldwide recession and the heavy net outflow of capital caused by SA having to repay foreign debts while, for political reasons, being unable to borrow more long-term funds abroad.

Last year there was a net capital outflow of R6,5 billion after net outflows of R6 billion in 1991, R2,9 billion in 1990 and R4,3 billion in 1989.

There has also been a heavy

capital outflow this year following the repayment of a substantial portion of the R4,8 billion now falling due.

With export earnings flagging, this has put pressure on foreign exchange holdings, which have dropped significantly, despite the Reserve Bank borrowing short-term funds overseas.

This outflow of funds, together with central bank borrowing, has led to a tightening in the money supply.

And with the Reserve Bank refusing to offset this tightness by creating more money, it has led to higher interest rates.

In the past three weeks, the Eskom long-term rate has risen from 14,8 percent to 15,31 percent. The three months' bankers' acceptance was slow to respond until yesterday to the changed money conditions when it jumped from 11,95 percent to 12,25 percent.

Inevitably, the firming of interest rates has led to speculation of a rise in the commercial banks' lending rates.

But Dr Stals has said this is unnecessary in view of the already wide margins between the cost of borrowing money and their lending rates.

Nonetheless, these developments must cause some uncertainty among borrowers.

It is clear SA must greatly increase its foreign earnings.

With the economies of two of its major customers, the US and Japan, expected to show some growth this year, an increase in export income could occur towards the end of the year.

A further and substantial rise in the gold price would also be extremely useful, as would a period of peace leading to a revival in the tourist industry.

However, this will take time and it is a moot point whether enough extra foreign income will be generated to solve the balance of payments crisis this year.

Therefore more attention must be paid to creating conditions which persuade foreigners that SA has a bright future.

Trade and the environment

BIDAY 2014/93

MARIANNE MERTEN

WORLD trade has accelerated environmental degradation through unsustainable economic activity in recent years, but the free market can also create environmentally aware trade relations, says author Hilary French.

French, in her book *Costly Trade-Offs*, says the aims of environmental protection and international trade are not incompatible.

She says that, for example, the EC had passed "hundreds of common minimum environmental standards" to regulate trade.

The book lists several short-term clashes between environmental protection and free trade promotion, such as when Iceland's fish stocks were depleted through overfishing because the country relied on its fish exports to earn foreign currency.

If environmental production costs such as energy use, resource depletion and waste generation are included in the production price, developing countries will be able to protect their natural resources more effectively and establish sustainable economic development, French says.

A major benefit of the increasing international trade is the move towards tightening and standardising environmental laws through such agencies as GATT and the EC.

World trade in 1991 totalled \$3.5-trillion, an eleven-fold increase since 1950. Trade in services and foreign direct investment is also growing.

Star 2114/93

Chinese traders facing uphill battle

By Derek Tommey

Chinese businessmen at the China Trade Exhibition now taking place at the World Trade Centre at Kempton Park are finding that it is going to be much harder than they expected to sell their goods to South Africans.

Not that there is anything wrong with their products or prices, which are among the lowest in the world.

The difficulty they have to face is that South African import tariffs on the goods they want to sell are among the highest in the world.

"In most markets our pro-

ducts are highly competitive," says Lin Ning, deputy head of the exhibition delegation.

"But here in South Africa we might lose our competitiveness owing to your high tariffs," he says.

This is the first time that mainland China - the People's Republic of China - has held a trade exhibition in SA and reflects the thaw in relations between the two countries. But it means that this is a completely new market for the Chinese.

Lin says the current show is aimed at testing the market and so they had brought along a large number of consumer products.

Star 2114193

Finrand rebounds but foreigners still wary

By Neil Behrmann

LONDON — The financial rand rebounded sharply yesterday as foreign investors flooded back into local equity and capital markets after the relatively peaceful funeral of SACP leader Chris Hani.

After hitting a six-month low of R5 to the US dollar on Monday, the finrand recovered almost 40c yesterday to close at R4.59.

Despite the sharp recovery, international investors remain wary ahead of the ANC's six-week mass action campaign.

The currency is still trading at a discount of 33 percent to the commercial rand, compared with a discount of 30 percent before Chris Hani's murder.

"Despite relative calm at Hani's funeral, the market is bracing for further violence," said a London trader.

"Fortunately the market's assessment has proved initially too pessimistic.

"However, provided there is no major violence over the next few weeks, the finrand and SA securities should recover sharply," he

said.

Both the equity and the capital market reported firm but volatile gains as foreign investors returned to the market, attracted by the initially low level of the finrand.

The JSE overall index rose by about 0.8 percent, while rates on long-term stocks on the capital market fell steadily — the Eskom 168 closed at 15.125 percent, compared with an overnight 15.3 percent, while the Government's R150 closed 20 percentage points lower at 15.08 percent.

Dealers stressed that to a large degree the volatility of the finrand could be attributed to the thin market.

The finrand accounts for about five percent of commercial rand volumes, which are only \$3.4 billion a day. So any sizeable seller finds that the currency cannot be sold without dealers cutting the rate sharply.

London brokers report that there was fairly sizeable selling of SA securities by foreigners last week.

Long-term Eskom stock is now yielding 23.5 percent for foreigners, compared with 21 percent ten

days ago. Capital losses were 11 percent in dollar terms, an enormous loss in bond market terms.

Nevertheless, history shows that investors who are prepared to buy into the SA market in times of deep uncertainty have made huge profits.

James Capel rates the chances of total anarchy and destabilisation at about 20 percent.

"That risk is still there, but the odds seem overwhelmingly in favour of the likelihood that this will prove one of those unfortunate periods when South Africans had to be dragged on their reluctant path towards power-sharing.

"None of the parties like power-sharing but, one by one, they are realising that it is the best compromise," says Jon Bergtheil of James Capel.

"Nobody would deny that there is a relatively high risk inherent in South Africa," says Bergtheil. "Yet the rewards on offer are particularly high at this point."

After deducting inflation, real yields for foreigners are now 14.5 percent. These high real yields were seen at previous crisis levels, says Bergtheil.

This compares with real yields of between 2.5 to four percent for prime international bonds.

For local investors, real yields have climbed to six percent, a level that has proved to be good value in the past.

Higher VAT, however, will raise inflation slightly, but in the present depressed economic climate, local prices should remain subdued.

The latest bout of uncertainty has dampened the enthusiasm of foreign gold share bulls. Confidence was beginning to improve ahead of the Easter weekend, particularly since negotiations on an interim government were in progress.

Short-term flows in and out of gold shares and other securities will continue, but it is direct investment that SA needs so desperately.

The volatility of the finrand is a warning signal that continuing violence will scuttle the prospects of medium- and long-term foreign inflows.

International investors hate uncertainty and the global recession makes them all the more cautious of investing in risky areas.

74

Active buying by UK bank

Finrand up as markets bounce back

BIDAM 21/4/93

TIM MARSLAND and
MERVYN HARRIS

FINANCIAL and equity markets stormed back yesterday, reassured by the relative calm after SACP general secretary Chris Hani's funeral.

Renewed confidence saw active UK and US buying of the financial rand, which appreciated a hefty 8,5% against the dollar to return to levels before Hani's assassination. The unit ended at R4,66 against the dollar from Monday's R4,9650 close.

Dealers said the Reserve Bank had been active in the market, sparking off the rally in the morning and smoothing out the afternoon's activity.

They said a key factor in the market was active buying by a UK bank. The bank sold large amounts of finrands on Monday, fearing a bloodbath during Hani's funeral.

US banks had also been buyers in the market, which dealers believed was linked to purchases of gold shares on the JSE.

A US dealer was reported to have told local banks the US was optimistic about SA's future.

The offshore interest was highlighted by the continued strength at the close.

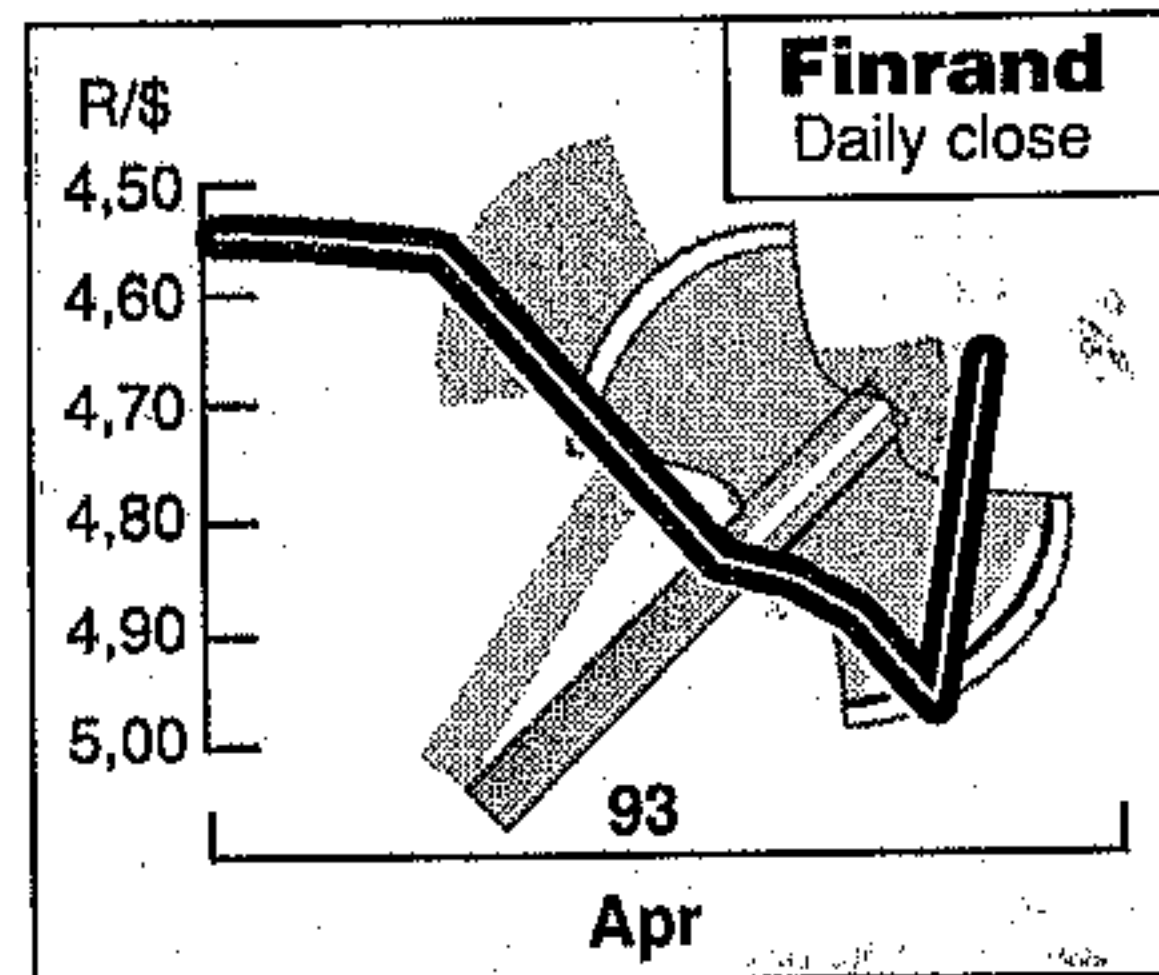
Foreign and domestic investors returned in force to lift share prices sharply. The all gold index rose 36 points to 1 244 and the industrial index gained 21 points to 4 354. The overall index was up 26 points to

3 582 as profit-taking pared early gains.

Dealers said the market was buoyed by gold's rise to a six-month high but optimism was tempered by caution as the ANC prepared for mass action.

The capital market found early gains difficult to sustain in the afternoon after an ANC briefing on planned mass action.

The Eskom 168 bond ended 15 points up at 15,130% while government's R150 made the same gain to 15,130%. Transnet's T007 gained 19 points to 14,730% while Telkom's TK05 picked up 15 points to 14,740%.



Graphic: LEE EMERSON Source: I-NET

these transgressions; if not, why not; if so, what, in each case, was the (a) name of the (i) person and (ii) organization, (b) amount involved; (c) penalty imposed and (d) cost to the State of prosecuting the prosecution;

(3) whether any amounts have been recovered in this regard; if so, what amounts;

(4) what is the total amount involved in

prosecutions involving transgressions of foreign exchange regulations in each of the three years referred to above? B1E

The MINISTER OF JUSTICE:

	1990	1991	1992
(1) (a)	Yes. 4	Yes. 7	Yes. 5
(b)	Yes. 1	No	No

(2) Yes, only persons and/or organizations from the private sector are involved and the information is as follows:

(a) Name (persons and/or organizations)	(b) Amount involved	(c) Penalty imposed
1990		
J Gebhard.....	Actual loss R2 million Potential loss R4 million	3 years' imprisonment of which half was suspended. Acquitted
R Moringet, U Feitich, Allied (1991) Ltd.....	R5.5 million	3 years' imprisonment.
L G Porter.....	R5 million	3 years' imprisonment.
1991		
M Harris.....	R17 million	7 years' imprisonment. Trial still in progress.
EIDutton.....	R165 million	Trial still in progress.
A L Coetzee, H S Coetzee, Ple R de Bruin, J Marais.....	R35 million	Trial still in progress.
W A Vermaak.....	R72 million	Trial still in progress.
1992		
M Joannou, M C Kelly.....	R11 million	5 years' imprisonment which was set aside on appeal. A new sentence has not yet been imposed.
M A Jaquesson.....	R103 million	7 years' imprisonment. Trial still in progress.
N Griesel, A E Pranke.....	± R80 million loss in respect of R134 million in total involved	

(d) The required information is not readily available.

(3) R17 million has been recovered in respect of the State v M Harris, R11 million in respect of the State v M Joannou and M C Kelly and R15 million in respect of the State v W A Vermaak.

(4) The required information is not readily available.

2. Mr J J WALSH asked the Minister of Justice:

(1) Whether any cases of alleged transgressions of foreign exchange regulations involving more than R1 million each are being investigated at present; if so, (a) how many, (b) in respect of each such

Forex regulations: investigations

case, (i) what is the amount involved and (ii) (aa) who is leading, and (bb) what is the duration of, the investigation and (c) what costs had been incurred by the State in this regard up to the latest specified date for which information is available;

The MINISTER OF JUSTICE:

(1) Yes.

(a) 18 Cases.

(i) Amount involved	(ii) (aa) Who is leading the investigation	(bb) Duration of investigation
R1,7 million	Commercial Crime Unit of the SA Police	3 years
R1,6 million	"	3 years
R6,25 million	"	18 months
R40 million	"	18 months
R20 million	"	18 months
R32 million	"	2 years 4 months
R5 million	"	1 year 5 months
R179 million	"	1 year 5 months
R2,278 million	"	8 months
R8,5 million	"	1 month
R6 million	"	± 3 years
± R350 million	OSEO*	1 year
± R600 million	OSEO	10 months
± R56 million	OSEO	5 months
± R60 million	OSEO	10 months
± R17 million	OSEO	2 months
± R400 million	OSEO	2 months
± R15 million	OSEO	2 months

* Office for Serious Economic Offences.

(c) The required information is not readily available.

(2) (a) and (b) The required information is not readily available.

Legally qualified persons employed

141. Mr D J DALLING asked the Minister of Justice:

(a) How many persons with legal qualifications were employed by his Department in professional capacities in the Republic, excluding the self-governing territories, (b) how many such persons were (i) White, (ii) Black, (iii) Coloured and (iv) Indian, and (c) (i) in which positions and (ii) where were these persons employed, as at 31 December 1992? B122E

The MINISTER OF JUSTICE:

(a)	(i) 3 110
(b)	(i) 2 815
	(ii) 96
	(iii) 113
	(iv) 86
(c)	(i) (aa) State prosecutor 84
	Magistrate 9
	Legal administration officer 1
	Registrar 2
	(bb) State Prosecutor 96
	Magistrate 12
	State Advocate 2
	Estate Controller 1
	Candidate State Attorney 1
	State Law Adviser 1

drought was largely responsible for the lower surplus on the current account because this led to an increase in imports and a drop in the exports of agricultural products. In turn, leads and lags in foreign payments and receipts contributed to the larger capital outflow. These speculative capital movements were generally related to the appreciation of the USA dollar on international markets and the availability of funds on the domestic market. There were also certain repayments of maturing long term debt while no new loans were negotiated in this period.

(2) No.

*5. Mr J CHILÉ asked the Minister of Finance:†

What was the total net (a) long-term and (b) short-term capital outflow out of the Republic since 1 January 1990 up to the latest specified date for which figures are available? B590E

The MINISTER OF FINANCE:†

- (a) The total outflow of long-term capital amounted to R6,2 billion during the three calendar years 1990 to 1992.
- (b) The total outflow of short-term capital (including unrecorded transactions on the current as well as the capital account) amounted to R9,3 billion in the corresponding period.

Diepkloof Prison: grievances/demands of employees

*6. Mr D J DALLING asked the Minister of Correctional Services:

- (1) Whether the authorities at Diepkloof Prison were recently handed a memorandum setting out various grievances and containing certain demands by members of the South African Police and a certain civil rights union, the name of which has been furnished to the Minister's Department for the purpose of his reply; if so, (a) when, (b) what specific and/or general (i) grievances were set out, and (ii) demands were contained, in this memorandum

each supposed grievance. In general all managers are continually sensitized to give a hearing to, attend to and resolve the grievances of their members within reasonable limits.

With regard to the demands made in the memorandum it should be mentioned that some time ago the Department of Correctional Services took the initiative to evaluate its labour relation arrangements with a view to possible future adaptations to the present systems.

In the normal course of events Departmental policy makes provision for members to have access on a well-ordered basis via the command structure to the highest level—even to the Minister.

Furthermore, all members of the department have unrestricted access to the Ombudsman.

I would like to reconfirm the invitation which was extended on 18 February 1993 and request that it be utilized. After such a discussion the Deputy Commissioner concerned will give me a full report whereafter further action will be considered.

POPCRU

Police and Prison Civil Right Union
Polisie en Gevangenis Burgerregte Vereniging
(Established in Nov. 1989)

1st Floor, Office 7 P.O. Box 260100
Darragh House Excom 2023
Wanderers Street Phone: (011) 294200
Johannesburg 2000 Fax: (011) 294200
20 MARCH 1993

Memorandum to the Commissioner of the
Department of Correctional Services

We, the members of POPCRU in the Transvaal Region are very much dissatisfied about the attitude of the Department of Correctional Services whenever we voice our demands. This Department has failed to address our problems from as early as 1990. The Pietermaritzburg issue is a proof of that. Unless this Department addresses our problems satisfactory the conflict-confrontation

will continue to exist. The channels of communications that are imposed on us have been a failure, the workstations have never taken off the ground because they are undemocratic and have been unilaterally formed to serve the interest of the management.

POPCRU is seen by members of both the department of the Correctional Services and Police Department as an adequate structure to address their problems at workplaces. We are informed by our reliable source that you refuse to recognise POPCRU because it is an affiliate of APLA and that our closeness to Cosatu gives you problems. How misinformed are you. We wish to state categorically that we are apolitical and independent. Dismissing us whenever we complain will not deter us. Many other people have paid much regrettable prices for the truth.

We therefore demand:

- (1) Recognition of POPCRU.
- (2) Unconditional re-instatement of warders dismissed in Pietermaritzburg with immediate effect.
- (3) 30% increase across the board.
- (4) Better working conditions.
- (5) The stopping of victimisation and harassment of POPCRU members.
- (6) Freedom of Association.
- (7) Stop unilateral restructuring of the Department.
- (8) Stop the retrenchment of black POPCRU members in the form of the so-called Board of Inquiries.

We expect respond soon.

KENNETH MTHOMBENI
REGIONAL SECRETARY

Forward to Peace and Justice!

Complaint in terms of Protection of Information Act

*7. Mr D S PIENAAR asked the Minister of Justice:†

- (1) Whether, with reference to the reply by the Minister of Law and Order to Question No 77 on 16 March 1993, the attorney-general concerned has received the docket in respect of the complaint lodged by Mr O J F Hartung in terms of

Hani:
CT 21/4/93
Top UK
cop to
assist

From CHRIS BATEMAN

LONDON. — Britain's best known and most respected policeman, Commander George Churchill-Coleman, arrives in Johannesburg this morning to assist the probe into Mr Chris Hani's assassination.

The former head of the British anti-terrorist branch will aid and monitor local detectives investigating the murder of the South African Communist Party leader.

A second top European policeman, believed to be a German, will also assist the investigation. He has not yet been named.

President FW de Klerk's government sought the ANC's approval and is hoping the appointment of two foreign and impartial policemen to the SAP's investigation team will avoid potential accusations of a local police cover-up.

Polish immigrant Mr Janusz Walus was arrested soon after the murder. Mr Clive Derby-Lewis, the Conservative Party President's Council member, has also been detained in connection with the assassination.

Current head of London's Metropolitan Police, Commander Churchill-Coleman achieved fame for his successes against IRA outrages when he headed Britain's anti-terrorist unit.

His most recent success was in spearheading a campaign to eradicate racism from the Metropolitan Police.

The police veteran has a formidable reputation as a fair-minded and relentless investigator.

The move to send Commander Churchill-Coleman to South Africa is by far the strongest British government response yet to help contain the current crisis sparked off by Mr Hani's killing.

Witwatersrand attorney-general Mr Klaus von Lieres und Wilkau said Commander Churchill-Coleman was nominated by the British government after it was approached for assistance by the National Peace Secretariat.

Marke

@ CT 21/4/93

Investors flock back as funeral unrest abates

By AUDREY D'ANGELO
Business Editor

MARKETS stormed back yesterday following the relatively peaceful funeral of SACP chief Mr Chris Hani — and sent the foreign investment unit, the financial rand, soaring.

Renewed confidence saw active UK and US buying of the finrand, which appreciated a hefty 8.5% against the dollar to go back to levels last seen before Mr Hani's assassination.

The finrand ended yesterday at R4,66 against the dollar from Monday's R4,9650 close as foreign investors also bought South African gold shares.

But last night business leaders warned that the mass action campaign called by the ANC, SACP and Cosatu could cause irreparable economic damage if it was carried out "irresponsibly".

They also warned that the worst South African recession ever was not over yet.

At a press conference last night SACP chairman Mr Joe Slovo warned that strike action was always on the cards as an option in the programme of mass action.

Yesterday the Johannesburg Stock Exchange's Over-all Index closed 24 points higher at 3 582. The All-gold Index closed 36 points higher at 1 244 and the Industrial Index 19 points higher at 4 352.

Stockbrokers and analysts said the rapid recovery of the JSE and the finrand showed that most people now expected political negotiations to be resumed and reach a successful outcome.

A US dealer was reported to have told local banks that the US was optimistic about South Africa's future.

He said 53 people had died in the Los Angeles riots last year while the Hani funeral went off relatively smoothly.

Mr Rob Lee, economist and senior portfolio manager at the Board of Executors, said: "From the reaction of the finrand and the capital market, investors think Monday went off relatively well."

Stockbroker Mr Richard Lomberg of Davis, Borkum, Hare, said: "The worst did not happen on Monday, and civil war has not broken out. Now we are back in business."

"People are remembering that rolling mass action last year did not mean the end of the world."

Referring to the planned campaign of mass action, the SA Chamber of Business and the Afrikanse Handelsinstitut said in a combined statement that "no action which will further harm or destroy the economy or cause more violence, disruption or damage to property, as has been experienced over the past week, should be embarked upon."

"Further actions of this nature risk causing irreparable economic damage and permanent alienation of foreign investors."

Sapa reports that IFP leader Chief Mangosuthu Buthelezi said yesterday the ANC-led alliance's call for rolling mass action was a major setback to negotiations.

Chief Buthelezi was speaking on his return from Rome where he and Bophuthatswana President Lucas Mangope met United Nations secretary-general Dr Boutros Boutros-Ghali.

Regarding the mass action campaign, Chief Buthelezi said the ANC was following the same strategy as last year when negotiations were delayed.

"It is ridiculous. The delay (in negotiations) was caused by them (and) as at Codesa they are doing the same again."

**MEETING
TO
SPEED
UP
TALKS**

See PAGE 2



SLIP-SLIDING AWAY
top) Yael Rimer, 10, fro
Liat, 14, and Orif and

Sven 2/14/93

Money market rates rise in response to acute shortage

By Sven Lünsche

Money market rates have finally responded to the acute shortage on the market, which over the past week has exceeded R6 billion.

Reserve Bank Governor Dr Chris Stals last week expressed surprise that market rates had not increased in view of higher government borrowings and the sharp fall in gold and foreign exchange reserves.

The 90-day non-liquid bankers' acceptance rate rose from 11,9 percent last week to 12,5 percent on Monday before retreating slightly to 12,4 percent yesterday.

The shortage on the money market surged to R6,82 billion last Thursday and has remained above R6 billion since.

Stals said the shortage reflected the fact that nine months ago commercial banks were seeking R1 billion a day at

the Reserve Bank's discount window. This amount was now at the maximum of R6 billion a day.

He said upward pressure was being placed on interest and inflation rates by government borrowing to finance the budget deficit, pressure on reserves and the increase in production costs.

The latest increase in money market rates, however, "is a re-

flection that the market has taken a dim view of rates falling in view of these economic developments," deputy governor Dr Jaap Meier said yesterday.

He said the Bank expected a further tightening of the shortage over the next few weeks.

"This will drive home the point that banks should make increased use of their overseas funding facilities to protect gold and foreign reserves."



Mass action threat fails to deter trade missions

CT 22/4/93 # 74

By AUDREY D'ANGELO
Business Editor

FOREIGN trade missions are still coming to SA in spite of recent violence and the threat of rolling mass action. And plans for major trade exhibitions are going ahead, reflecting a view that the situation will be stable by spring.

The organisers of a Made in USA exhibition due to be held at the World Trade Centre in Johannesburg in September said yesterday that American interest had actually increased since Tuesday morning. They were now averaging about five bookings a day from US exhibitors.

"We have the blessing of the ANC for this exhibition and we expect them to have recommended the lifting of sanctions by September," a spokesman said.

"Things were dead on Monday but from Tuesday onwards our telephones have been ringing constantly.

"We already have bookings from 89 US exhibitors — mostly computer and electronics firms but including food, pharmaceuticals and medical equipment manufacturers. Trade promotion organisations from 13 states have booked and we hope to increase this to 20."

A trade mission of 28 companies from the Sheffield Chamber of Commerce and Industry, in the UK, arrived in Johannesburg this week and will be in Cape Town on Monday and Tuesday.

Another from the Northern Development Company — an organisation promoting business with the North-East of England — is due in Cape Town in May. A mission from the UK-SA Business Association (UK-SABA), which regularly comes to this country twice a year, is also coming to Cape Town in a few weeks' time.

Expo 'heavily booked'

THE first annual SA International Trade Exhibition (SAITEX) at the National Exhibition Centre in Johannesburg in October "is all set to contribute an estimated 1% to SA's GNP for 1993/94", the organisers said yesterday.

Marketing manager Pep Joubert said exhibitors from 67 countries had already booked to take part, including strong contingents from the Pacific Rim, the European Economic Community, South America, the Middle East, the US, India and other parts of Africa.

It was hoped that 450 SA companies would take part and 200 had already booked.

Trade missions from India and mainland China are due here in the next few days.

Both Cape Town Chamber of Commerce and the Cape Chamber of Industries (CCI) are preparing to send trade missions overseas.

The CCI will send a group of registered exporters to Argentina and Chile for two weeks in June.

The Chamber of Commerce is planning a mission to Italy and Belgium, with a stop-over in London, in September. It said yesterday that its trade mission in 1991 produced R2,5m worth of business and last year's mission produced "a whopping R7,5m worth. Trade mission 1993 is expected to be even more successful".

The SA Foreign Trade Organisation (Safto) is preparing for an exhibition of local goods and services in Singapore in

September which, it says, will be bigger than the successful one held in Dubai last year.

Len van Zyl, new CE of Safto, says it now has a higher profile overseas and has adopted a more aggressive attitude in helping local manufacturers to break into new markets.

It is negotiating special packages with SAA for exhibitors and has appointed Renfreight Fairs and Exhibitions as freight managers.

Renfreight is among forwarders and shipping lines which have increased their services and formed joint operations to cater for growing trade.

Grindrod Seafreight announced yesterday that it had signed an agency agreement with the freighting agency Romtrans, based in Bucharest, to facilitate penetration of Eastern European markets.

Grindrod Seafreight GM Paul Horsfall said the agreement was necessary because trading volumes into Romania and Eastern Europe were steadily increasing.

Romtrans was the dominant freighting agency in Romania and served "as an important gateway to the river networks of Eastern Europe for freighting by barge."

Following the lifting of Norwegian sanctions against SA two senior representatives of Wilhelmsen Lines have visited SA. The line plans to introduce bigger and faster vessels to the SA trade, and Ron Milifello from its US office will be stationed in Johannesburg as a permanent representative.

Vice president Bo Löfman said: "We are taking a longterm strategic position. As a worldwide operator with widespread market intelligence we are in a position to anticipate upturns."

"The SA exporter has reacted positively to opportunities in the market and the quality and pricing of SA goods augurs well for success in the US marketplace."

FM 23/4/93

pounds a second. But the world's central banks are coming up with a different answer.

Their evidence suggests investment fund and pension fund managers make the really big decisions in currency markets. And there are signs that these investors — backed by massive funds and portfolios — are changing the nature of currency dealing in a way that might pose problems for governments and banks.

Until 10 years ago, foreign exchange dealing was dominated by large numbers of commercial banks and big corporations, trading currencies mainly for their own books. But, in the late Eighties, the foreign exchange business attracted investment institutions with huge portfolios.

The deregulation of the world's financial markets encouraged these funds to broaden their activities across the globe. Some invested directly in the currency market, believing that exchange rate movements made currencies as profitable as other financial instruments.

Hedging exposures

Others bought currencies to hedge the exposure of their underlying foreign assets. Overall, the flows generated by investment institutions are far greater than those that the banks are prepared to risk. A currency dealing room in a big London bank will have tens of millions of pounds with which to operate on any day. But a big investment fund could push US\$1bn through the market.

The impact of larger flows on the currency market was highlighted by a recent report by the Bank for International Settlements, the central bankers' bank (*Economy* April 16). It said nonbank trade in the currency market had grown. "Transactions with other market participants have expanded more rapidly than those between dealers," the report says.

There are signs that these huge flows are changing the nature of foreign exchange dealing. There is a growing concentration of business among a decreasing number of banks. Only the biggest banks can convince customers they have the financial muscle to carry the liquidity and credit risk involved in large-scale trading. The Bank of England reported last year that the 10 most active banks in the City had 43% of turnover, up from 36% in 1986.

New participants will find it increasingly difficult to get into the market. And London's growing dominance might also make it difficult for banks to develop foreign exchange operations in any other European centre. This should concern politicians thinking of putting a European central bank outside London.

But for central bankers wishing to control exchange rates through intervention, the sheer size of the market must be the biggest concern. If domestic economic policies are wrong — as they have been in Europe recently — the currency markets play a useful role in forcing central banks to adapt their policies. ■

FOREIGN EXCHANGE (74)

All change

FM
23/4/93.

Who pushed sterling out of the European exchange rate mechanism last year and brought chaos to the currency markets? Most people point the finger at young dealers in commercial banks trading millions of



Hard work, low taxes, free trade 74

The Far East is an increasingly important area for SA trade and investment. This second part of a series on the Dragons of the Pacific Rim looks at Singapore.

The example Singapore sets for SA is obvious but Graham Hayward, executive director of the Singapore International Chamber of Commerce, is quick to outline it anyway.

"The recipe is threefold," he says. "The work ethic of Singaporeans; the enlightened economic policies followed by the government, allowing business to get on with the job by keeping taxes and red tape to the barest minimum; and the free-trade policies that welcome and encourage foreign investors and traders to buy, sell and invest in Singapore with no barriers."

The result has been 7%-8% annual growth over the last 20 years, a US\$14 000-a-year per capita income that is second in Asia only to Japan's, and the highest per capita reserves in the world. Next year Singapore expects to cut company tax to 27%.

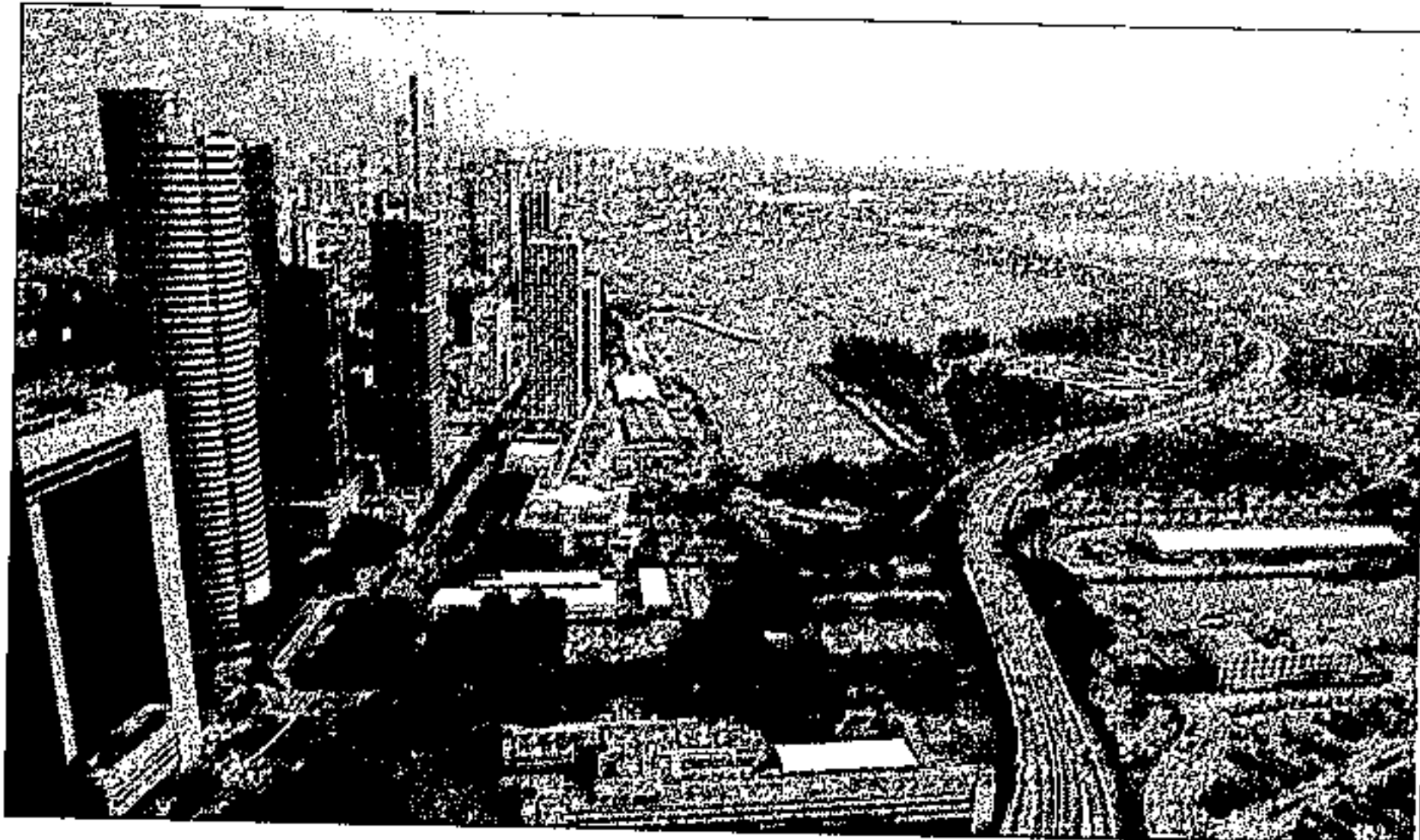
The city state of 2.6m people, founded by Sir Stamford Raffles in 1819, gained independence in 1965 after years of British rule and then a two-year federal association with Malaysia. It has quickly evolved into the hub for south-east Asia.

Hayward, who was in SA recently, says the growth triangle of Singapore, Malaysia and Indonesia is the market to watch. Singapore provides investment financing, technology transfer and management skills; Malaysia provides raw materials and a fast-

growing market; and Indonesia provides cheap labour, land and a wealth of natural resources.

But increasingly important for Singapore is another nearby country, China. "The 21st century will be the Chinese century," he says. "This huge (1.2bn people) country, growing at 8%-12% a year, promises the biggest market the world has ever known."

Hayward says SA businesses must take note of the large opportunities offered by south-east Asia. He finds that SA's quality agricultural and food products — fruit, fruit juices, yoghurts, vegetables and chickens — are well-priced for the Singaporean market. But Asians are traders, not just buyers, he says, and local businesses should take advantage of the buying opportunities offered by the productive east Asian economies.



The hub for south-east Asia ... growing 8% a year

"The world is a global market. Each country — and company — should take stock of its strengths and weaknesses, and then build on its comparative strengths, getting rid of its weaker parts because these only retard the stronger. No country today can afford self-sufficiency — the price is too high and it undermines your growth potential. Manufacturing and trade — export and import — are the lifeblood of the global economy, as proved by the Asian dynamos."

He recommends that SA should emulate Singapore by becoming the trade and services hub for Africa. But, he warns, this is no overnight job. As for investing in SA, he says Singaporeans are itching to start, but political uncertainties and violence are holding them back.

Hayward, who has lived in Singapore for 30 years, was in Johannesburg to promote the first SA trade fair in Singapore, to be held on August 31 to September 3.

"My job at the chamber is to promote trade and investment, and to help overseas traders and investors find acceptable local partners for profitable joint ventures. We would like to expand our links with SA." ■

Rains may lighten the gloom

By HILARY JOFFE

THE dire state of South Africa's foreign reserves and lost production resulting from the past fortnight's stayaways have made the outlook for the economy this year appear even gloomier than before. But the boost to agriculture provided by good rains may prevent a further slide in the economy.

Gold and foreign exchange reserves have fallen back to 1991 levels after declining by around \$2-billion in recent months. This leaves little room for economic growth, says Old Mutual chief economist Dave Mohr.

The fall in the reserves has been mainly because of large outflows on the capital account of the balance of payments which have resulted from repayments of foreign debt. In addition to the payments due in terms of the debt standstill agreement, first instalments have fallen due on long-term loans created when the "exit clause" of the standstill agreement was used to convert debt inside the net to long-term debt outside it. Added to this are sizeable amounts due by certain parastatals such as Eskom.

In theory some of these repayments needn't be made — debts could be rolled over instead. But foreign lenders have hiked up the interest rates on new lending in response to political events in South Africa over the past year or so. It is believed that where a year ago foreign lenders were asking 1,5 points over Libor (the London Interbank Lending Rate) and in the second half of last year were asking two percentage points over, they could

now be asking three points or more. This would be similar to the rates charged Latin American countries such as Mexico. The Reserve Bank might well not want South Africa to be classed in the "three percent" category as it might never get out of it.

The low level of gold and foreign exchange reserves means Reserve Bank governor Chris Stals will be watching carefully for a run on the capital account which could occur because of debt due later in the year, says Econometrix economist Tony Twine. The rand would take a battering on the foreign exchange markets and that would fuel inflationary pressures into next year.

Stals seems to be choosing instead to protect the rand by allowing market interest rates to creep up. This, notes Mohr, is in striking contrast to the pre-Stals era when the rand probably would have fallen in response to the fall in gold and forex reserves.

Most economists had been expecting at least another one percentage point cut in Bank Rate this year — an unchanged rate could dampen growth prospects (such as they are).

And there are now louder calls for the rand, rather than interest rates, to take the balance of payments strain: *Finance Week* deputy editor Howard Preece, for example, wrote recently: "The case made out there, and shared by *FW* among others, is that a resumption of economic growth and a reversal in the frightening slide in gross domestic fixed investment should take priority for the moment over inflation

reduction." ~~74~~ 74

As it is, few economists have been forecasting more than minimal growth (of at most 0,5 percent) this year, following three years of economic decline. And the stayaways of the past fortnight may further cut growth prospects.

The two stayaways probably knocked a day's production out of the economy, says Econometrix's Twine, although he concedes that some of the lost production could be made up later, especially since the stayaways were early in the year. He adds too that consumer expenditure was expected to slow down once the 14 percent VAT rate became effective, so that the timing of the stayaways might not have made producers that unhappy.

Twine's "guesstimates" that the first stayaway, on April 14, accounted for R500-million to R800-million of lost production, and Monday's, which mainly affected the PWV, for R350-R500 million. The total is equivalent to South Africa's daily production of around R1,25 billion — or 0,4 percent of gross domestic product.

But recent rains may mean positive growth is still possible. Twine points to the better than expected recovery in the summer grain crops, which will not only boost production in the economy as a whole but also reduce import requirements. Econometrix now estimates the maize crop at around 8 million tons — a little better than the average. This may well offset production losses associated with the stayaways as well as balancing the effects of an unchanged interest rate.

IN PERSPECTIVE

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23/4/93
74

"Improving economic welfare is a complex and often perplexing business," Bank of England governor Robin Leigh-



Leigh-Pemberton

Pemberton observed at a Witwatersrand Agricultural Society function last week. "It is particularly ironic that liberalisation of trade — one of the simplest and demonstrably most successful

means of achieving this — tends to be one of the first casualties when economic conditions weaken."

The protracted period of international economic weakness, he said, "is giving rise to frustrations and tensions among

policymakers. The most visible and potentially most damaging manifestation of this is the current slide towards protectionist sentiment. But we should not lose sight of the fact that the trade liberalisation which has occurred in the past four decades has served the world economy very well indeed."

He pointed out that SA's long period of isolation stimulated protectionist tendencies within the country. "Similarly the debt crisis led to the reimposition of exchange controls.

"And, as many other countries have discovered, the consequent insulation of financial and other markets from foreign competition can have extremely damaging effects on the efficient allocation of resources." Despite recent reforms, he said, "SA is less far down the road than many other countries."

FM 23/4/93.
and produce. And the economy will continue to shrink.

SA has rarely been more financially vulnerable, except perhaps in mid-1989, when it would have been without official foreign exchange reserves if it had not had the benefit of a loan to the central bank.

The slide in reserves — from a peak of US\$4,2bn in August to \$2,4bn in March — continues to be reflected in unprecedented shortages in the money market: a peak of R6,8bn on Thursday last week, about R6,4bn on Friday and Saturday, and R6,2bn on Monday.

The impact of net outflows of foreign reserves on the market has been compounded by unrelated factors such as the extent of notes and coins in circulation. And participants believe the Reserve Bank has been actively selling government stock as part of this fiscal year's fund-raising programme. If true, this would confirm fears that interest rates are about to rise.

But, unlike June 1989, the country is far better placed to replenish reserves because political prospects have improved dramatically since the days when the policies of Verwoerd, Vorster and Botha severed us from the international community. A negotiated settlement would immediately reduce the cost of foreign borrowing and reverse net outflows of foreign reserves.

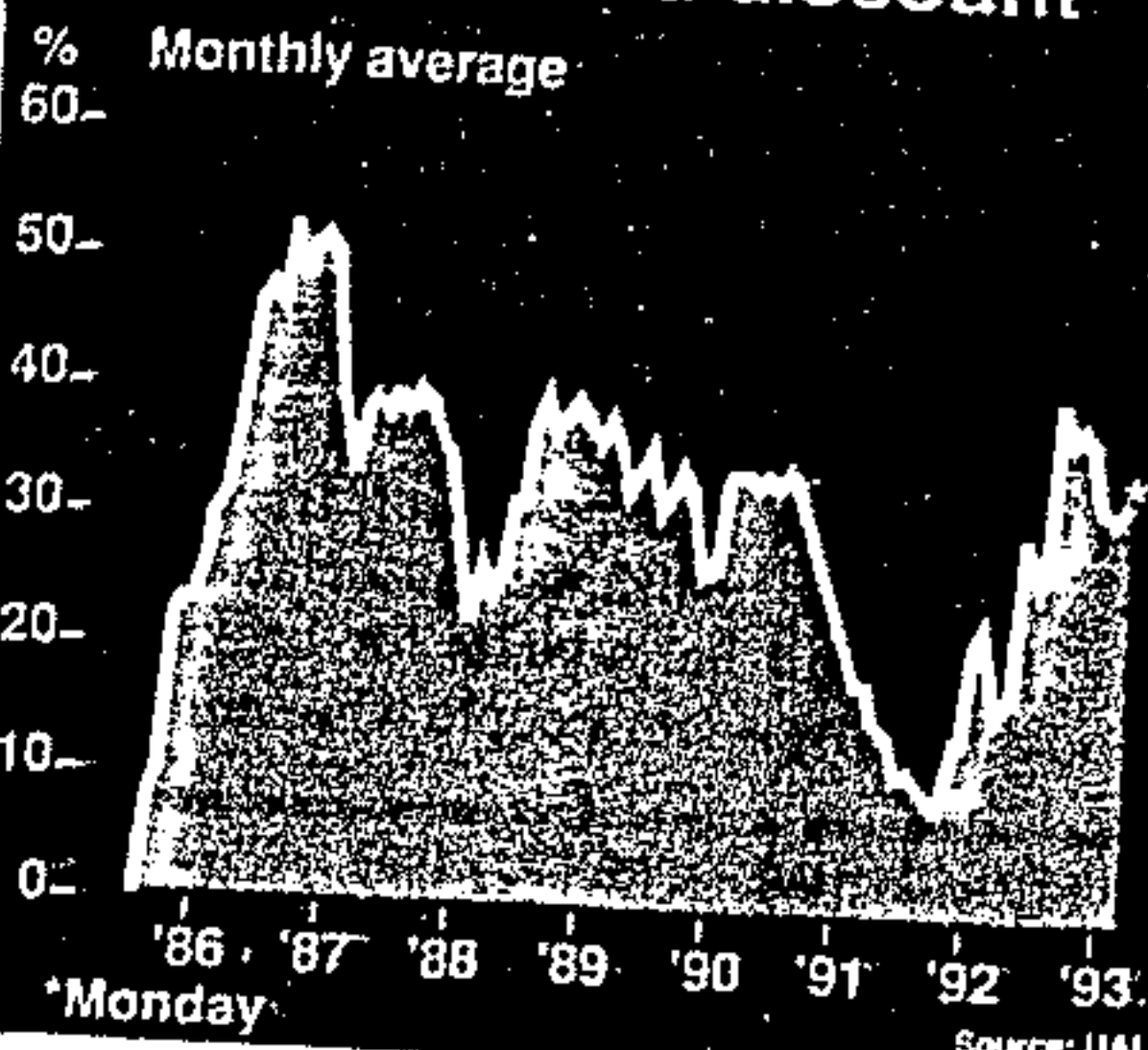
Damaging as the episode has been in terms of investor confidence, the financial rand discount remains well below the peaks of the past (see graph). UAL economist Dennis Dykes points out that, at about 34% at the start of this week, the discount was well below the 52,7% seen in October 1986.

And the value, at about US20c on Monday, was above the US17,9c on August 7 1986. Even against the D-mark, says Dykes, the currency was not at an all-time low.

"At DM0,3239 on Monday, it was higher than the DM0,3089 in October last year."

Financial markets began to recover on Tuesday as the country returned to relative

Below the peaks Financial rand discount



FINANCIAL MARKETS Striving for an even keel

It's early to count the cost, in rands and cents, of Chris Hani's death. The plunge in the value of the financial rand, production forgone in two nationwide stayaways, the loss of life and damage to property, are only early indicators of the damage the event could inflict on the economy.

The real cost is in confidence to take long-term decisions. The images of chaos flashed round the world's TV screens, the fears of many South Africans that they may become the victims of random violence or revenge, and the alienation of the millions who believe Hani's death should have been avoided, could reduce the country's potential to invest

normality. The financial rand, which traded at a low of US\$/FinR5 on Monday, reached a morning high of FinR4,64, gaining over one US cent to top US21,5c.

Short-term interest rates, of course, remain under pressure. Rates on six-month certificates of deposit at 12,4% on Monday and Tuesday were up on Friday's 12,35% — though the rate on bankers' acceptances fell from 12,5% on Monday to 12,15%, (still up from Friday's 11,9%.)

Long-term interest rates eased with the benchmark Eskom 168 dropping to 15,12% on Tuesday morning, from 15,31% and the lowest level since the 14,82% when the market closed for the Easter weekend.

The immediate problem is the impact of events on reserves and hence on short-term interest rates; if the outflow on reserves is not reversed the official Bank rate may well rise, triggering a shift in the pattern of interest rates. And the fundamental problem is that SA's productive potential must not be further eroded after four years of recession.

Political leaders must work for a speedy conclusion to negotiations and ensure a peaceful transition (see *Leaders*).

CAPITAL CONTROLS

Breaking freeFM
23/4/93 -

With the financial rand falling, and reserves sinking, it is difficult to look beyond the country's immediate problems and contemplate long-term economic policy, particularly changes to the system of exchange control. But it is important, in a time of rapid political transition, to keep in mind the economic reforms needed to launch the country on its growth path.

Included in the package should be the eventual abolition of exchange control.

The IMF has published an occasional paper on capital account convertibility which explores the use and elimination of capital controls since World War 2. It argues that there are a number of benefits for easing capital controls:

- Financial specialisation is more easily achieved, which promotes efficiency;
- Competition from abroad is introduced to the financial sector;
- Enterprises are encouraged to diversify activities abroad and to adopt new technologies and managerial techniques;
- Access to international financial markets is improved; and
- Borrowing costs are reduced.

To date only nine industrial countries and 21 developing countries have abolished capital controls. Though developing countries face greater obstacles than do industrial countries, both groups are more likely to sustain convertibility if policies are credible and consistent, say the researchers.

Argentina, Uruguay and Chile, for instance, undertook to liberalise their capital accounts in the Seventies but inconsistencies between fiscal reforms and other financial policies triggered capital flight and their

stabilisation programmes were abandoned. Mexico, on the other hand, liberalised its capital account as part of a comprehensive and consistent adjustment programme in the Eighties. In late 1988, to boost the credibility of the exchange rate policy and to lower real interest rates, the economic reform programme was revised. In this way the government avoided having to reintroduce controls on capital.

The success of New Zealand (mid-Eighties) and the UK (late Seventies), suggests that a credible anti-inflation policy is crucial, say the researchers.

They list a number of preconditions for capital convertibility:

- The differences between domestic and external financial markets must be reduced;
- Wage inflexibility must be reduced;
- Taxes on income, wealth and transactions must be limited;
- The fiscal deficit must be reduced and financed in a non-inflationary way;
- Interest rates must be flexible; and
- The financial system must be strengthened as must prudential supervision of financial institutions.

The researchers point out that the policy mix varies among those countries that have maintained an open capital account. And, because there are so few, it is difficult to determine the common denominator. ■

Poll boosts mark against the dollar

BIDM 27/4/93 (74)
ANDREW KRUMM

THE dollar lost ground to the German mark yesterday, ending two-and-a-half pfennigs down on Friday's close at around DM1,5680 in Johannesburg as the Russian referendum dominated trade in world currency markets.

One dealer said while President Boris Yeltsin's apparent victory made the dollar less attractive as a "safe haven", it boosted the Deutschmark — the currency considered most vulnerable to political and economic fluctuations in the former Soviet Union.

Reuter reported the dollar trading at around DM1,5670 in Europe late yesterday, holding above technical support levels. However, analysts warned that the US unit could rally in the midweek, bouncing back to the DM1,57-DM1,575 level, before slipping to trade in the DM1,54-DM1,55 range towards the end of the week.

The commercial rand firmed on the back of the weaker US dollar, gaining a full cent during the day to close at R3,1412. But, in tracking dollar movements, the commercial rand weakened against the basket of currencies. Dealers said the sharp move in the gold price had given the commercial rand some support.

There was no Reserve Bank intervention during the day, allowing the rand to achieve its own level. Dealers said although finrand trade was range-bound, the finrand looked stronger as a result of the higher gold price. The unit closed at R4,58 to the dollar.

"The demand for finrands was equity-driven as international investors sought to buy gold shares on the JSE on the back of a strong gold price," a dealer said.

'Sentiment fuels gold bull run'

BIDM 27/4/93 (232)
MATTHEW CURTIN

THE bull run in gold prices and shares has taken market and mining industry sources by surprise, but few are convinced that market euphoria is based on anything more than sentiment and speculative buying.

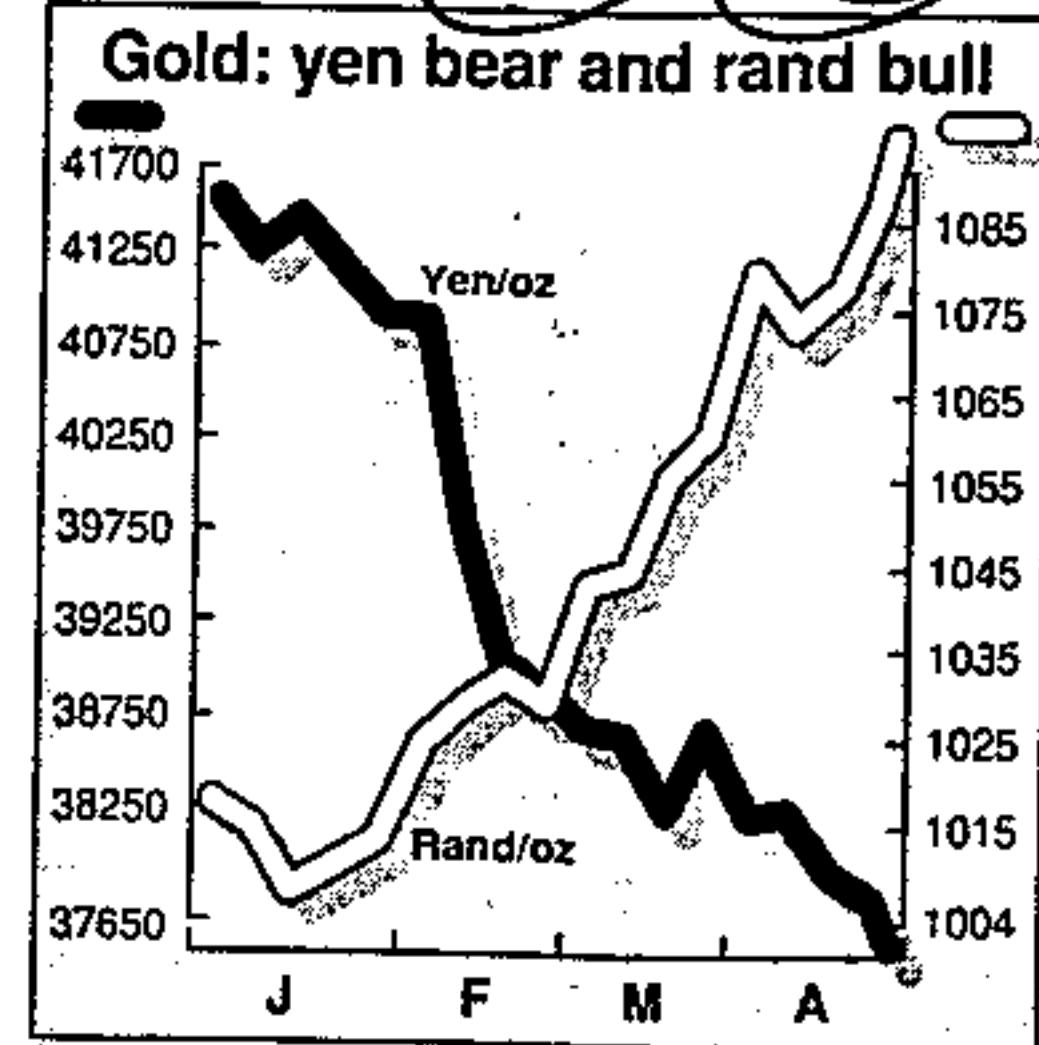
For all the factors believed to be boosting prices — from anxiety over political stalemate in Russia to billionaire George Soros's investment in the US mining industry and technical analysts' confidence the metal has "broken" its bear run — gold watchers are quick to point to the absence of substantive change in the gold market to justify the price increases.

Genmin mineral economics manager Francois Prins said yesterday his research focused on the longer term forces influencing the market which suggested gold prices "were fundamentally undervalued". With primary demand for the metal — from jewellers and industry — outstripping mine supply by a wider margin every year, gold prices could be seen to be too low, but only by 10%.

However, gold prices remained primarily driven by sentiment, with key bearish factors being the continued threat of central bank gold disposals and the attraction of better performing investment instruments.

Gengold director Tom Dale said while the dollar prices might have bottomed, gold was increasingly "price elastic" because jewellery demand dominated the physical gold market. "We are unlikely to see any fireworks," he said.

The belief gold and mining shares were "oversold" had also been strong, but SA dealers and investors were



normally more sensitive to "any glimmer of hope in the gold market".

Analysts agreed institutional buying on the JSE yesterday had been slight, with higher share prices driven by "jobbing".

One analyst said: "Soros's entry into the gold market is adding to the current euphoria but I would still exercise caution. The more emphatic Yeltsin's victory in the referendum is, the more speculators fancy the prospects of taking the impressive profits on offer, the more likely gold prices and shares will settle faster than they rose."

Gold Fields Mineral Services CE Stewart Murray said it was all very well for investors to buy gold shares, but without corresponding interest in gold bullion, they were likely to make only speculative gains. "Central banks may start to mobilise reserves with higher bullion prices, and producers may increase forward sales, although most pundits felt producer selling would take place above the \$340 level, and it does not seem to have happened so far."

Confidence in CMI shares revived

BIDM 27/4/93 (74)
FIRMING ferrochrome prices and signs of growing co-operation between SA producers and Japanese customers has revived investor confidence in Consolidated Metallurgical Industries (CMI), JCI's loss-making ferrochrome producer. CMI's share price has nearly doubled in the past month.

CMI shares closed unchanged on the JSE yesterday at 450c, but the stock has climbed steadily from a low of 240c in March.

SA producers have been forced to cut production and lower contract prices as a result of world oversupply in the ferro-alloy, a key ingredient in the making of stainless steel, while cheap material exported from Russia has knocked spot market prices.

However, European spot prices

BIDM 27/4/93 (74)
JONO WATERS

have risen to \$0,40 a pound in the past week from lows of about \$0,33/lb in January. Market commentators believe cutbacks by producers will result in production outstripping supply before the end of the year.

CMI recently confirmed it had reopened a furnace in Rustenburg and had orders for chrome ore from its nearby mine. The JCI-owned producer also announced in January it had commissioned a feasibility study with Japan's Nippon Steel and trading house Mitsui for the establishment of a chrome mine in the north-eastern Transvaal.

Rival producer Samancor announced last week it had signed a deal with Nippon Denko which may

see the Japanese company buy one of its ferrochrome furnaces.

CMI MD Zed van der Walt said he viewed the share price rise as "speculative".

Frankel, Pollak, Vinderine analyst Kevin Kartun said the increase could be a result of investors taking "a macro view" of commodities, confident prices were set to rise because the majority of the world's industrialised nations were starting to show signs of recovery.

However, Kartun pointed out that the shares were tightly held and demand for small amounts of stock could easily push the price up.

Another analyst said the main reason for CMI's rise was that the replacement cost of the company's capacity three months ago was more than double its market capitalisation.

High imports drag down trade surplus

BIDM 27/4/93

PETER DELMAR

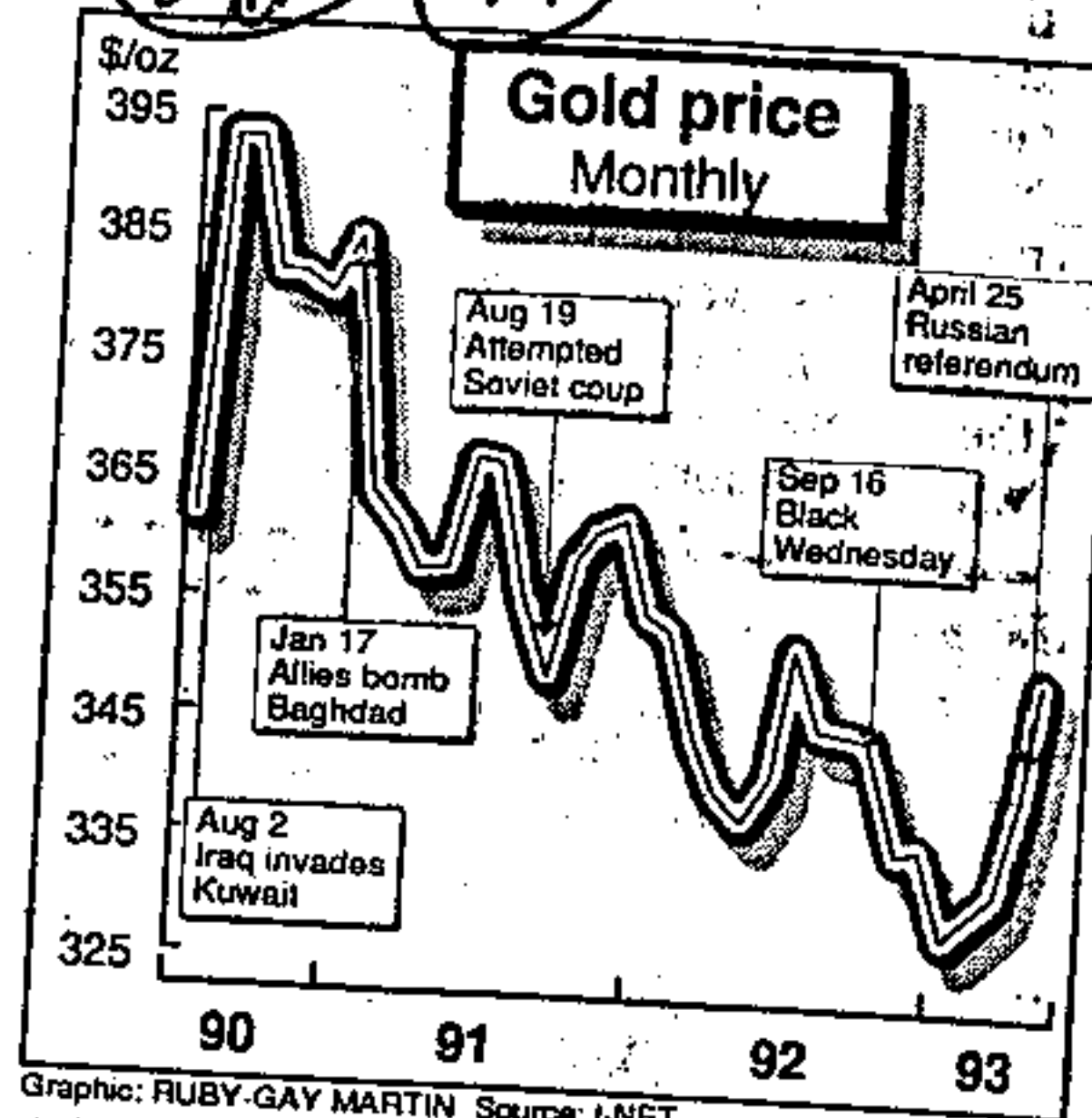
SA's trade surplus slumped to R776,9m in March — little more than half February's figure — underlining the pressures on the country's foreign exchange reserves.

Total exports amounted to R6,07bn, compared to R5,37bn in February, while imports rose to R5,29bn from R4,04bn.

Preliminary Customs and Excise figures showed exports for the first three months rose by less than 1%, compared with January-March last year, to R16,54bn. Imports for the first three months of 1993 amounted to R13,59bn — a 13,4% increase on last year.

Describing the figures as disappointing, economists said they underlined the fact that SA's reserve problems were not just the result of capital flight. The trade performance would contribute to monetary policy remaining cautious.

Vegetable product imports showed the largest increase, from R220m in the first three months of last year to R644m in the corresponding period this year, the result of continuing effects of last year's disas-



trous agricultural conditions. Exports in this category were down 41%. Afrikaanse Handelsinstituut chief economist Nick Barnardt said effects of increased maize and wheat imports were likely to be removed from trade figures by May.

To Page 2

Surplus BIDM 27/4/93

Exports of jewellery and precious stones fell by 29%, pulp and paper by 18% and base metals by 2%. This was partially offset by increases in unclassified goods and balance of payments adjustments (mainly gold), which rose 10%, mineral products (26%), transport equipment (49%) and machinery (22%). Imports in the unclassified category showed a 16% rise.

SA Foreign Trade Organisation economist Bruce Donald said the shrinking trade surplus could cause the authorities some concern, particularly when viewed against the recent fall in foreign reserves.

Reserves slumped R800m to a two-year

low of R7,48bn in March.

Donald said: "If overall export performance this year is disappointing, it is even more disappointing that certain manufactured categories that have experienced strong growth over the past few years have registered declines for the period under review."

Old Mutual economist Ursula Maritz said the surplus highlighted the worsening balance of payments predicament. It was significant that reserves were coming under pressure before the emergence of any tangible signs of an economic recovery, Maritz said.

From Page 1

(3) whether he will make a statement on the matter? B689E

The MINISTER OF MINERAL AND ENERGY AFFAIRS:

(1) During 1992, 75% of all petrol sold in the Transvaal was manufactured by Sasol's synthetic plants. If Sasol's production through the Natref crude oil refinery (in which it has a 63,64% shareholding) is added, the volume of petrol manufactured by Sasol as a percentage of sales in the Transvaal increases to 90%. A portion of Sasol's fuel production from crude oil is also sold in the Free State, Northern Cape and Northern Natal.

(2) Sasol and Total, the latter having the balance of shareholding in the Natref refinery, who supply almost 100% of the fuel sold wholesale in the Transvaal, are responsible for the cost of distributing these fuel products by pipeline and other modes of transport from their plants in Secunda and Sasolburg to the various depots which constitute the total market.

(a) Detail regarding specific cost elements is company confidential information.

(b) Falls away.

(3) No.

Medicine: parallel importation

*6. Mr M J ELLIS asked the Minister for National Health and Welfare: (14)

(1) Whether, with reference to a press conference held by her on or about 11 March 1993, she intends proceeding with allowing the parallel importation of medicine; if not, why not; if so, (a) for what reasons and (b) what does the parallel importation of medicine involve;

(2) whether the same registration requirements will apply to parallel imported medicine as are applicable to locally manufactured medicine; if not, why not;

(3) whether steps will be taken to combat the importation of counterfeit medicine; if not, why not; if so, what steps;

(4) whether the economic and legal implications of parallel imported medicine have

been assessed or will be assessed before parallel importation is allowed; if not, why not; if so, what are the relevant particulars? B690E

The MINISTER FOR NATIONAL HEALTH AND WELFARE:

(1) Yes, (74)

(a) parallel importation is already possible as the Medicines and Related Substances Act, 1965 (Act 101 of 1965) does not prohibit this and

(b) a parallel imported medicine involves the registration of that medicine, which is the same medicine as that already registered by the original applicant for use in South Africa, by a different applicant. The parallel imported medicine should also originate from the same manufacturing facility as the previously registered medicine, or from manufacturing facilities belonging to, or falling under the control of the parent company;

(2) no, because parallel imported medicines are the same medicines as those which are known in South Africa; the data of which are already on file with the Registrar of Medicines. Regulation 15, which sets out the format of an application for registration, will have to be amended accordingly;

(3) no, no specific steps are necessary as the medicine registration process lends itself to the combating of the importation of counterfeit medicines;

(4) no, the legal implications have not been assessed as these are the responsibility of the applicant in each case. The economic implications are under discussion at the moment.

Air pollution

*7. Mr M J ELLIS asked the Minister for National Health and Welfare: (14)

(1) Whether air pollution related unacceptable levels (a) at any city centres and (b) in any regions in the Republic in 1992; if so, at which city centres and in which regions;

(2) whether any steps were taken in this regard; if not, why not; if so, what steps in each case? B691E

The DEPUTY MINISTER FOR NATIONAL HEALTH AND WELFARE:

(1) (a) and (b) Yes, (16)

Cape Town, Vaal Triangle region, Edenvale, Kempton Park and Modderfontein region, as well as unelectrified urban areas;

(2) yes,

Cape Town:

The nitrogen oxide levels were exceeded a number of times. Monitoring of the pollutant concentrations and research into the occurrence thereof are being carried out. The pollutant mainly originates from motor vehicles. Control thereof by means of catalytic conversion will be considered when lead-free fuel becomes available.

Vaal Triangle region:

High levels of particulate pollution are experienced during the winter months. Research is carried out to identify the main sources. Improved control of industrial sources is being continued but smoke from domestic coal combustion can only be reduced by the use of alternative forms of energy such as electricity.

Edenvale, Kempton Park and Modderfontein region:

An excess of particulate pollution was experienced a number of times. Investigation into the sources causing the high levels is being carried out. Industries in the area are, however, still engaged in reducing their emissions.

Unelectrified urban areas:

No control can be exercised before alternative forms of energy such as electricity are in general use. Investigation into alternative fuels which will be less polluting are also being carried out.

Goldstone Commission: reports

8. Mr L FUCHS asked the Minister of Justice:

(a) How many reports of the Commission of

Inquiry regarding the Prevention of Public Violence and Intimidation (Goldstone Commission) have been submitted to the State President to date and (b) what is the title of each of these reports? B692E

The MINISTER OF CORRECTIONAL SERVICES (for the Minister of Justice):

(Reply partially laid upon the Table with leave of House):

(a) Nineteen (19).

(b) 1. First Interim Report.

2. Interim Report on the Violence at Mooi River.

3. Report of the Second Committee appointed to inquire into the Violence at the President Steyn Gold Mine in Welkom.

4. Second Interim Report.

5. Report to the Commission of Inquiry regarding the Prevention of Public Violence and Intimidation from the Committee established to inquire into the involvement of 32 Battalion at Phola Park.

6. First Interim Report to the Commission by the Committee investigating Public Violence and Intimidation in the Taxi Industry.

7. Interim Report of the Committee appointed to inquire into Train Violence.

8. Second Interim Report to the Commission of Inquiry regarding the Prevention of Public Violence and Intimidation from the Committee established to inquire into the Taxi Industry.

9. Interim Report on the Violence in Hostels.

10. Report on the Bisho Incident.

11. Report on the Planning or Instigation of Acts of Violence by members of the South African Police in the Vaal Area.

12. Report on the Inquiry conducted by the Committee of Inquiry into the Violence at Tokoza.

ATIONS CONFERENCE—

Foreign investment's role 'small but useful'

FOREIGN investment is not a substitute for domestic capital formation nor for building industrial capacity as a country pursues economic development, says Malaysia's former finance minister Daim Zainuddin. (6)

Foreign direct investment constituted only a small portion of the gross capital formation of the rapid-growth Southeast Asian economies, and its major contribution was through "dynamic effects". (74) (102)

"Its impact, however, on the economy is disproportionately large due to the dynamic effects arising from a transfer of technology, managerial expertise, market access and reinvested profits," Zainuddin said. (70)

These effects strengthened the link between trade and investment, and consequently a country's international and regional comparative advantage. It also changed the structure of economies, in a way particularly relevant to SA, away from dependence on primary commodities.

"Foreign direct investment is the main catalyst in transforming the primary commodity-dependent economies of the Asean-4 countries to a higher value-added industry-based economies," Zainuddin said. An example was the 12% growth rate in the manufacturing sector achieved over the last two decades in Malaysia, pushing this sector's contribution to GDP from 10% in 1960 to 29% last year. Other lessons to be learnt from it, Zainuddin said, was that liberal policy measures were not enough to attract foreign investment.

"Political stability remains a prime concern of foreign investors ... experiences have also shown that prudent macroeconomic management as manifested in stable economic policies coupled with outward oriented trade and industrial policies are basic features of an attractive policy regime for foreign domestic investment.

"It should be viewed as a complementary source rather than the main source of a country's capital formation. Eventually, indigenous industrial capacity needs to be built to maintain a country on its long-term growth path," Zainuddin said. — Sapa.



Taking a break from the Idasa conference are, from left, Natal University's economic policy unit director Gavin Maasdorp, former AIPA director Bax Nomvete, Fort Hare University lecturer S Mayatula, and Patrick Ncube from Cape Town University's labour development research unit. Picture: ROBERT BOTHA

Stals calls for changes to beat poverty spiral

RESERVE Bank Governor Chris Stals said the economy had fallen into a perpetual poverty trap and major structural changes were needed to combat low economic growth, high unemployment and declining standards of living.

He was speaking at the conference on SA's international economic relations in the 1990s, which is being held at the Mabula Game Lodge under the auspices of Idasa and the Aspen Institute of the US.

Stals suggested continued cautious monetary policy to keep inflation down, saying the temptation to supplement domestic sources by the creation of more money should be resisted as more money provided more inflation.

"Whatever the source of financing for poverty alleviation, there are limits on what can be achieved," he said, adding that SA had no option but to generate more resources through a higher rate of economic growth.

He suggested financing social uplift programmes partly from external sources through foreign finance such as aid trans-

fers. He said SA was relatively under-borrowed — in 1990 foreign debt interest payments absorbed only 4,2% of total exports — and that care must be taken as the country could very easily fall into an overborrowed situation.

"Foreign funds are not freely available and could, if attainable, eventually lead to debt servicing problems. At this stage, SA should, however, gladly accept foreign funds available for the financing of poverty alleviation," he said. Redirecting domestic resources through the channelling of cash flows would reduce resources available for other purposes.

"The challenge is to strike a balance between poverty alleviation and alternative applications of our scarce resources to support maximum growth," he said.

Stals said a statement regarding current negotiations with creditor banks on extending SA's foreign debt arrangements was likely to be made in London by today.

Earlier, he confirmed that a Reserve Bank delegation was in London negotiating with creditor banks to reschedule about \$5.5bn in foreign debt. — Reuter.

8/10/93 30/4/93

(74)

World's aid a trap, economist warns

BIOM 30/4/93. (74) (44) (69) (102) (200)
A SENIOR Zimbabwean economist warned South Africans against falling into a foreign aid trap and advised them instead to rely on investment.

"Many countries in southern Africa still appear to have a national conviction that foreign investment is inherently bad because it limits national sovereignty and leads to outflows of foreign exchange," John Robertson, chief economist at First Merchant Bank, Zimbabwe, said.

"Thinking of this kind is so basically flawed that it has been difficult to argue effectively with those who hold such views."

The trend to rely on aid by most countries in southern Africa upon independence weakened their competitive edge and

damaged economic prospects, he said. But by attracting foreign investors, they could build a reliable tax base.

He said the problem with lenders was that they often handed out money with greater concern about repayments than of how it was spent.

Soft loans were often damaging because they encouraged spending. Credit did not automatically translate into development and foreign aid could make a local currency firmer than it should be, while making foreign currencies and imports cheaper.

He advised as policy objectives in SA abolishing taxes on dividends and capital gains, simplifying investment procedures and using import duties to direct investment into local industrial capacity. —
Reuter.

FOREIGN TRADE Wrapped in an enigma

At a time when consumption and investment demand is thought to have been at historic lows, imports suddenly surged. March figures, published this week by Customs & Excise, show a 31% monthly rise to R5,3bn, which almost halved SA's monthly trade surplus — from February's R1,3bn to R776,2m.

The figures are difficult to explain. Finance Minister Derek Keys suggested in parliament, this week, that one of the factors pushing imports was "a tendency on the part of companies in the private sector to carry higher levels of commercial inventories." This follows a three-year decline.

But the rise in the category which includes machinery indicates this overflowed into gross fixed investment, which fell 9,9% in 1992. If this is an early sign of a turn in the economic cycle it is unusual because capital expenditure is traditionally a lagging indicator. It may well be that the huge run down in capital stock would prompt an early increase in capex, but that it should actually precede all other indicators is unlikely.

Customs & Excise officials are confident the figure is correct. A mistake in the machinery category and in paper & pulp, in November, has not been repeated said a spokesman. (On that occasion machinery imports were overstated by R564,3m and paper & pulp by R358,5m due to "a switchover from one computer system to another.")

The overall rise is due, in part, to the fact that March has 31 days and February only 28. But the 1993 surge far outstrips those in 1992 (13%), 1991 (23%) and 1990 (1,3%). To put the increase in better perspective, it can be measured on an average daily basis; the increase then was 18% to R170m.

The single major category, which includes machinery, electrical equipment, sound and TV equipment, rose 38% in the month to R1,5bn. The increase in the average daily figure was 26,7% to R48,2m.

The March figure does not reflect any imports for major projects undertaken by Alusaf and Columbus Stainless Steel, as these have not yet started to flow. Columbus, which is the more advanced of the two, will not start bringing in equipment until February or March, says CE Fred Boshoff.

According to Customs & Excise, the increase in the category was not from a few major orders but from a large number of smaller ones. Bills of entry were up 21% in the month to 109 334. A major factor accounting for the additional 10 percentage points would have been a 5% fall in the average value of the rand against the yen in March, compared with February. A significant proportion of this category of goods comes from Japan.

The currency factor would have been of particular importance in the next biggest trade category which includes vehicles, aircraft and components. This was up 33% in

the month to R710m (or 21,2% to a daily R22,9m).

The item "other unclassified" which was up 30% to R604m (17% to a daily R19,5m) comprises mainly oil and reflected, in part, an increase in the price of this commodity. Moreover Keys pointed out in parliament that, in contrast with previous years, there was no net sale of the State's oil stocks to reduce direct imports. So the jump in this category is not surprising.

However, the item chemical products is difficult to explain. It registered the highest increase, a monthly 52%, to nearly R601m (36,6% to a daily R19,41m).

Also up were:

- Vegetable products 21% in the month to R255,5m (9% to a daily R8,24m);
- Plastics and rubber, 32%, R228m (19,4% to R7,4m);
- Textiles, 31%, R247m (19,4% to R8m);
- Base metals, 22%, R221m (18% to R7,1m); and
- Optical, 22% to R226m (10,6% to R7,3m).

With exports up less than 13% in the month, there was little to offset the rising value of imports and the trade balance shrank. This combined with net service payments and net capital outflows to drag down the level of the Reserve Bank's gross foreign reserves — 13% to R7,5bn in March.

Keys spoke of a "distinct increase in the level of both net and foreign reserves in April."

Monetary policy dogged by balance of payments

By **AUDREY D'ANGELO**
Business Editor

AT 30/4/93
744

THE "huge fall in SA's reserves, which has wiped out almost everything we have built up over the past two years", means that the need to protect the balance of payments (BoP) will dominate monetary policy, Old Mutual economist Rian Le Roux said yesterday.

It brings a risk of a rise in interest rates which would prolong the recession. And there is a chance that the commercial banks may raise interest rates without waiting for the Reserve Bank to raise bank rate.

But, Le Roux told a media briefing to launch the Old Mutual Economic Monitor for the second quarter, the economy is so weak that if interest rates rise they will

have to come down again soon.

"We believe the fall in the reserves is a temporary thing. We think there is a good chance the reserves will recover and that the next cut in bank rate has only been postponed."

Le Roux hoped it would be possible to cut the bank rate by the third quarter of this year although it could be delayed until the beginning of next year.

Meanwhile, the hoped-for recovery in the economy was receding fast. Old Mutual economists now expected a fall of about 0.5% in gross domestic product (GDP) this year.

Explaining this, the Economic Monitor points out that earlier signs that consumer demand was picking up have proved to be "just blips"

The general mood seems to have turned down. Slow recovery of overseas economies is not helping exports. Monetary policy remains uncomfortably tight — with the recent decline in inflation real interest rates have actually risen.

"The third reason why consumer confidence has deteriorated is the tightening of fiscal policy in the March Budget.

"Rises in VAT, other indirect taxes (particularly on petrol) and in income tax receipts by way of bracket creep will all undermine consumer spending. Real private consumption expenditure could fall by 1% or more in 1993.

"Although a tightening of policy was generally expected, it seems many people had not realised how inflationary its effects will be this year."

The Monitor says the second half of this year may be better than the first. "But a moderate recovery is unlikely before next year.

"And with pessimism widespread, investment rates will continue falling, suggesting that any recovery will be gradual at best. The capacity to raise production sharply simply won't be there."

Meanwhile, lack of capital investment means that when the world economy recovers SA producers could lose out on new export markets.

"Over the past few years they have skimped on research, investment and technology acquisition, weakening their longterm competitiveness."

The biggest positive factor is the recovery of agriculture following the end of the drought.

CONCERNS

The federal option

By DESMOND BLOW

AFRICAN-AMERICANS are interested in doing business in SA, according to SA ambassador to the United States, Harry Schwartz.

Addressing the Johannesburg Press Club last weekend, Schwartz said there were some large African-American businesses and that black Americans had an emotional link with Africa.

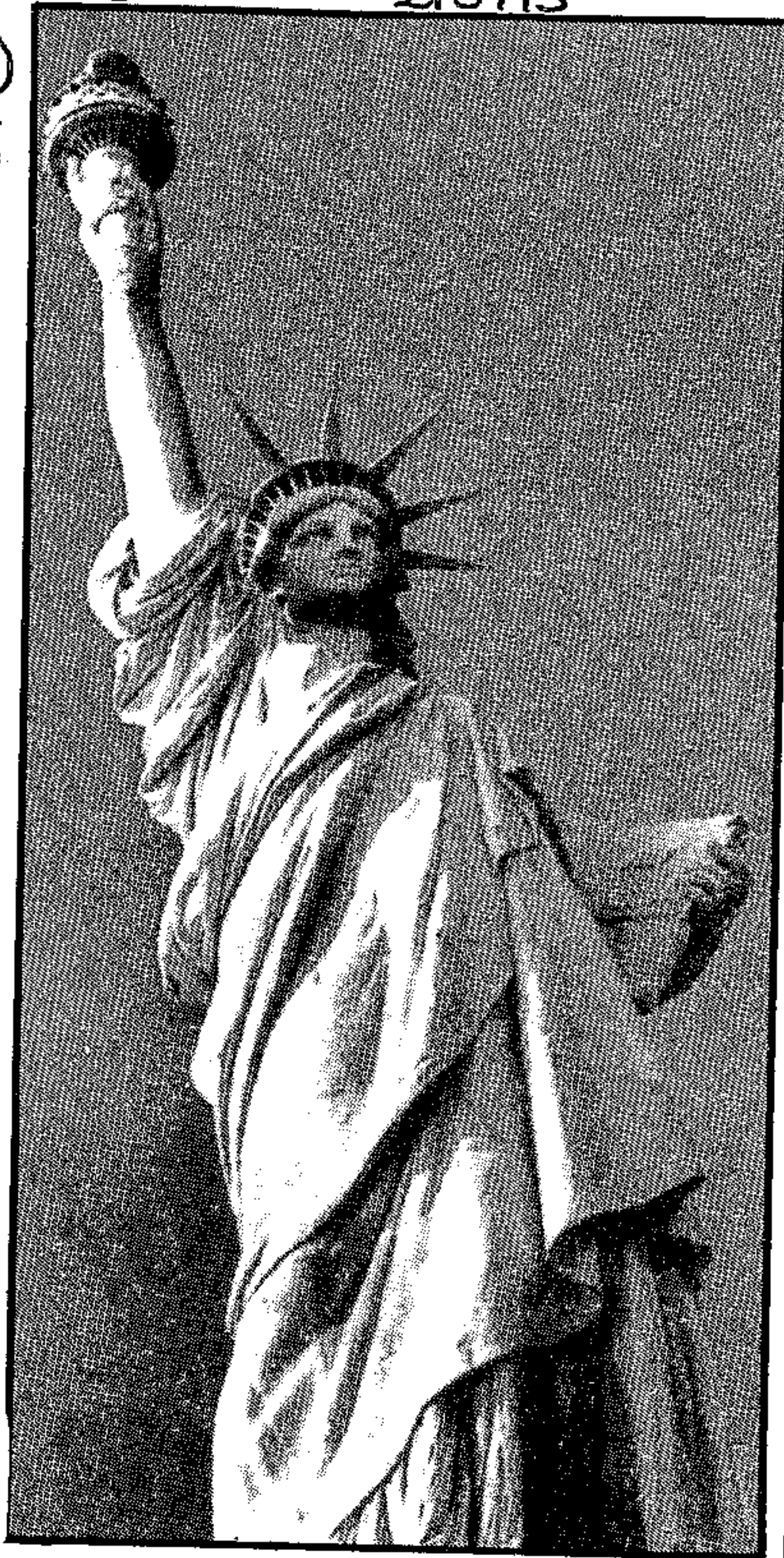
However, he warned there were some American businessmen who would try to make a "quick buck" from SA as the country opened up to foreign investment, and there would be the "influence peddlers" - the smart guys who had the wrong impression that SA was an unsophisticated society which could be easily exploited.

The ambassador said America was the world's number one democracy but it was not a simple majority government where the winner takes all.

"The American constitution is the product of compromise which has persisted for 200 years and could provide an important lesson for SA.

"Despite the Civil War and the Civil Rights Campaign of the '60s there has been no significant attempt to abandon this compromise in the American Constitution which makes federalism an appropriate mechanism for a multi-ethnic society.

"Federalism should be seen as an option for SA and the benefits and



SCHWARTZ WRONG WITH US ... SA has a lesson to learn from America, says Harry Schwartz.

drawbacks of such a policy should be openly debated," he said.

However, he said federalism should not be confused with confederalism.

He reminded the press that the Clinton administration was opposed to apartheid and its policy differed from that of the

previous Democratic Party presidency under Jimmy Carter in the late '70s.

Schwartz said Clinton supported State President FW de Klerk's public commitment to the ending of apartheid and the democratisation of SA under the one-person-one-vote banner.

In its death throes, the De Klerk government's imperatives have increasingly become short-term. Worse, De Klerk can no longer attract appropriately competent people into his cabinet.

Meanwhile, as the economy slides, government pays lip service to solving the problems it has created and seeks salvation in macro-economic policies that are of limited use unless backed by micro-strategies. The situation is exacerbated by tinkering in response to special interest pleadings rather than as part of a policy designed to provide broader benefits.

Responsibility for defining strategies and policies which will have a chance of solving our economic conundrum has moved and must move away from the present government. That unstated view motivated last week's conference — SA's International Economic Relations in the 1990s — organised by Idasa and the Aspen Institute. It echoed Finance Minister Derek Key's contention that economic success depends on co-operation between the government, business and labour triad.

The conference's common thread was that SA's best objective would be growth and employment creation through international trade. But that must take into account the fact that exports and international funding will not follow automatically from the introduction of majority government or formal ending of sanctions.

If we are to emulate other fast-developing economies, our policies, like theirs, should be co-ordinated and integrated as part of a national plan enjoying broad support. That does not imply an SA version of Gosplan — far from it. Government intervention will be crucial to facilitate our economic restructuring as it was crucial in the OECD countries.

If we are to attract foreign investment it will be through our own efforts which show SA to be an attractive base for multi-nationals.

SA has been ostracised for too many years and will need to ride a sharp learning curve if it and its

SA's best shot lies with govt, business and labour troika

BlDM 3/5/93

JIM JONES

neighbours are to emulate the economic performances of other fast-developing countries.

One common conception is that, with an internationally acceptable government in power, this country will benefit almost immediately from easier access to the sub-Saharan region. It will, and no-one disagreed with the idea that greater regional economic integration was something to be pursued as part of SA's economic strategy. But not necessarily as the most important part.

There are regional opportunities and mutual benefits: markets for SA goods technically too poor to be accepted elsewhere; openings for industries such as mining in which SA's skills are among the world's best; internationally funded projects for which SA firms could now tender and greater use of our infrastructure by our neighbours.

Access is unlikely to be unconditional, as UCT professor Francis Wilson and Laurence Cockroft of the UK's Oxford International Associates pointed out. Regional integration implied a willingness by SA to rely less on its own resources and, for example, to trade manufactured goods for maize from Zambia or electricity from Zaire.

And how would a government sensitive to domestic unemployment react to demands that migrants be free to work here in exchange for trade concessions?

Regional integration will be no simpler for sub-Saharan Africa than it has been for Europe. It might be more difficult for a protectionist SA than for countries which have already responded to IMF demands for reduced trade barriers.

Essentially, though, our export future lies in producing manufactured goods for sale to the OECD countries. That will involve broad restructuring to make our products internationally competitive. Decades of protectionism and encouragement of import replacement industries have left most SA manufacturers unprepared for the rigours of an export-driven economic environment. Decades of apartheid have left us with a mass of poorly skilled workers who will have to be trained.

Our clothing and textiles industries are cases in point. Neither is internationally competitive despite years of protection from imports. That would seem to confirm the con-

attention that we need exposure to free international competition as part of the process of improving our technological capabilities. Investment in new plant and equipment and a stern bout of wage restraint are alone insufficient to make our goods competitive in export markets.

It may seem heretical to some SA manufacturers, but there is evidence that low wages can restrain development. Low wages provide little incentive to improve labour productivity. Exchange rate policies which concentrate simply on making basic products price competitive abroad can also impede development.

Nevertheless we have to move away from exchange rate policies designed to prevent capital flight towards policies which stimulate exports.

We have the most advanced manufacturing sector in Africa, with established competencies in many industries. And yet, according to Sanjaya Lall of Oxford University's Institute of Economics and Statistics, large parts of SA industry are neither competitive nor technologically dynamic. We are internationally uncompetitive in products ranging from high-tech electronics to labour-intensive garments.

Of course we have access to foreign technology, but transfers from abroad are generally accompanied by restrictions on making use of the technologies to export.

Competition from abroad, Lall believes, will accelerate our acquisition of technological capability. So, too, would be the development of mid-sized enterprises which our highly concentrated economy lacks. Conglomerates and industrial groups have a purpose if they provide for skills transfers. But it is difficult to see what apart from financial skills are transferred between gold mines and pulp mills lumped under one corporate umbrella. Our conglomerates require little by way of incentives; they have the resources to finance new plants and see them through initial years.

Incentives might be better directed to establishment of smaller, innovative firms which produce new, competitive export products.

Market-friendly intervention or intervention which does not interfere with resource allocation would be necessary to overcome competitive backwardness. Government intervention cannot be selective and intervention which provides protection for specific industries must be conditional on export performance.

Finally a future government is more likely to be able to count on the support of organised labour than the present one. The broad union movement realises that SA faces a crisis of expectations, but that instant gratification is neither possible nor wise. It has proposals for creating an industrial structure that can provide growing, long-term employment.

The days when unions and opposition parties might have believed in the possibility of a state-owned utopia are long gone. They, arguably, have adapted more rapidly to the new SA than have establishment groups. And that adaptation has been accompanied by a burst of creative economic thought. Tapping that and integrating it with the best from business and government will, as Keys never tires of saying, be essential if our economy is to succeed.

Gold rally boost to reserves expectations

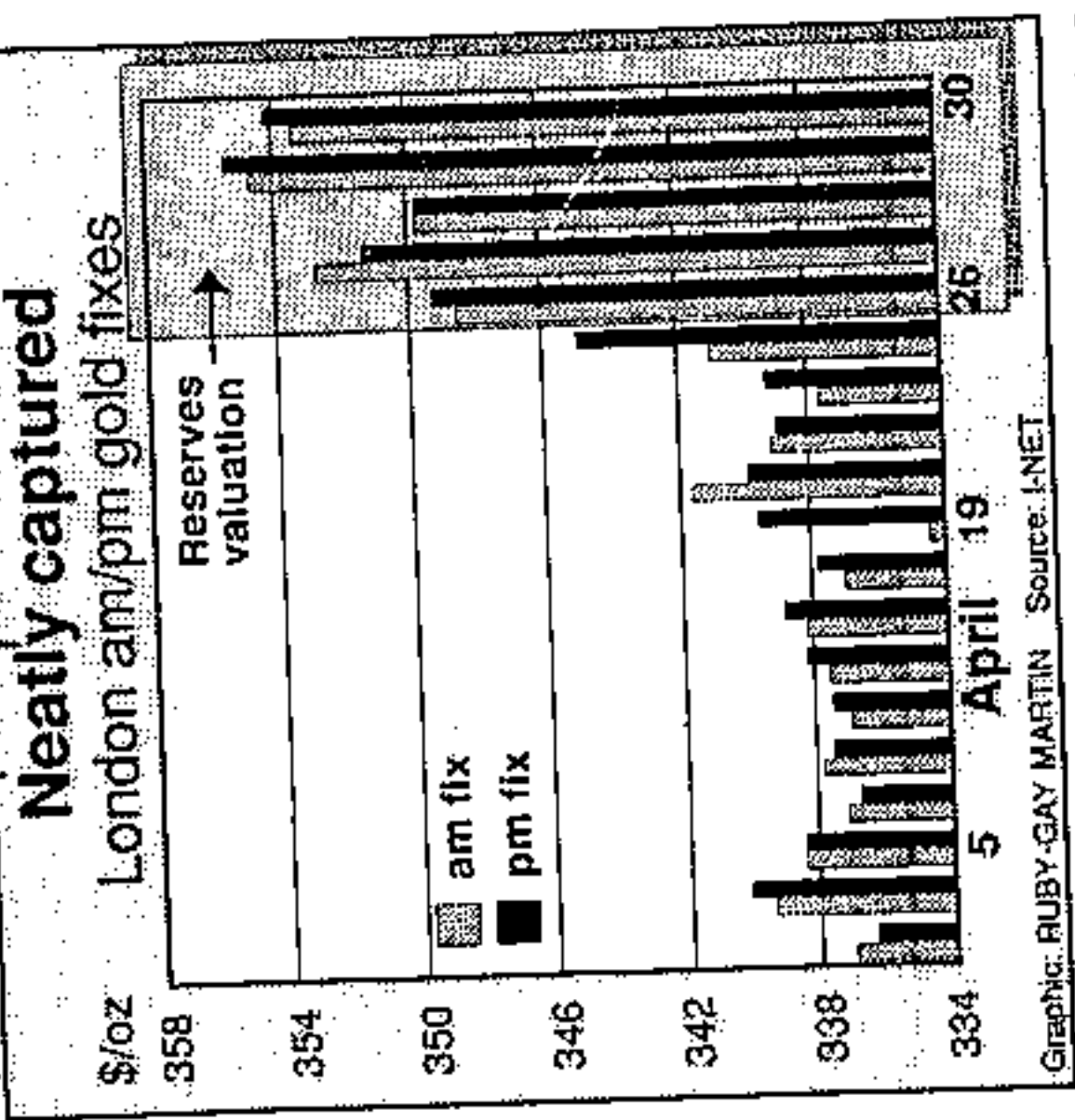
AFTER falling for five consecutive months, the level of gold and foreign exchange reserves should show an encouraging rise when the April reserves total is released this week.

The likely turnaround in the reserves will hardly come as news to the markets. Finance Minister Derek Keys publicly predicted "a definite and satisfactory increase" in the April reserves in Parliament early last week. An immediate tumble in bond yields showed how positively the markets viewed the likelihood of the first increase in reserves since October.

But there should still be something in the reserves figures to give the markets a pleasant surprise: the size of the likely increase from February's R7.5bn. The main reason for Keys's bullish outlook was the favourable outlook for the reserves' foreign currency component after the weakening of the US dollar.

The lower dollar, Keys reasoned, would help reverse the adverse impact of leads and lags on reserves. While it was firming to levels above DM1.66 in mid-March, accelerated forex payments and the lagged conversion of import proceeds helped drain foreign currency from reserves. This effect will have unwound as the dollar drifted from DM1.64 towards the end of March to the DM1.58 area a month later.

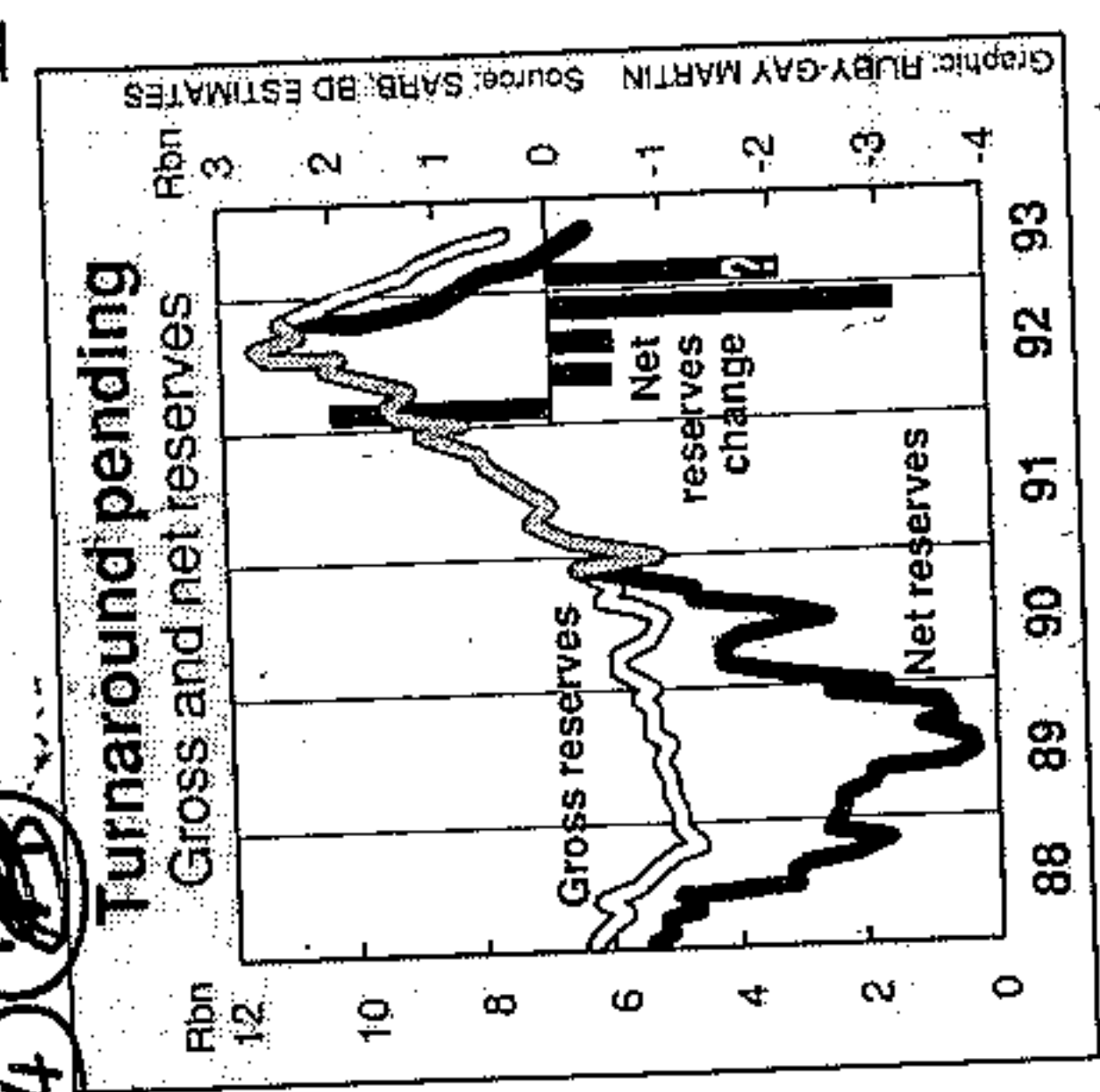
But, as Keys would have been finalising his reserves speech to Parliament, the gold rally was still in its early stages. At the time the final draft of the speech was probably being printed before delivery, gold



was still more than a dollar shy of the \$350 mark. Gold's continued rally through \$350 and then through \$355 was not, therefore, factored into Keys's speech.

But the surge in the bullion price is bound to feature in the reserves, mainly because of its timing. The gold valuation built into the reserves is based on the average of the month's final 10 London fixes — the gold price over the last five days of the month. As the first chart shows, since gold moved from a morning fix a week ago to Friday of \$348.55 to an afternoon fix last Friday of \$354.30, the final five days in April neatly captured the best bull run of the current gold rally to date.

Part of the upturn in the gold price will have been neutralised by the parallel firming in the rand/dollar rate, but the net re-



sult should be a marked improvement on March's gold valuation of R953.03/oz. Combined with the support to the reserves forex component of unwound leads and lags, and assuming any sell-off in physical gold holdings is moderate, the likely higher gold valuation puts an extra gloss on Keys's confidence.

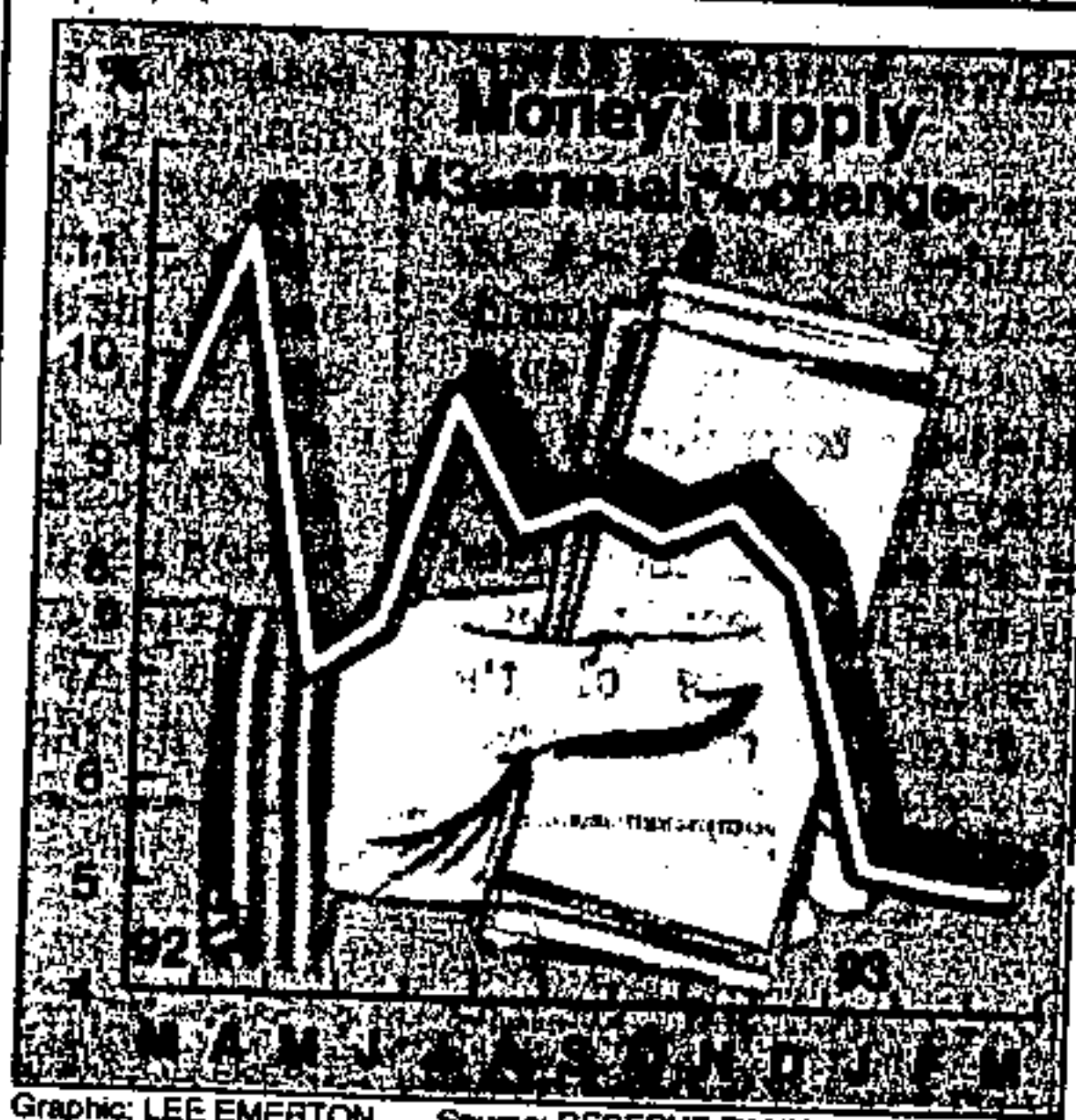
A reserves turnaround in April would make the trends in the second chart a good deal less worrying. In August last year, when reserves hit a record R11.5bn, a confident Reserve Bank published this rare graph showing the level of net reserves — that is, the reserves with foreign bridging finance stripped out. At the time, gross reserves were unsupported by foreign loans, whereas in mid-1989 gross reserves were almost entirely spoken for by loans.

Since last August's reserves peak, the Bank has had to draw on foreign loans again to offset the drain on the reserves from drought-related import payments and leads and lags. The Bank has not issued any more graphs detailing total net reserves, but has mentioned that its short-term foreign borrowings totalled R1.4bn at end-February and R2.1bn at end-March.

By superimposing these data onto an updated version of its net reserves graph of last August, and incorporating the regularly published changes in net reserves, an impression can be gained of the reserves deterioration which should partially reverse this week.

Internationally, markets will be looking to the US March leading indicator, out tomorrow, for hints as to the future pace of the slowing US economic recovery. The leading indicator, which outlines economic performance a year or so out, has been positive for five months but has risen slowly. Soft recent data on US money supply growth, factory work-week length, jobless claims and durable goods orders may continue to hold it back.

The burgeoning UK recovery is, conversely, gathering speed and the UK April money supply figures out on Thursday should reflect this acceleration. Growth in the narrow M0 measure, at 4.9% in the year to March, was above its 0%-4% target range for the second successive month. Another rise in the measure for April should feed through into further retail sales growth and thus fuel recovery hopes.



March decrease in money supply

6/10/75 4/5/93
74 GRETA STEYN

MONEY supply figures for March provided evidence of an economy in the grips of recession and balance of payments pressure as the annual growth in the stock of money fell for the fourth month in succession to 5,15% from 5,18% in February.

Economists said slack credit demand and an outflow of foreign exchange had combined to dampen expansion in the money supply. Reserve Bank figures showed the stock of money in the economy declined between February and March to R195,2bn from R196,9bn.

As a result the percentage change at an annual rate from the base of the current guideline year was negative (1,79%), from a positive 0,68%.

These growth figures compare with the target range for growth in the money supply for the year of 8%-9%, showing that the stock of money is expanding at a much slower rate than the Bank's projections.

Bulls in the money and capital markets are expected to seize on the figures as a sign that the monetary policy might be slackened because of the recession, despite the sudden increase in inflation.

But economists said an examination of factors driving the money supply indicated the need for caution. Changes in the money

□ To Page 2

Money supply

supply reflect not only domestic credit extension, but also foreign exchange flows. The fall in the March foreign exchange reserves suggested BoP problems were a major factor behind the decrease in the money supply between February and March.

The Bank's figures showed credit extended to the domestic private sector increased sharply by R3bn between January and February, the latest available numbers. The annual rate of increase in credit

From Page 1

extended to the private sector had risen for three months, but economists said it was too soon to tell whether this was a sign of the recession easing. Credit expansion had not been enough to offset the effects on the money supply of the capital drain.

The annual rate of growth in credit extended to the private sector has risen from below 7% in November to 8,82% in February. However, money supply growth has fallen from 8,66% in November to 5,18% in February and 5,15% in March.

West could pledge \$1bn to assist SA

WASHINGTON — Western nations might pledge up to \$1bn in development assistance to SA once agreement on a transitional executive had been reached, a Washington-based consultant advising the World Bank on SA said.

The need for substantial aid to help a new government meet popular expectations would probably be addressed when the seven major industrialised countries held their annual summit in Tokyo in July, Samuels International vice-president Witney Schneidman said.

Donors were also considering con-

SIMON BARBER

vening a formal consultative group on SA's development needs to be chaired by the World Bank soon after transitional structures are in place.

The bank estimates SA will need \$4bn to \$5bn a year to achieve the annual 4% to 5% GDP growth rate needed to make serious inroads on unemployment and meet demands for redistribution.

Properly used, donor assistance in the form of grants and concessional loans could help SA bridge the gap between the investment it needed and

what it could expect realistically from private foreign and domestic sources, Schneidman argued.

He said it was essential SA's parties agreed as soon as possible on a development agenda so that the aid could be used effectively.

The consultant said the \$24bn pledged to Russia at last year's G-7 summit was never disbursed because of bureaucratic and political disarray in that country.

SA needed to avoid falling into the same trap by establishing a "national agenda for development" to focus donors on its most pressing needs and accelerate delivery of assistance.

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Trade with rest of Africa

progressing

By Sven Lünsche

South Africa made good progress in developing trade relations with Africa last year, the Department of Trade and Industry (DTI) says.

Its annual report, tabled in Parliament yesterday, shows that trade with Africa (excluding Customs Union members Botswana, Namibia, Swaziland and Lesotho) rose from R5 billion in 1991 to R6,1 billion last year.

"Besides an increase in exports to our traditional markets such as Zambia and Zimbabwe, SA made considerable progress with the development of new markets such as Tanzania, Cameroon, Togo and Rwanda," the DTI says.

Exports to Kenya tripled to R100 million last year.

The DTI says the Southern African Customs Union (Sacu) does not, in its present form, serve as a suitable model for further expansion in the region.

This is because of Sacu's financial implications for SA and the vast differences between the levels of development of members, which has been leading to tension over a suitable customs tariffs policy.

'Korean model not the ideal'

WMA 7/18-13/93
BY REG RUMNEY

THOSE wanting affirmation from former Republic of Korea Prime Minister Duck-Woo Nam of their version of the Korean success recipe probably wouldn't have found it at the recent Aspen Institute-Institute for a Democratic Alternative for South Africa conference.

Nam, with the wisdom of someone who has actually taken part in the much-discussed economic miracle, was at pains to acknowledge the failings of policy and the imbalances it has led to.

At the outset, he cautioned: "The basic message I want to convey is not 'Do the same as we did,' but rather 'Try to avoid our mistakes'."

On balance, his paper probably held out less comfort for the proponents of protectionism than those who favour free-markets.

"In simple terms," Nam noted, "international competitiveness means producing better products for lower prices than other countries competing in the international market." But many factors affected price and quality, only one of them being trade policy.

Also, better quality and lower prices could run into protectionist measures such as anti-dumping duties, Nam said.

He summed up some of the lessons to be drawn from the Korean experience of industrialisation and export growth.

●As important as trade policy are dynamism of entrepreneurship, an exceptionally open economy, free and swift labour mobility from agriculture to industry, and stable labour-management relations enforced by an authoritarian government. A retreat from that authoritarian-

ism has had costs. Worsening international trade and political democratisation since 1990 have led to slower growth, Nam reckoned.

●A realistic exchange rate is a key condition. A free foreign exchange market is desirable, but a government may have to intervene to protect the balance of payments from speculative movement of short-term capital.

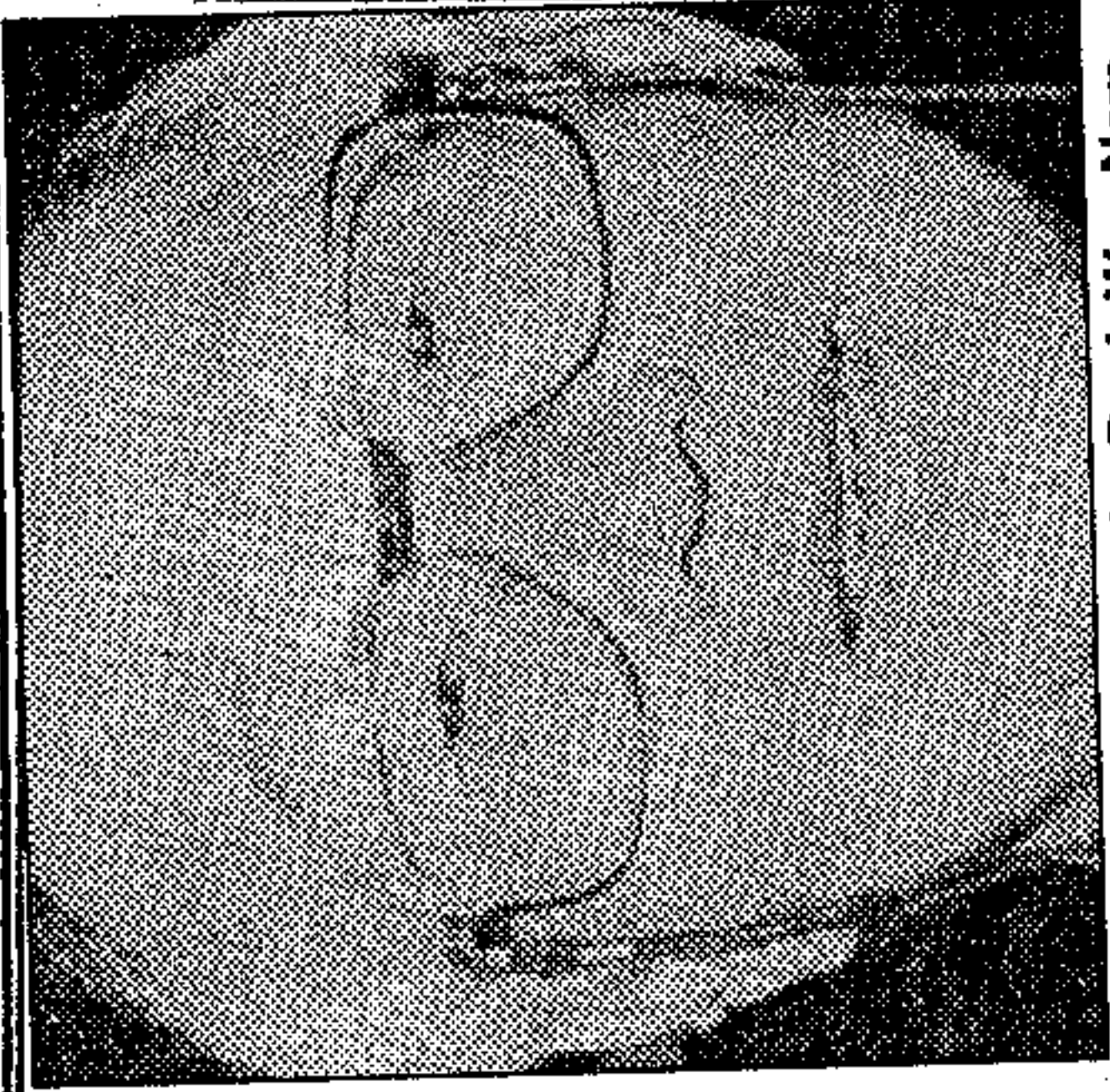
●Exports can only grow rapidly under a free-trade regime, whether natural — the result of liberalisation — or "artificial" — created by selective intervention, as in Korea's case.

●Selective incentives for export are useful only in the first stages of an ambitious export promotion programme when businesses may need to be externally "motivated" to push exports. The government should announce the schedule for phasing out incentive measures when it introduces them to avoid over-protection.

●It is hard to draw a clear line between an import substitution industry and an export industry, and what matters is the prospect of international competitiveness at a future date when protection falls away. Protection of industry, then, seems practical — at least initially.

●Drawing a lesson from Korea's heavy industrial development programme, Nam said such projects should be phased in so as not to overburden the financial capability of investors and the banking system leading to inflationary financing.

The assessment of the long-term prospect of international competitiveness should be based on the assumption there will eventually be no



Former Korean premier Duck-Woo Nam

tariff protection. Viability of large-scale investment projects should be determined on the basis of the comparative advantage in the cost of labour, technological advancement and managerial efficiency.

The tide is running high in the industrialised countries against protectionism, including in developing country trade partners. So it's unlikely other developing countries could copy Korea.

"They are better advised to put greater emphasis on the indirect support of export promotion by the government through dissemination of information, education and training of workers, promotion of research and development, providing adequate public facilities including ports, transportation and communications, and above all, adopting a sound macro-economic policy framework in a well-functioning market system."

AS the Uruguay Round of the General Agreement on Tariffs and Trade (Gatt) negotiations drag on, South Africans have been on a sharp learning curve about what their full participation in this international trade forum could mean — and not all of it is good news.

The round, which started in 1986 and has proceeded in fits and starts ever since, is expected to be concluded later this year. It will be the most comprehensive multilateral trade agreement ever, including, for the first time, trade in textiles, agriculture and services.

On the face of it, it will be good to be back in the world trade arena, unhampered by sanctions and the many under-the-counter deals that often led to. Being a "legit" signatory to Gatt will open up many export markets, but, in return, South Africa will also have to tidy up its tangled mess of tariff barriers, export promotion schemes and other "anti-Gatt" trading measures.

That could be quite a headache. South Africa has no fewer than five different export promotion programmes and some 1 200 tariffs for various lines of imports. These have been built up during the sanctions period to protect local industries from cheaper imports, even if the local industries could not make them as well as other countries, and encourage exports through subsidies or tax-breaks.

The result, as delegates heard at two major trade conferences near Johannesburg last week, has been that many local industries are hopelessly inefficient, uncompetitive and do not have a snowball's hope in hell of surviving foreign imports. Naturally, many of these industries are screaming for protection, or, at least, a chance to build up their competitiveness through a phased reduction in tariffs rather than a grand-slam, one-off reduction. Others, however, rather fancy the idea of a swift cut-back in tariffs as high import duties push up their production costs if they use a lot of imported materials.

Unions are caught betwixt and between in all this. They have come to recognise the need for greater competitiveness if their industries are to survive and prosper so that their members can keep their jobs and, eventually, earn higher salaries. But they know that rapid tariff reductions could wipe some indus-

tries out, even if they do help others improve productivity and keep costs down.

Gatt director in charge of negotiations on goods and policy affairs David Hartridge told the Institute for Democratic Alternatives for South Africa/Aspen Institute conference and Trade Policy Monitoring Project (TPMP) workshop that South Africa had made an offer to Gatt to cut tariffs on about half of all tariff items to ensure an average tariff on manufactured imports of less than 14 percent.

But, judging from comments at the two conferences, there is still some disagreement about how far, or fast, import liberalisation should take place. The private sector and the unions would like the offer to be reviewed and TPMP director Alan Hirsch said many economists felt

Getting Gatt-vol of the tariff tangles

W/Ment 7/51-13/9/93
South Africans are grappling with what legitimate membership of the General Agreement on Tariffs and Trade really means, reports **LYNDA LOXTON**

that the first priority should not be import liberalisation, but increasing productivity and competitiveness.

That requires a long, hard look at how industries are run, produce things and then sell them. This has already started in the clothing and textiles sub-sector and the motor industry, where task groups made up of employers, unions and government are examining ways in which far-reaching structural adjustments could be made.

Despite this, officials appear to be pressing ahead with plans to scrap a major export subsidy scheme, which paid out R1,3-billion to exporters in 1991/92, on the grounds that it is "anti-Gatt". No "Gatt friendly" alternative has been announced yet.

Many economists have suggested that

South Africa should seek "developing country" status, which would allow it to phase in tariff reductions over five to eight years to protect infant industries.

Hartridge said there would probably be no political objections to this, but said there were signs "of an increasingly critical or demanding attitude on the part of developed countries". More and more, preferential treatment of poorer countries was "falling out of fashion" and "reciprocity" was in. In other words, any preferential treatment had to be counter-balanced by tariff reductions and promises to peg tariff increases.

"Since some sectors of the South African

economy are highly competitive, there might be some debate in Geneva about a decision by South Africa to reclassify itself as a developing country," he said. South Africa would also have to beef up its anti-dumping laws, which Hartridge said were now rather vague and gave too much discretion to officials to decide what constituted dumping. Often, he said, they were influenced by local lobby groups worried about cheap imports rather than hard facts.

It would also have to stop insisting that foreign investors would have to buy a certain proportion of machinery or raw materials from local sources, and start gearing up to support so-called "intellectual property rights" by cracking down on commercial counterfeiting of trademarks and copyright conspiracy.

But many believe that the Department of Trade and Industry (DTI) is not moving fast enough on, or consulting widely enough about future trade policies.

Board of Executors economist Rob Lee fears South Africa is set to become "an increasingly third rate anachronism in world trading terms" because officials are merely tinkering with "our highly complex and wasteful system of exchange controls, export subsidies, tariff barriers and other restrictions".

The recently released Normative Economic Model had indicated that government was aware of the need to tackle these issues.

But, said Lee in his latest issue of *Investment Outlook*, "the stated intention is to phase these reforms in over a long and uncertain period. This gradualist approach greatly increases the probability that politicians and lobbyists will prevent adequate implementation, and will, in any case, significantly reduce their effectiveness."

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FM 7/5/93.

Out of orbit

Growth in money supply is a crucial indicator of economic activity. So the Reserve Bank's surprisingly low estimate of the broad monetary aggregate M3, at the end of March, is cause for concern.

After slowing in 1992, growth in M3 has stopped. In two of the first three months of 1993 the seasonally adjusted level fell. And the monthly slumps produced declines in the annualised growth rates — from the mid-November base. The significance of this measure (as opposed to the year-on-year growth rate) is that the Bank provides growth guidelines, which in 1993 are set at 6%-9%, and a serious deviation shows events are taking an unexpected turn.

Latest figures show M3 fell 1,8% in March (to R195,2bn), after a rise of only 0,68% in February and a fall of 4,8% in January.

The contractions in November-January and November-March are the first absolute declines in this measure since figures were published in March 1989. Money supply targeting from a fourth-quarter base was introduced in 1986 by the then Governor Gerhard de Kock. But initially only 12-month figures for M3 growth were published. A decision to publish the other measure was taken when De Kock realised the targeting exercise could not be properly evaluated by the public unless people had access to it.

But the January and March falls in M3 must be seen in perspective. Though they are partly an indication of the low level of demand for credit, credit extension is only one component of M3 growth. Another important element is the movement in gross foreign reserves. These fell from R10,6bn in November to R9,1bn in December, and from R8,3bn in February to R7,5bn in March.

Declines in forex reserves constrain future growth — but they are not a symptom of low demand in the economy. On the contrary the recent fall in reserves was partly due to a high import bill.

An indication of the strength of demand comes from figures on credit extension provided by the Bank. They show an annualised

seasonally adjusted rise of 5,1% in total credit extended between the end of November and the end of February. (Figures for March are not available.) This shows consumer confidence is low but is far from being at the depressed levels indicated by M3 growth.

Another factor to be considered is that March was the end of the fiscal year and government spending is often delayed in that month to keep the figures as presentable as possible. In that case, the monthly dip would have been followed by a compensatory rise in April, which will be incorporated into that month's money supply figures.

The long-term declining trend in money supply growth is at least a harbinger of a lower rate of inflation.

Annual growth in M3 peaked in August 1988, at 27,5%. In the years that followed inflation climbed from 13,3% in January 1989 to 16,5% in October 1992. A slide in money supply growth saw inflation fall to single digits by December 1992. As both figures have been technically distorted over the period, the correlation is not perfect. But, overall, it suggests that, with 12-month growth in M3 down to 5,33% in January, 5,18% in February and an estimated 5,15% (to R198bn) in March, there can be little fundamental pressure on inflation. Which means the exchange rate should stabilise in the years ahead.

- Money supply figures for February show:
- M0 rose 11,7% to R13,4bn;
 - M1A 24,5% to R42,1bn;
 - M1 14,17% to R70,4bn;
 - M2 6,9% to R168,7bn; and
 - M3 5,2% to R197,4bn.

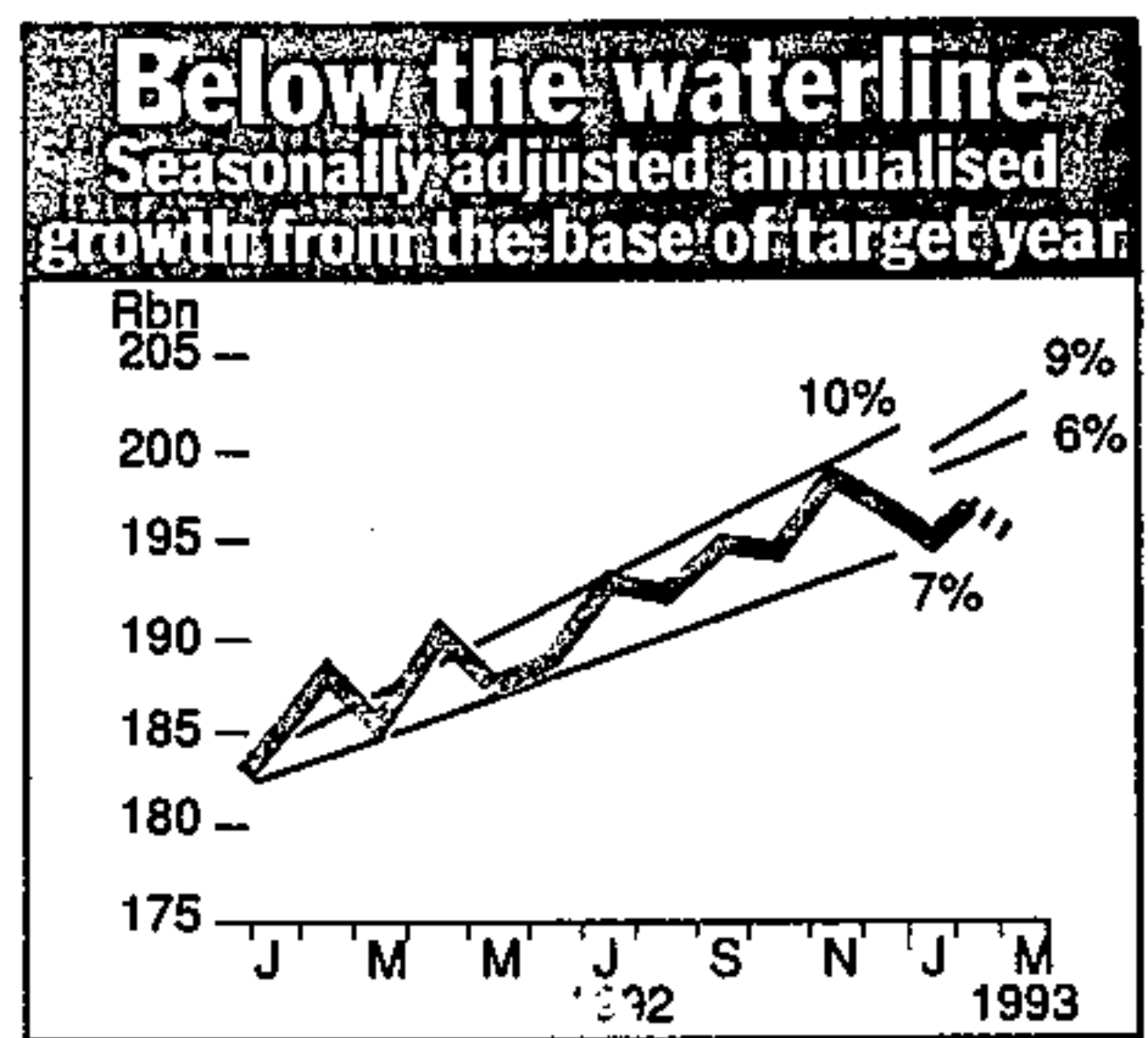
MOVIE SCHEMES FM 7/5/93

Happy endings

The terms Inland Revenue has announced for the settlement of outstanding assessments of taxpayers, who had committed funds to so-called movie schemes, have implications for those involved in schemes based on plantations, bloodstock and aircraft.

The recent decision of the Transvaal Income Tax Special Court, in the *Jake Speed* case, gave final impetus to the movie settlement. The Income Tax Act will be amended this year to provide for it and taxpayers will have to prove that the movie was manufactured and released for viewing in an "export country" (one in relation to which the benefits under Section 11bis of the Act were available).

The offer must be accepted in writing on or before September 30. The most important terms of the offer (see box) are to allow a



INVESTMENT

People in glass houses

FM 7/5/93
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Businessmen have done more than politicians to maintain investment

There is a perception abroad that SA's business leaders are reluctant to invest in the real economy. Since political change restored the country's status in the international community, they have been urged to show their faith in the future by investing.

The latest call came from US ambassador to SA, Princeton Lyman. Speaking at a Radio 702 business breakfast last week, he urged the business community to be bullish. He said sources of foreign finance would not materialise "if SA capital is either leaving the country or held out of the marketplace... One clear condition (for attracting foreign capital) is that it should be matched, if not overmatched, by SA investment in the same areas or instruments."

But the business community has already demonstrated its sentiments by remaining remarkably resilient through a testing time.

It is not known what proportion of the capital that has left the country over the past eight years originated from domestic sources. Nor is it known how much of the net outflow over the past few months is capital flight; and how much simply reflects decisions by local borrowers to convert offshore finance to domestic loans. But an indication of the capital deployed within the country comes from the levels of private-sector fixed investment made over this period — in the face of huge constraints on profits.

Since 1985, SA has had:

- Unprecedented political turbulence;
- Two major recessions;
- International sanctions which reduced export revenues and slashed foreign funding;
- A cyclical decline in demand for the country's exports, after growth in the major industrialised countries started to decline in the late Eighties;
- A structural change in the commodity markets which diminished the role of major exports, such as coal, in the world economy; and
- A decline in the investment value of gold, the country's single biggest export.

Yet private sector capital expenditure has fallen by only 5% in real terms — from R16bn in 1985 to R15,2bn (in constant 1985 rand) in 1992. The huge decline in gross domestic fixed investment has come in government initiatives, which fell 39% in the period, to allow for an increase in consumption spending (from 17,3% of GDP to 21,3%); and in the capex of State corporations, which plunged 67%.

It is the last two which contributed most to the huge decline in the ratio of gross domestic fixed investment to GDP — from nearly 28% in 1982 to 15,9% in 1992.

As to the future, major private sector projects already in the pipeline could make a

significant contribution to GDP (see table). The timing of the funding flows is uncertain and the effect on the figures of projects completed is difficult to quantify, so predictions on investment figures for 1994 can be only tentative. But it seems likely that new projects will at least halt the decline in private-sector investment spending in 1994 and could actually reverse it.

An indication of its impact at a micro level comes from Willie Vance, executive director of the SA Federation of Civil Engineering Contractors: "The capital cost of the three major projects — Columbus, Alusaf and Namakwa Sands — is just under R12bn. If this amount is spent over a construction period of three years, it will mean about R400m a year to the civil engineering indus-

Hence the R3bn-plus Columbus stainless steel venture.

Tight monetary policy which resulted in high interest rates, he says, has been the second most important reason for the reduced level of demand, and hence investment. However, the benefits of lower inflation will eventually compensate.

As a deterrent to investment, he ranks political instability only third. Its effect is felt most in those sectors of the economy which depend on domestic consumption demand. People whose income has been eroded not only by recession but by disruptions in the economy are cautious about spending and even more cautious about borrowing.

Though the political dimension is only one of several which influence decision making, after the past few weeks of turmoil, it tends to dominate perceptions.

Apartheid is gone but we are left with its legacy. When Hendrik Verwoerd and his henchmen introduced a series of amendments to the Urban Areas Act in the Fifties, they started a process of social disintegration within black communities. Legislation took migrant workers from their families and installed them in single-sex hostels.

It removed communities from "black spots" and settled them in wastelands. And the enforcement of the notorious pass laws made criminals of innocent people. And as family life and community values were being destroyed, the Bantu Education Act of 1953 came into force, ensuring that blacks would receive an inferior education for decades.

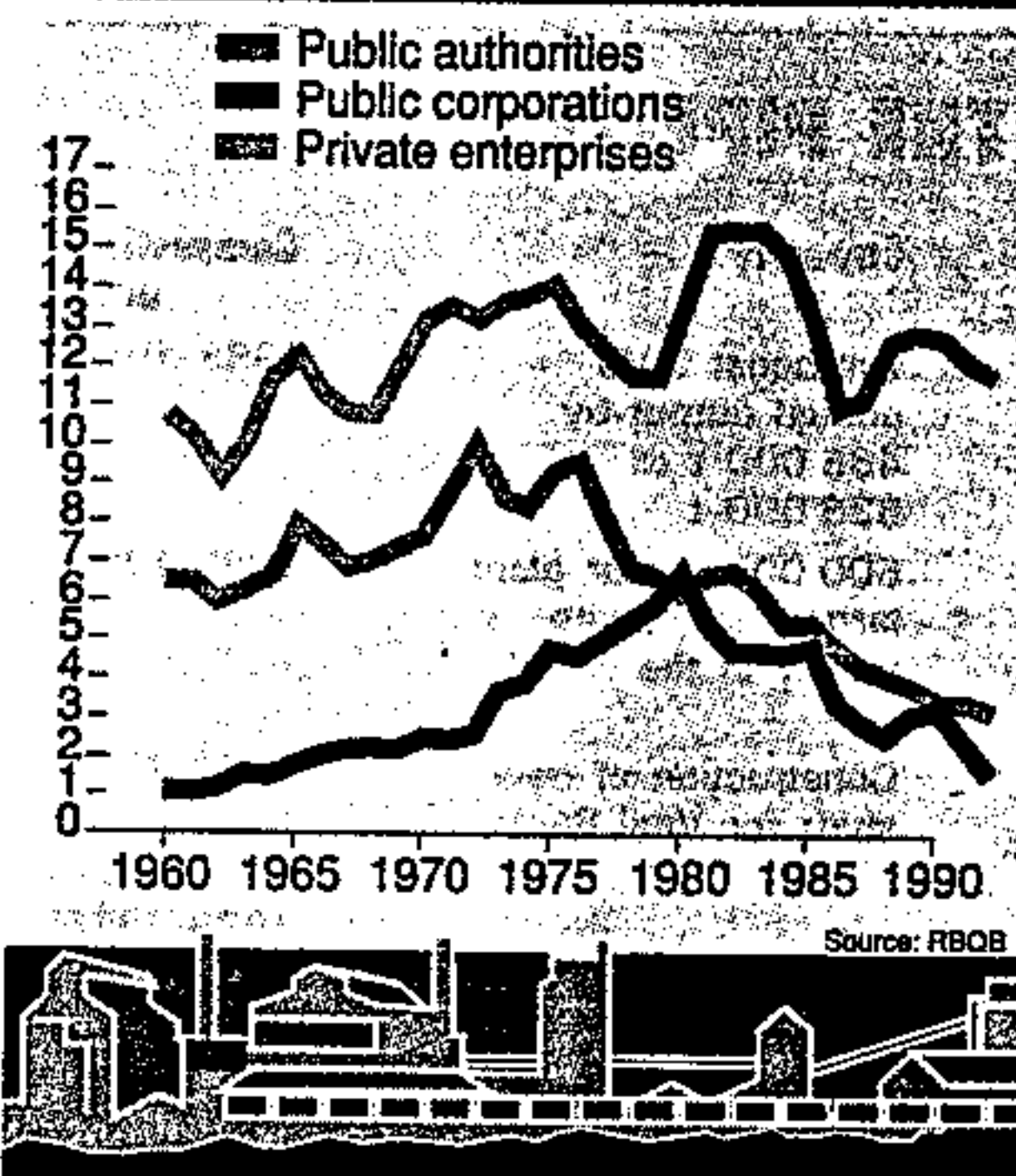
The dragon seeds sown in the Fifties were reaped in the Seventies and after, when a generation of dispossessed, alienated and angry young people vented their frustration in violence. The ANC, then in exile, mobilised the anger and frustration for its own political purposes and used it throughout the Eighties.

Now the forces the NP created and the ANC invoked in response will not return to their bottle.

The assassination of Chris Hani and the violence that followed have shown how powerful are the forces of destabilisation. The actions of a handful of white racists and anarchic blacks bent on destruction have held the country hostage. The white racists can perhaps be regarded as a security problem and contained.

But the black youths described by the ANC as criminal elements are a symptom of a huge social problem that will be with us for many years. They are from a generation born in the cauldron of the Seventies, reared in the township turmoil of the Eighties, steeped in a culture of violence — and largely unequipped to earn a living.

Holding the line GDFI as % of real GDP



try — which represents about 8% of turnover."

Whether capex increases further will depend on a number of factors.

One of the major determinants of investment is the strength of the world economy and international demand for exports. Amic chairman Leslie Boyd says: "In the case of vanadium, manganese and ferrochrome, for instance, we have idle plants because the market isn't there for our capacity."

However, where demand is firm, as in the case of stainless steel, there is an incentive to expand. "The plant at Middelburg," he says, "is working at full capacity and we are comfortable about expanding and taking a long-term view that SA is the right place to make a major investment in stainless steel."

Suitcases of money can follow a family that Packs for Perth

STimes [Business] 9/5/93

74



THOSE ignoring Nelson Mandela's appeal to stay in South Africa and Packing for Perth should first settle their financial affairs to their advantage. Careful planning can increase the amount of money they take with them.

Planning is particularly useful for those forced to leave stacks of cash behind which can generate income.

Exchange-control regulations allow emigrants to take R100 000 a person or R200 000 a family through the financial rand to settle in their new country, says Forex Consulting director Alan Sendzul.

Blocked

A booklet on retiring abroad by Personal Finance editor Martin Spring says an emigrant may also take furniture and personal effects worth R75 000 and a R75 000 car.

A family with large savings will have to leave much behind in blocked assets.

But the income generated from these assets may be remitted abroad. The maximum allowed is R300 000 a year in commercial rands. If the income exceeds this, interest on the ex-

By TERRY BETTY

cess can be remitted in commercial rands.

This is where the emigrant has room to manoeuvre, says Mr Sendzul.

The emigrant should plan to remit as much of assets as possible through income. Mr Sendzul says there are many legal ways of reducing tax payable on income.

The basic idea is to place the funds in high-income assets, even if this is at the expense of capital growth.

The higher the yield, the quicker the blocked assets can be sent abroad in the form of income.

He says Transnet Elfi stock, with a 25% coupon, was popular for this reason. But it was withdrawn because it resulted in a large outflow of dividend payments without attracting a similar inflow.

It is essential that assets be placed in the proper investments before they are "blocked" because once that happens scope for effective financial planning is limited, says Mr Spring.

Broadly speaking, the authorised investments include cash in a bank, in government and semi-government stocks, quoted securities and unit trusts.

However, if an emigrant has money in any other assets, such as property, before they are blocked, he is generally allowed to keep his money there and take the income abroad.

A family also has the option of investing cash in a bank. Mr Sendzul says that although this is a relatively safe option, non-residents are generally offered a poorer rate of interest than available to SA residents.

Streams

The non-resident is charged 15% tax on all dividend income, but interest income is tax free.

Mr Sendzul suggests that anyone wishing to emigrate should sell all blocked assets into a resident trust in SA. This is the most efficient way to minimise taxable income.

It is all very well for a family to take income out of the country, but what happens to it then?

Mr Sendzul says the problem is that many countries such as the UK, US and Australasia levy tax on worldwide income.

Future income streams will attract tax for the new citizen. But a properly structured trust avoids payment of unnecessary tax.

He says the best course is for the emigrant to form an inter vivos trust in one of the tax havens, such as the Channel Islands, the Caymans or the Isle of Man.

Some foreign countries offer differing forms of tax relief, such as zero and low income tax, no estate duty or inheritance tax. But above all they offer banking confidentiality.

Income transferred out of a resident trust in SA to an inter vivos one escapes tax.

Mr Sendzul says it is important for a family to establish

this trust account after it has received emigration papers, but before its members become citizens of the new country.

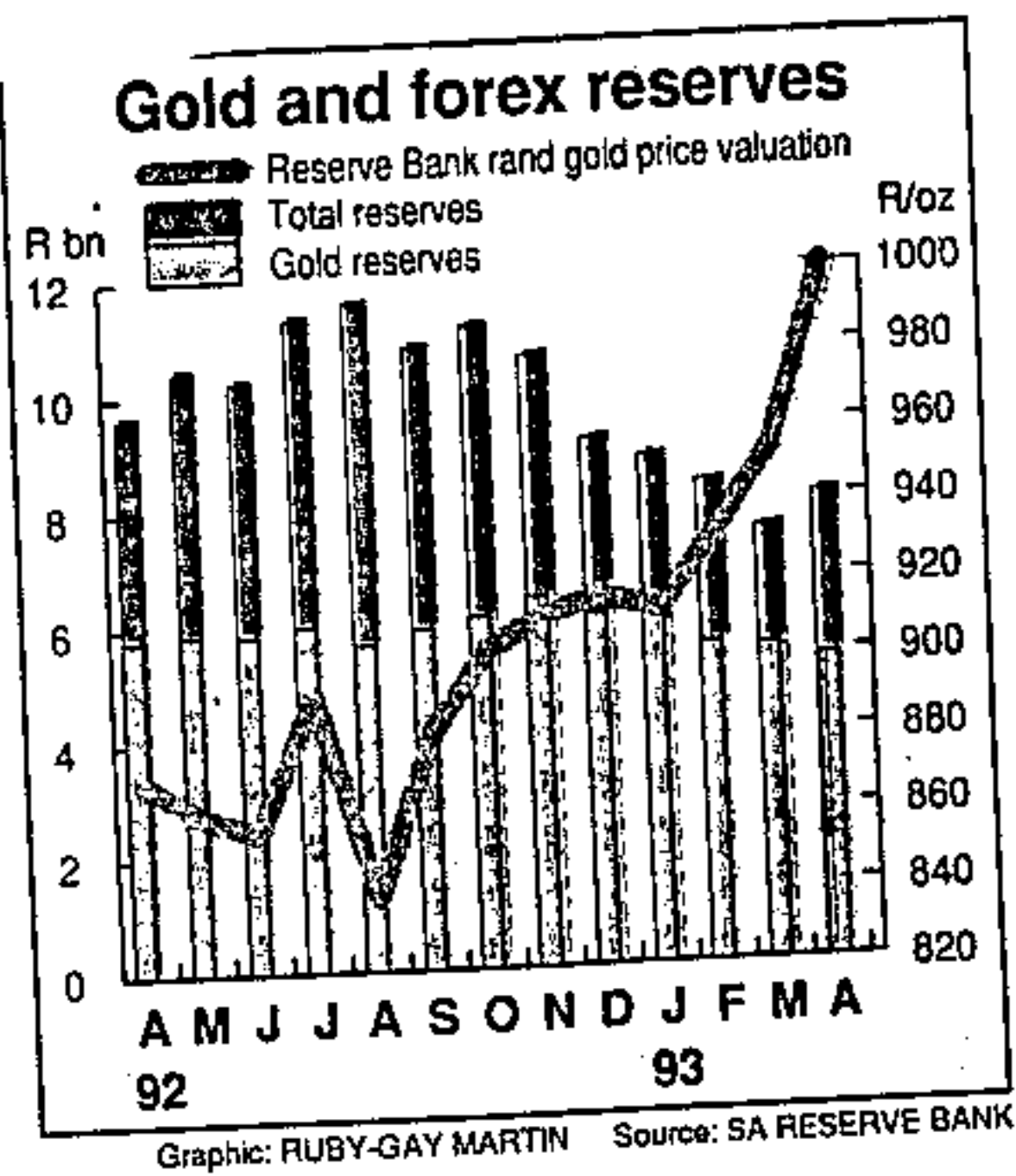
The emigrant may also only apply for the trust account once his emigration papers have gone through and the Receiver of Revenue has cleared him or her.

Mr Sendzul says the basic trust account in a tax haven which holds only equities and cash costs about £300 to establish plus a £300 administration fee a year.

Complicated trusts cost up to £1 000 to establish with annual fees of up to £750.

Work done by intermediaries will also be charged for.

Setting up a trust fund can be done through accounting firms, banks and specialist companies.



Pressure on gold reserves abates

8/10/93 10/5/93
74
 GRETA STEYN

PRESSURE on SA's gold and foreign exchange reserves abated in April as the higher gold price helped the Reserve Bank raise reserves by about R500m.

Economists said while there were many signs pointing to a bottoming in the downward trend in the reserves, the April increase was modest in dollar terms. It would be several months before the Bank was in a position to cut Bank rate in response to a stronger balance of payments.

Bank figures released at the weekend showed total gold and foreign exchange reserves were R8bn at the end of April, from R7,48bn at the end of March.

Gold holdings were valued at a higher price an ounce (R999,53 versus R953,03), which offset the selloff of almost 223 000 ounces, leaving 5,2-million ounces in holdings valued at R5,24bn (March: R5,21bn). The currency component of the reserves was R2,79bn (March: R2,27bn).

Nedbank chief economist Edward Osborn said the reserves, when looked at in dollar terms, showed a small increase of \$90m. This was evidence of an improved situation. However, it was not yet clear that BoP pressures were over, and capital outflows could resume again.

FNB said in its Business Brief the foreign reserve position seemed to be stabilising. "Provided there are not too many major political accidents ahead, the foreign reserves may rise in the second half of the year so that another 1% cut in Bank rate and prime becomes plausible."

Lawyers and Absa try to end dispute

By Bruce Cameron

CAPE TOWN — The Association of Law Societies is to meet the Absa banking group in Johannesburg on Wednesday in an attempt to resolve a clash over bank pressure on Cape Town lawyers to reduce mortgage registration fees.

The association's decision follows a spat with Absa in Cape Town over an attempt to slash registration fees by 25 percent.

The meeting will be attended by representatives of all four provincial law societies.

Cape lawyers are threatening to switch billions held in trust funds into other banks unless Absa backs off.

The Cape Law Society has threatened to act against members who buckle under to Absa and flout their professional rules.

Society chairman Carl Pohl argues that members are bound by the Deeds Registries Act and the society's rules to charge fees set down in regulations, not only for the registration of mortgages, but also for conveyancing transactions.

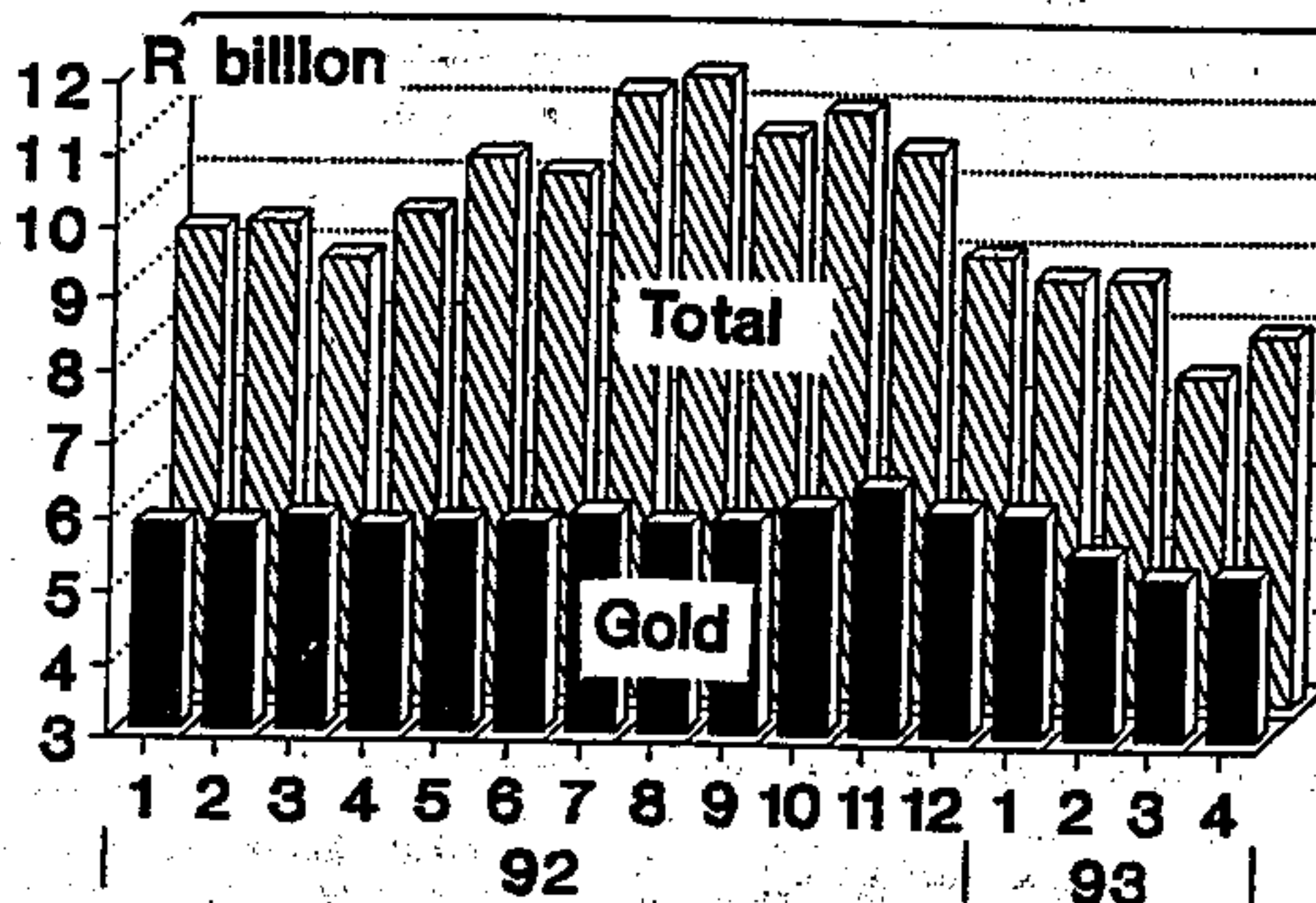
Representations

Pohl says the Regulations Board sets fees after representations from the Association of Law Societies, and with the final approval of the Minister of Land Affairs. The last tariff adjustment was in January 1990.

Pohl rejects arguments that the fixing of fees amounts to a cartel arrangement.

The fees were set down on an ad valorem basis and founded on a policy decision of the Government intended to introduce an element of cross subsidy between transactions involving large sums and those involving small ones.

In other words, lawyers do not make much, if anything, out of the registration of transactions at the lower end of the market, but recover on the higher percentage charged at the upper end.



Gold and foreign exchange reserves

Gold, forex reserves rise after six months of steady decrease

By Sven Lünsche

After declining for six consecutive months, SA's gold and foreign exchange reserves moved upwards in April.

Reserve Bank figures released over the weekend show that the reserves rose by over R550 million from R7,48 billion in March to R8,03 billion last month.

Expected

The recovery had been expected by both Finance Minister Derek Keys and Reserve Bank Governor Chris Stals.

It follows a sharp decline in the reserves from August last year, when they totalled R11 billion, equivalent to cover over two months of imports, to March, when the import cover was a mere 1,3 months.

The steady decline came in the wake of a smaller trade surplus, as exports were hit by the depressed economies of SA's major trading partners, and in the wake of renewed capital outflows.

Stals last week provided three reasons for last months' recovery: SA had made its last

payments for imported maize, the rising gold price and the weaker dollar, which generated an unwinding of the adverse leads and lags position.

The higher gold price boosted the average rand gold price of the Reserve Bank's gold reserves to R1 000 per ounce in April from R953 in the previous month.

This offset a fall in the physical volume of gold held to 5,24 million ounces (March: 5,46 million ounces) and boosted the value of the gold reserves to R5,24 billion (R5,21 billion).

Component

The foreign exchange component of the reserves showed a more marked improvement from R2,27 billion to R2,79 billion.

The significance in the recovery of the reserves is that, if the upswing is maintained, it could herald a return to easier monetary policy by the central bank.

Stals has already indicated that the continuing recession would lead to interest rate cuts later this year if the reserves recovered sufficiently.

THE EVENTS of the past few weeks have been tumultuous and emotionally draining. Whenever a major political figure is assassinated, it is a traumatic blow to the psyche and political culture of a country. I know that from the terrible days of 1963 and 1968 in the United States when assassinations shocked our country to the core. It has taken perhaps all this time for us to recover from them.

Thus it is natural and indeed necessary that the shock of Chris Hani's assassination have means of expression and outlet. And it is equally important that the murder be thoroughly investigated, right away, so that doubts and webs of conspiracy theory do not poison the political atmosphere for years ahead. I commend the Government for inviting international experts to add to its investigative team.

Deeply disturbing

It was of course deeply disturbing, and at times frightening, to see decent and disciplined occasions of mourning and protest used by some for violence and looting. But there is another side to these events that needs more emphasis than given in the media.

Hundreds of thousands of South Africans, torn by grief and shock, and many by anger, demonstrated their feelings in an orderly and disciplined way. Only a very small minority did otherwise and against the directions of the nation's leaders.

What this tells me, and it is important for the subject of the economic and investment prospects for the country, is that the overwhelming majority of South Africans, despite years — indeed in truth centuries — of discrimination and oppression, do not want to tear down this country, do not want to destroy the remarkable achievements that have been made but want to participate in them.

That is a far cry from Angola, or Somalia, or Yugoslavia, where people are prepared to destroy their own country in order to rule it. This feeling is precious in South Africa. It must not be wasted.

It will be wasted if the negotiations that have gone on for almost two years now do not reach fruition soon. It will not be enough simply to reach agreement, however. It must be an agreement that gives fundamental right to the majority.

Some still hope that democracy can be detoured, that under the facade of democracy an agreement can be reached which hobbles the authority of the majority. Let me be clear. No democracy works if power is absolute. The minority must have rights and protection. Power must have checks and balances.

All these can be built into the systems now under discussion — (through a balance of central and regional authorities, through a bill of rights and a system of constitutional supremacy with a strong and independent judiciary, through a government of national unity.

Sufficient mandate

But there must also be rights of majority. The electorate must feel that its votes counts for something, that the party or parties that are in the majority have sufficient mandate and authority to lead the country in new directions, to provide for new dispensations, to make decisions and to overcome opposition after a fair debate and adherence to lawful and constitutional procedures.

Any agreement short of that, in my view, will not hold. Any system which portends deadlock and paralysis would be deadly. Indeed it may not be sustainable through the elections.

Now is the time for courageous decisions. We have witnessed an outpouring of not only grief and anger but continued dedication to South Africa. We must see democracy come while that spirit is still dominant.

Everyone knows that the economy is in deep trouble. The challenge that faces all of us, South Africans and the interna-

SA business must start taking risks

■ An edited address by **PRINCETON N LYMAN, US**

ambassador to South Africa, made in Johannesburg recently before

an audience of mainly white South African businessmen:



Chris Hani....death still reverberating in South Africa.

tional community that has a stake here — and I would emphasise that the United States has a large stake here — is to make the future happen. It is tempting for business to put its capital into safe financial instruments and take few risks at this point.

The trouble is that this only contributes to the problem. We look to the politicians to take risks in a political settlement but we are asked to understand the businessmen and women's unwillingness to do so. We tell the political leaders that violence will inhibit confidence and the readiness to invest but we are told that we cannot expect the business community to take steps now to provide jobs or job-promoting training to the unemployed in the townships. That cannot be the stance to take.

There are several institutions which are developing scenarios for the future development of the country. But, in truth, these are still more the exception than the rule. While some of the principal businesses of South Africa are so engaged, the general climate remains deeply conservative.

The international community is also cautious.

We anticipate that the principal sources of assistance capital that will be available to South Africa will be the World Bank, the African Development Bank and perhaps the International Fund for Agricultural Development. The World Bank has already undertaken an overall analysis of the South African economy and several sectoral studies.

The next logical step is to develop a portfolio of specific project proposals. However, it cannot move forward on this unless there is a clear signal to the bank to do so from the various parties in South Africa, in particular those which have called for maintenance of sanctions. We have urged such a step.

Unless the banks begins now, a newly elected government a year from now will be faced with as much as two years wait before being able to utilise this assistance for the pressing needs of the

Secretary 11/5/93

The challenge facing us is to make the future happen

population. The psychological effect of this step will be important. It will further signal the constructive intentions of the liberation movement and will give impetus to new investment planning by the private sector.

It is not far-fetched to anticipate some \$2-3 billion annually eventually coming into South Africa from abroad, enough to help South Africa reach substantial growth levels.

Foreign capital

But none of these ideas will take root unless the South African business community is equally bullish. More bluntly, none of these sources of foreign capital will materialise if South African capital is either leaving the country or held out of the market place. South Africans cannot expect foreign institutions to substitute their capital for South Africa.

In every potential case I have cited above, one clear condition is that foreign capital be matched if not overmatched by South African investment in the same areas or instruments.

Thus the lead cannot come from abroad. Nor can the business community put the whole burden on the politicians. The politicians of this country have already gone a long way to assure the business community about future economic policy.

Taking the ANC as one example, the economic policy statements of the past year make little of nationalisation, place great weight on fiscal responsibility and look primarily to the private sector as the engine of growth.

If there is continuing doubt, I urge the business community to engage the political parties more on the issues. But keep in mind that this private sector approach by political parties such as the ANC, and over an even longer time by the IFP, place a responsibility on the private sector. The business community

needs to demonstrate that this faith is not misplaced. If the only response is business as usual, the political support for these policies will evaporate. The South African economy stopped creating new jobs a long time ago, before sanctions were imposed. Sanctions and recession only reinforced the trend. There are deep structural factors that are inhibiting both growth and employment.

Structural change

The business community should not be silent on these matters. Rather, it should be in the forefront of developing proposals for structural change, for alternative tax and other incentives that will lead to far more job-creating investments. It should use the National Economic Forum to put forth a whole programme of this kind and commit itself to a programme of investments once the incentives are enacted.

It should be seeking out new investments that enhance demand and build skills within the black community. If the financial and management institutions appropriate for such investments do not exist, the business community should lead the way in creating new ones, not leaving this, as at present, largely to private non-profit agencies and charitable organisations.

As good as the latter are, they are not the captains of industry nor have they the depth of skills and market savvy to go very far.

What I am saying is that the private sector, which prides itself on analysing and taking risks, must now take some greater risks on behalf of growth and development. Those are not the kind of risks that it confronted in the past, indeed not those usually taught in business schools. They are, if you will, political-economic risks. But everyone in South Africa is being asked to take risks.

The minorities that have dominated this country and are most economically well-off are being asked to risk their futures in a democracy in which the majority is both of a different race and generally poor. The liberation movements are being asked to risk their credibility with their constituents by agreeing to coalition government and dependence on the private sector from which they have been traditionally excluded.

The vast majority of South Africans are being asked to risk their dreams of better education, housing, jobs and basic health services on a long-term programme of growth rather than a radical policy of redistribution. These are big risks but they are essential for each of these parties to take if South Africa is to come through this transition whole.

Common ground

The business community must equally be prepared to take risks on behalf of structural change, greater willingness to invest, dynamic programmes of affirmative action and far more dialogue with the future leaders of the country to find common ground. If South African business leads the way the international community will be there with you. But alone, we cannot do it.

'The challenge facing us is to make the future happen'.

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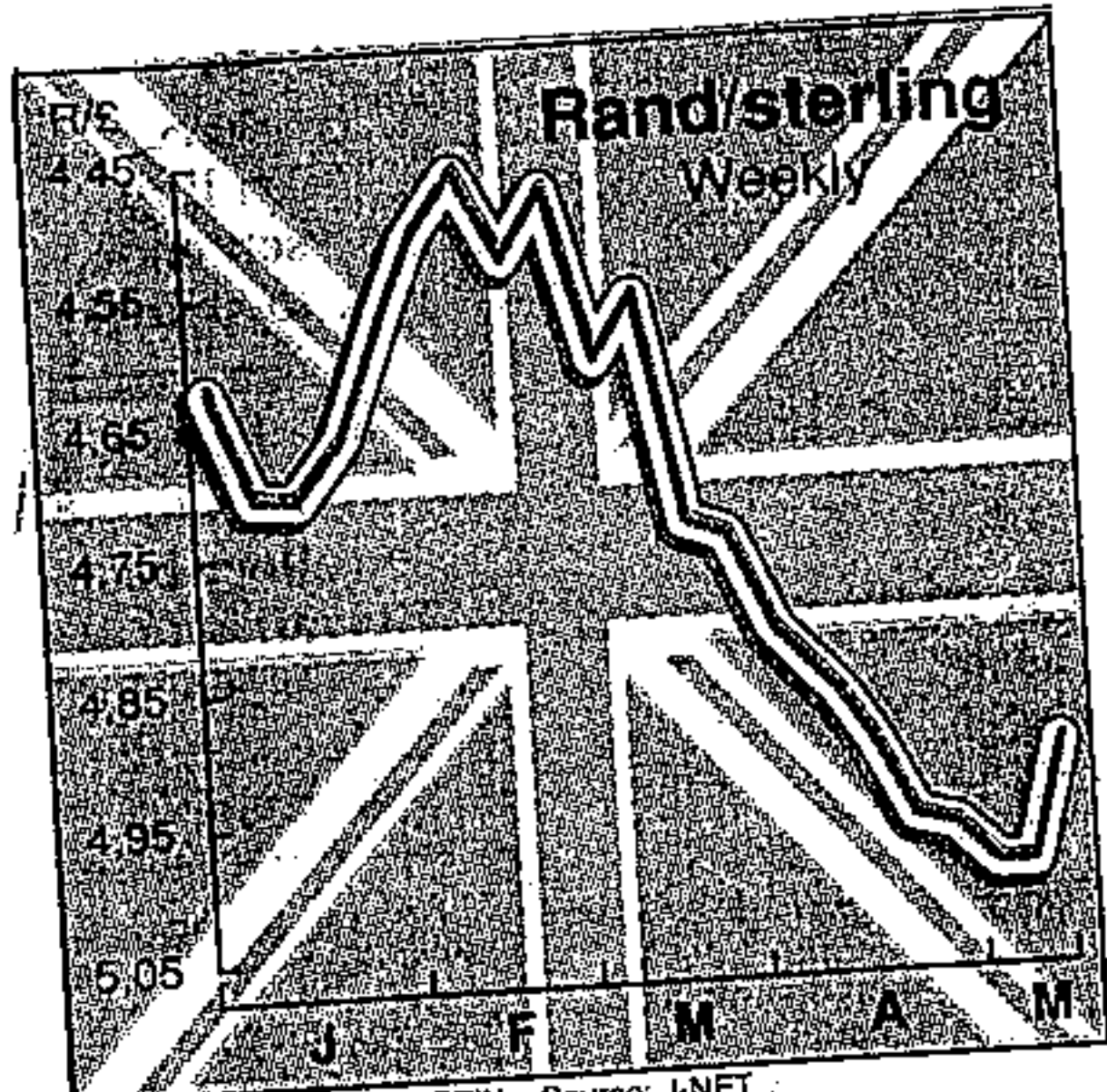
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Graphic: RUBY-GAY MARTIN Source: I-NET

Rand recoups 10c against sterling ⁽⁷⁴⁾

Blomby TIM MARSLAND 11/5/93:

THE rand recouped nearly 10c against sterling yesterday to close at R4,91 as the UK unit came under pressure on the domestic political front, dealers said.

Sterling came under global selling pressure on the back of calls in the UK for Chancellor of the Exchequer Norman Lamont to quit and for a cabinet reshuffle.

However, the rand weakened sharply in after hours trade against the dollar to R3,1780 from Friday's R3,1528 close. The dollar's surge was a result of technical buying and the sluggish performance of most European economies, dealers said.

A dealer described sterling's fall as a technical correction but said sterling had formed a firm base which would prevent it from falling too far. Also, the UK economy appeared to be recovering from recession.

The financial rand stuck to its tight band against the dollar, ending at R4,61 from a previous R4,5835.

Renfreight out in front when it comes to globalisation



EDDIE STEAD

GLOBAL shipping, forwarding and airfreight interests in SA have been gearing to further assist two-way trade as more markets open up to SA. The Rennies Group is out in front, particularly its major freight forwarding company Renfreight, which is meeting the challenges in freight systems and management.

In the area of international brand marketing, all industries have global players which want to source raw materials where they are cheapest, add value where labour costs are low and sell where consumption and prices are high.

Consistency

Renfreight CE Eddie Stead says that to meet their transportation methods worldwide and the forwarder has had to respond with global solutions.

"We are in a decade of rapid development, where transportation and communication are becoming increasingly symbiotic," says Stead.

Like other initiatives such as fax, EDI (electronic data interchange) and JIT (just-in-time) manufacturing, globalisation has evolved from buzzword to reality in less than a decade.

"Thus freight management companies have had to adapt their infrastructure, systems and pace to cope with the demands of the '90s."

Greater visibility of SA products is a key prerequisite. This year, SA products and services will be on display at more venues locally and overseas than before.

Renfreight was recently appointed SA representative of the International

Exhibition Logistics Associates, which has 70 members worldwide.

"Safto has just appointed us as the official forwarder for the first South African-only products exhibition to be held in Singapore in September."

Positive

Though economic activity is at a low ebb, world expectations of SA are positive, says Stead.

The mix of export products is extending towards the added-value end of the spectrum and these encouraging signs have acted as a green light to international air and sea carriers.



Star 11/15/93

Outlook for the 'nervous' rand improving

By Neil Behrman

LONDON — Rand trading will be nervous ahead of the expected political breakthrough in South Africa in coming weeks, say London dealers and analysts.

But if the politicians deliver the goods, the financial rand is likely to rise while the commercial rand should stabilise against the dollar and may well appreciate against European currencies, say dealers.

A rand recovery against the Deutschmark, sterling and other European currencies assumes that the depressed dollar will revive. The rand would weaken against the dollar to a small extent, but would perform better than European currencies.

All forecasts go out of the window of course, if there is another depressing escalation of violence.

SA foreign exchange dealers who are bearish about the rand are mesmerised by the slight increase in inflation. Nevertheless the outlook of the commercial rand has improved because of the 9.5 percent rise in the dollar gold price since February and the 20 percent increase in the rand gold

price in the past five months. The better maize crop and expectations that there will be a foreign debt rescheduling accord on political settlement are other positive factors. The sharp decline in the foreign exchange reserves has kept the rand under pressure.

Economic weakness is another bear point. But according to some estimates, net foreign debt is down to around \$15 billion from \$24 billion in 1986. So any political settlement will improve sentiment markedly.

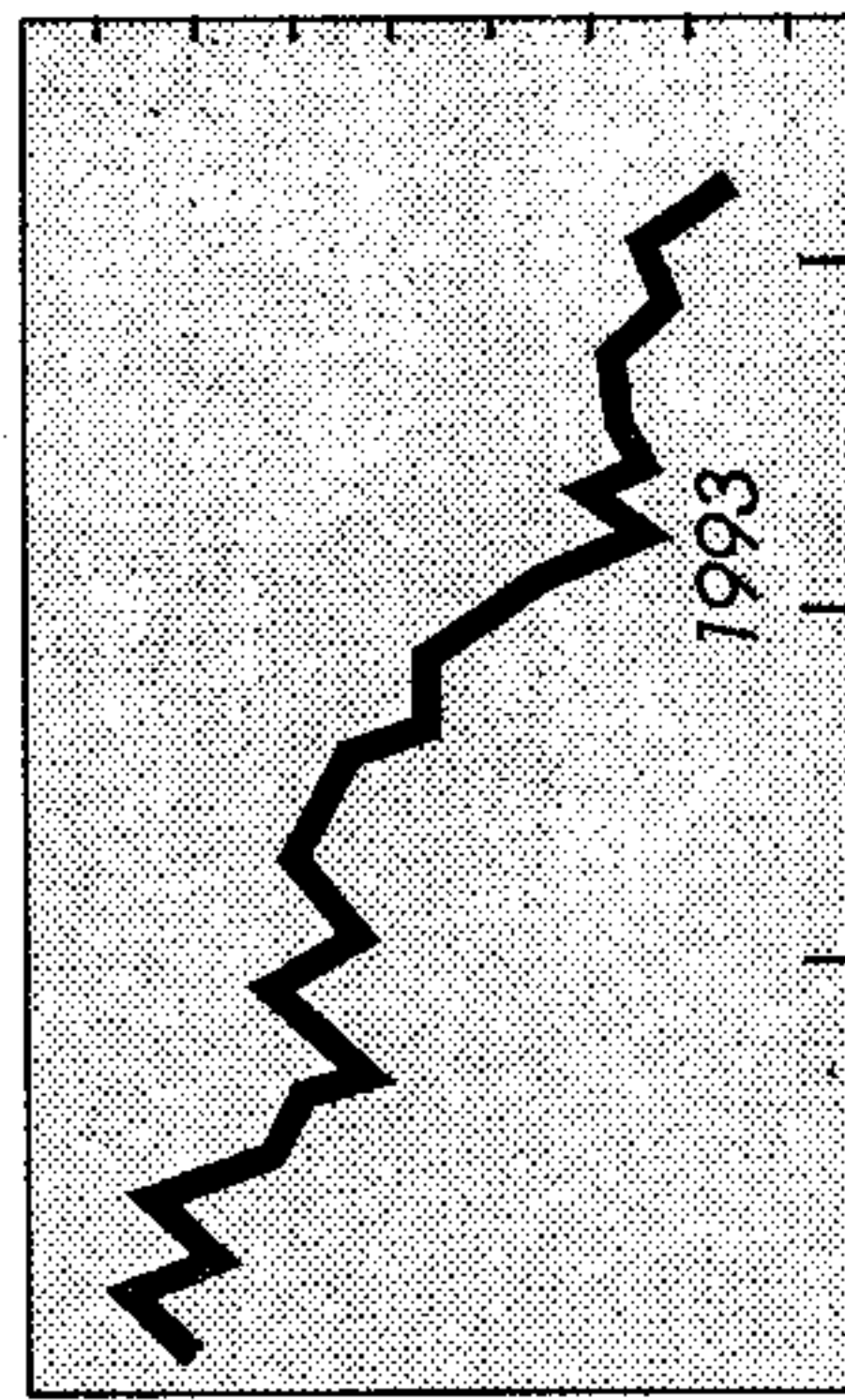
Super rand bears, who were also rampant dollar bulls, have taken a beating.

The spot dollar rate has depreciated by only 2 percent — from its all-time low of R3,21 in March. But the major losses are on the forward dollar rates which must be bought at a hefty premium of 7 percent a year. As the months go by and the rand is unchanged or better, losses mount.

The current spot rand dollar rate is R3,16, but three months forward is R3,22, six months R3,27 and 12 months R3,38.

If the dollar surges, the rand will weaken, but following the sharp 6 percent depreciation this year, the rand will be hard pressed to slump as far as the

Value of Rand Against German Mark



12-month forward rate. The risks are far greater with rand sales against sterling which has recovered by 12 percent — to R4,98 from its oversold level of R4,43 in February.

The dollar is under pressure for the present. Yet it is only a matter of time before the Deutschmark drags European currencies downwards, predict leading foreign exchange dealers and economists.

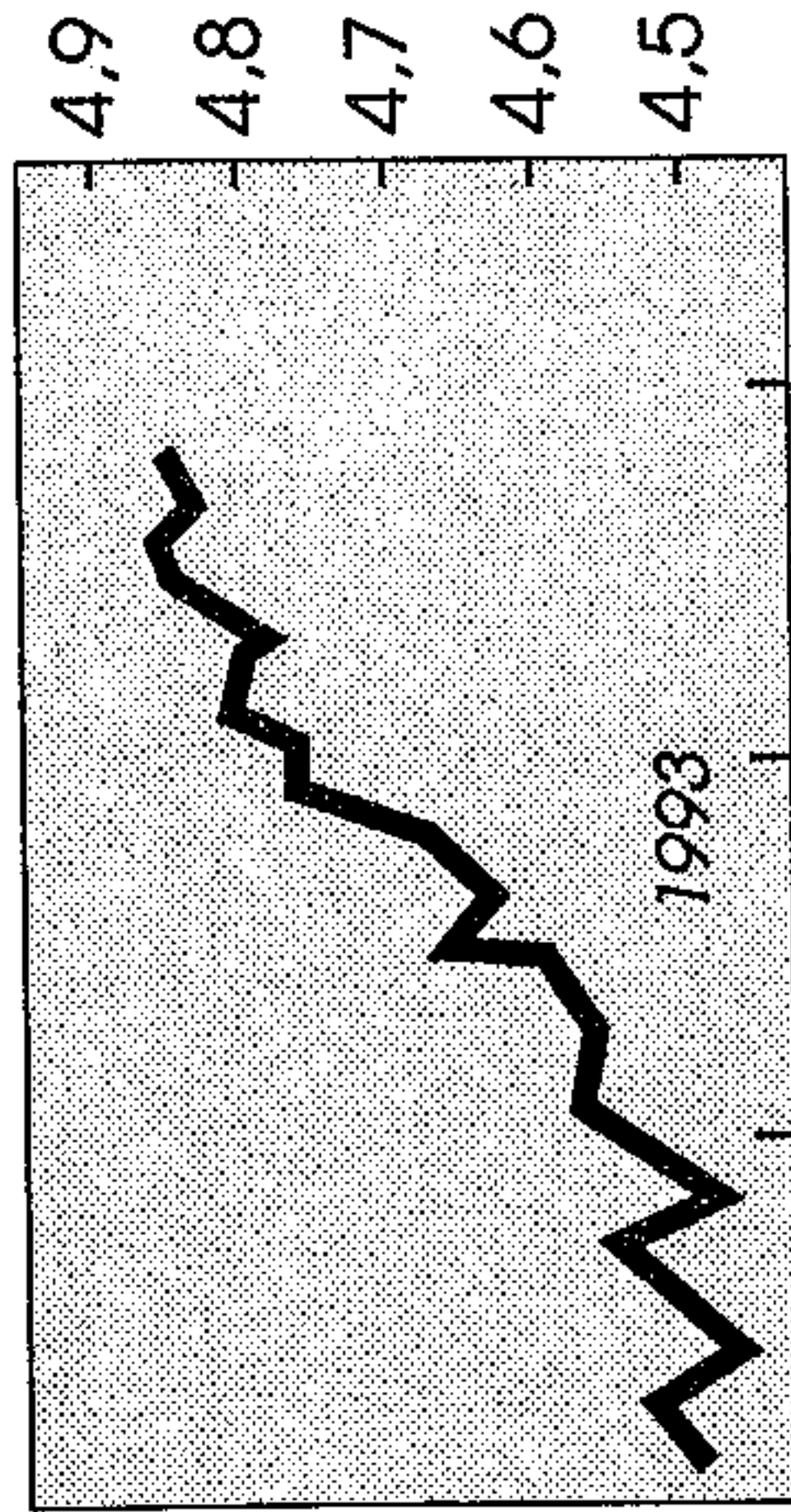
The average forecast of eight global foreign exchange experts bets that major exchange rates will trade in a narrow range in coming weeks.

As the northern hemisphere summer progresses, however, the Deutschmark will begin to slide against the yen and dollar. Sterling, the Swiss franc and other European currencies will follow suit.

The average forecast is Dm1,60 to the dollar in three months, Dm1,66 in six months and Dm1,73 in a year. The present rate is Dm1,57.

Since the yen is expected to remain firm, it will also appreciate against European currencies.

Cost of Pound Sterling in Rands



tention is being paid to the sliding German economy," says a London foreign exchange manager.

He believes the dollar's downside potential against the D-mark is limited and there will be a slow revival in the coming year.

The most pessimistic D-mark forecast comes from the Deutsche Bank currency strategy team. They expect the dollar to rise to Dm1,80 by the end of the year, up 15 percent from present levels.

An indepth analysis of the German economy by Deutsche Bank makes one wonder why

the market's love affair with the currency continues.

"The West German economy is currently in the throes of a recession which threatens to be the worst of the post-war era," says the Deutsche Bank economic team. "All key economic indicators have been pointing south since the start of 1992."

"The latest data continue the disappointing pattern and there is still no rainbow in sight."

Deutsche Bank thus predicts that West German gross domestic product (production of goods and services) will slide by between 1.5 percent and 2 percent this year.

SA can boost countertrade with Africa ⁷⁴ Schwarz

B/D/AM 12/5/93
SIMON BARBER

WASHINGTON — SA was well placed to help US companies engage in countertrade with foreign exchange-starved Africa, SA ambassador Harry Schwarz told the American Countertrade Association in Chicago yesterday.

"We are the gateway to vast markets," he said. Countertrade is a form of barter in which the seller agrees to market goods provided by the buyer in lieu of currency. The seller of capital equipment may also agree to buy back the products of that equipment to offset the buyer's debt.

SA became particularly adept at these practices while embargo-busting and this enabled it to conceal the true extent of its trade with Africa, Schwarz said.

The total value of countertrade and offset arrangements between SA and its partners was expected to be more than R500m this year, he said.

Meanwhile, in Canberra, Australian Foreign Minister Gareth Evans said Commonwealth countries could lift trade and investment sanctions against SA within weeks given the progress in multiparty talks.

He told parliament it was possible trade, investment and financial sanctions could be lifted simultaneously within weeks.

In the Hague the Dutch Economic Affairs Ministry said yesterday Economics Minister Koos Andriessen would lead a trade delegation of about 20 companies to SA from June 12-18.

The visit will follow one by Dutch Development Co-

operation Minister Jan Pronk, who met Finance Minister Derek Keys and ANC officials in the Cape this week.

Sapa reports that the Netherlands embassy in Pretoria said yesterday the Netherlands might start co-operating with government in implementing Dutch aid and development programmes once a democratic transitional government had been established.

□ A group of 10 SA tour operators and travel journalists will tour Tanzania later this month, Sapa-Reuters reports from Dar es Salaam.

An International Conference Centre spokesman in Arusha said yesterday the visit — part of a joint effort to boost tourist inflow from SA — was being organised by Air Tanzania and Houston Travel Marketing Services of the Transvaal.

SA losing billions to cash merchants

By Michael Chester

Billions of rands have left South Africa in a growing wave of exchange control dodges uncovered during an extensive foreign currency crackdown recently.

SA Reserve Bank executive Charles van Vuuren has revealed that the number of investigations into suspected foreign exchange rackets has surged to a record 254, involving no less than R2,7 billion.

Suspects range from businessmen who manipulate huge profits in sophisticated exchange rate deals to families planning to emigrate.

The rise in offences has been confirmed by Minister of Justice Kobie Coetsee. A count of the amount involved in prosecutions for foreign exchange violations valued at more than R1 million in the past four years showed the total was as low as R12,5 million in 1990.

In 1991 the total jumped to R289 million and last year it

rose to R328 million.

The value of suspected violations under current investigation stood at almost R1 800 million — even without counting scores of scams involving less than R1 million.

The SAP Commercial Crime Unit was running investigations into R300 million in missing money, said the Minister.

Probes into the bulk of losses were being handled by the crack team of detectives and lawyers at the Office for Serious Economic Offences, created last year.

OSEO executive Chris van Vuuren said the full extent of the crackdown on foreign exchange scams should be revealed in a series of court cases over the next few weeks.

Investigations were likely to reveal that:

● Suspected scams run inside the motor industry by a number of component manufacturers who were believed to have swindled the Department of Trade and Industry out of R600 million in false claims on export incentive packages.

● Several suspected swindles operated by syndicates running deals in the buying and selling of fictitious diamonds and emeralds.

● Large-scale smuggling of Krugerrand gold coins out of the country.

● Dodges that had been discovered inside the textile trade in falsifying accounts on import and export business.

Inside sources claim that a number of new exchange control investigations have been triggered by information volunteered by a self-confessed con-man who was tracked down in London.

The culprit, Roy Basil Myers, handed over a full dossier on dozens of suspects in exchange for indemnity from prosecution. Three weeks later he was found dead. British police believe an overdose of drugs pointed to suicide.

The hunt goes on for Johannesburg jeweller Charles Neumann, who was charged in February with involvement in multimillion-rand foreign exchange offences but later jumped bail and fled overseas.

Star 12/5/93

74

34

AFDB pins hopes on SA's return

Star 13/5/93
(24)

ABIDJAN — South Africa's entry into the continent's economic and political institutions will have a crucial impact on Africa's economic development, says African Development Bank (AFDB) president Babacar N'diaye.

In the AFDB's African Development Report just released, he says the emergence of a democratic order in SA is "momentous for the country itself, for the sub-region and for the continent as a whole".

A part of the report focusing on SA emphasises the clout the country will give the continent's role in global economic affairs.

It says: "An enlarged and unified African market composed of SA and other African countries would significantly enhance Africa's bargaining power in trade negotiations, especially within Gatt and Unctad (the UN Conference on Trade and Development)."

Because of the size of the SA economy — the continent's largest — the report sees the country accelerating the process of setting up economic, financial and business links to create the proposed Pan-African Economic Community.

The report also outlines the AFDB's sphere in a post-apartheid SA, saying the lending agency could mobilise external financial resources and technical assistance for the country's development.

Although SA is a relatively high per capita income country, the bank aims to target its interventions in those areas where it can help to redress income and social inequalities.

The AFDB says economic growth in Africa, excluding SA, remained lacklustre last year as real gross domestic product eased to 1,9 from 2,6 percent in 1991.

The bank expects growth to improve this year. — Sapa.

US-SA TRADE

Flirting with Uncle Sam

After several years of a strained, arm's-length relationship, SA and US businesses are rediscovering each other. The stakes are high: a share of the nearly R15bn-a-year in two-way trade and the huge opportunities for investment on both sides once the next SA government is established. *FM 14/5/93*

Since February, there have been two SA trade missions to the US and another is planned for October. In September, 200 exhibitors from the US are expected at "Made in USA," a trade exposition to be held at the World Trade Centre in Kempton Park. "The point of the expo is to bring American companies to SA so they can be in on the ground floor," says the organiser, South African David Altman. "Any investment must first start with trade."

Signing new trade deals, however, takes time and careful nurturing of contacts. Says Altman: "There are a lot of venues for US companies. SA is just one. It's not on the top of their list and half don't know where it is. We've started the ball rolling. Someone has to tell America that SA exists."

Nevertheless, trade between the two countries has been expanding rapidly. After three years in which two-way trade totalled about R7,5bn a year, the figure jumped to R10,5bn in 1991 and about R12,5bn last year.

If there was any lingering doubt over the two countries' new relationship, it was extinguished when the office of US trade representative Mickey Kantor recently included a chapter on SA in its annual volume titled *Foreign Trade Barriers*. It says the US government has asked SA to lower some tariffs and raised concerns about other barriers to trade and investment.

Michelle Cohen, head of the American Chamber of Commerce in Southern Africa, says that despite the growing ties, a lot of misinformation still exists on both sides of the Atlantic after the years of sanctions.

"We need to educate South Africans about the US and Americans about SA. Americans are still cautious. They don't know whether their banks can deal with SA, whether they can get letters of credit, whether there's enough infrastructure. It's a matter of having lost touch."

No-one argues about the opportunities for SA businesses in the American market. With a population of 250m and a per capita income of about \$21 000, the US is the biggest consuming nation in the world. Unfortunately for businesses looking to crack that market, it also produces just about everything under the sun. So the trick is to find a niche.

"It's so huge that it's impossible not to find a niche market," Cohen says. "They sell anything and buy anything. They need partners as much as we do."

Cohen led a ground-breaking trade mission to the US in March, when she took a

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seven-member delegation on a 19-day trip to New York, Washington, New Orleans, Atlanta, Dallas and Houston. They were looking to market products such as ostrich-leather luggage and cane furniture.

She says her mission got a good reception, especially among blacks, because it was not government-led. Americans, she believes, still want to avoid giving the appearance of officially working with the SA government. She says this was obvious in cities that still had sanctions, such as New York.

But Henk Pretorius, who led a 15-member trade delegation organised by the Department of Trade & Industry to the US in February, says there was "absolutely no antagonism" from Americans they met. Pretorius worked for the department in the US for three years until 1991 and says the reaction towards SA has improved. "Before, the general attitude was hands off; it was negative. Now that's changing."

But local critics have attacked the department for spending R16m this year alone on its scheme that subsidises companies and

individuals participating in trade missions and foreign exhibitions. Through the Export Marketing Allowance scheme, participants get a rebate on half of the cost of their economy airfare as well as a R400 daily allowance. And it's not just for government-led missions. The members of Cohen's mission also qualified.

"It's quite an incentive, but it's not a joy ride," says Hennie Erasmus, who is leading the department's mission to the US and Mexico in October. He says would-be participants in the scheme must be vetted by the department before they get the money.

US expo promoter Altman is working from the opposite direction by organising a venue for American companies to make contacts in SA. He won't identify which American companies have already paid the \$14 900 for air fares, exhibition space for five days, accommodation and a side trip to a game park, the Lost City or Cape Town.

The "Made in USA" expo got a boost when the ANC's Thabo Mbeki issued a letter last month in support of the trade fair.

"The expo is a tremendous opportunity for any American company wishing to do business on this continent," Mbeki wrote.

Yet the ANC is not recommending that foreign companies should ignore its call for sanctions. Rather, it sees this expo as an opportunity for people to come and look around in preparation for the time when an election date is set and other conditions for the ending of boycotts have been met.

Altman says the letter helps in recruiting exhibitors, but Americans remain wary about committing their time and money before an interim government is in place. "Americans are waiting for a signal. They are waiting for (ANC president Nelson) Mandela to stand up."

Says Cohen: "Corporate America is not holding its breath for SA to emerge from the bitter past. There does have to be an unequivocal statement by Mandela as to a definite date when the ANC will call on US states and cities to repeal sanctions as a matter of urgency, in order for business to proceed along normally accepted lines." ■

Down with trade restrictions, economists tell government

South 15/5 - 19/5/93

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By Lynda Loxton

AS the South African market opens up to world trade, there is increasing pressure on government to clean up its trade policies, and on local industries to become more competitive.

This means government will have to reduce the number, and size, of

tariffs on imports. Industries, for their part, will have to find ways of making things better than they have in the past. They will also have to keep costs down as much as possible so that they can offer their goods to world markets at prices equal to, or lower than, those of major competitors.

And that will be tough going for

all concerned, local and international economists told the recent Idasa/Aspen Institute international trade conference.

The simple fact of the matter is that government has been using tariffs as a major means of earning revenue to keep the wheels of the apartheid government oiled. As it dismantles apartheid, it will have to

open up the market if it wants to attract trade and investment, and switch its attention to earning revenue from increased exports.

Slow haste

But, by doing that, it will catch a lot of flak from industries which have been doing very well, thank you, from operating in a closed and protected environment. Lifting that protection, they argue, will cost jobs—as well as taxable profits—and the government had better “make haste slowly” on lifting tariffs.

Given already high unemployment, this is a persuasive argument, and many economists say that tariff reform will have to be gradual to give firms time to adjust. The first priority should be to reduce tariffs on items needed to make local producers more competitive, provide them with incentives to beef up production and become good exporters.

The main reason why many South African firms are uncompetitive is that it is costing most industries more than it should, using more staff, to make products which do not really match up to overseas standards — never mind regional markets where other exporters have a toe-hold.

This is not to say that South Africa should forget about manufacturing and stick to growing mealies and mining its dwindling reserves of gold. It can make some things very well and at very competitive prices. But it is making far too many things it should leave to others, while it could be making many other things much better.

So what's the problem? Years of sanctions, with not enough investment in new technology, research and development and skills training, have left many industries lumbering along with outdated plant and

equipment, using inefficient production techniques and a relative unproductive and unskilled labour force.

Just as damaging, Barlow Ran consultant Mr Paul Hatty told the conference, was the fact that these industries have for years been protected by tariffs from outside competition, which gave them no incentive to make things better or more cheaply.

The tariffs also meant that they have been penalised, if they used imported materials or machinery by high import tariffs imposed either to protect local manufacturers or to keep a hold on the balance of payments.

ISP co-director Mr Raphael Kaplinsky told the conference that the close links between the major corporate shareholders — the Anglos and Rembrandts of this world — and their tendency to dominate their subsidiaries, contributed to the lack of competitiveness. Their executives were not given a free hand to improve competitiveness by investing profits in new technology or expansions.

But, because they dominated the market, they could charge more or less what they liked for their products, never mind the effects on smaller or independent firms in the market.

But perhaps most damaging was the effect of years of apartheid education coupled with the low level of corporate investment in staff skills training and research and development. This led, inevitably, to low productivity — and the fact that we have to employ four people to do the work of one German worker.

“The difficulty, of course, comes in where there appears to be a trade-off between competitiveness and employment,” Trade Policy Monitoring Project director Alan Hirsch said.

SA pressing Sweden to cut ANC funding?

By Christelle Terreblanche

ALLEGATIONS of diplomatic pressure by the South African government have emerged as part of a heated debate in Sweden on whether the country should continue its aid to the ANC.

An article in a Stockholm daily newspaper quotes a memorandum written by the Swedish secretary of state for foreign affairs, Mr Lars Ake Nilsson, after a meeting with South African ambassador Mr Eugene Myburgh on March 16.

According to the memorandum Nilsson was asked to commit his country to a date to end aid to the ANC. He replied that aid would be stopped no later than July 1993, although this would depend on political developments.

Nilsson's reply has caused an outcry in Sweden as the issue has not yet been debated in parliament.

An informal debate on sanctions and aid is scheduled for next week and all indications are that full-scale continuation of aid to the ANC will be approved.

Mr Magnus Walan, a Swedish journalist and anti-apartheid campaigner, sees Nilsson's statement against the background of previous pressure.

He told SOUTH that earlier this year South Africa's Swedish desk expressed concern to the under-secretary at the Swedish Legation in Pretoria about Sweden's continued aid to only one South African political organisation.

Walan said the legation was told this could negatively affect the issuing of employment permits to

Swedish aid workers in South Africa.

"This could well mean a threat of expulsion," Walan said. He believes Nilsson buckled under the pressure and tried to arrange a compromise.

However, Mr Frederik Jorgensen, political secretary of the Swedish Legation, said this has not been interpreted as a threat or pressure.

But he emphasised that no decision has been taken by Sweden despite the assurances given to the South African ambassador.

He said the Swedish under-secretary for international co-operation, Mr Alf Samuelsson, will visit South Africa in June and that "Swedish support for the ANC will certainly be on his agenda".

Mr Patrick Evans, a spokesman

for the Department of Foreign Affairs in Pretoria, would not confirm or deny pressure on Sweden.

South African legislation prohibiting political parties from receiving foreign aid was abolished at the beginning of this year.

In Sweden an informal agreement states that once a movement becomes a political party and takes part in an election, aid has to cease.

This implies that one of the ANC's major funding sources will dry up as soon as it becomes a political party and participates in a democratic election.

The issue of money remains a sensitive one with the ANC, which has stated that it needs at least R80 million for an election campaign.

Sweden gives the ANC approximately R50 million a year.

SA gets \$71m in World Bank work

5 Times
(Buss)
16/5/93

By ZILLA EFRAT

SOUTH African suppliers were paid \$71-million for World Bank (WB) projects in the year to June 1992.

This amounted to only 0,8% of the \$9-billion in disbursements by the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). *(74)*

The WB figures were given at a conference in Sandton.

SA does not qualify for WB funding, but companies can take part in World Bank-International Finance Corporation projects.

Zias International managing director Pieter Louw says WB-funded projects have become a target for SA contractors.

But Ove Arup chairman Cliff McMillan warns that the problems South Africans face include limited international experience and connections because of sanctions, an extremely competitive market and reduced opportunities in Africa because of economic decline.

There are also some hurdles associated with WB involvement. Credit Guarantee managing director Chris Leisewitz says it takes a long time to evaluate and approve a project. *(25)*

Contractors and capital goods exporters do not get early notice of WB-supported projects.

Another drawback is the drawdown mechanisms under WB loans and resulting risks to which contractors can be exposed.

Group Five executive chairman Peter Clogg says WB financing generally has a long cycle. It is usually three to four years.

Reserves

Mr Clogg mentions possible problems with the Reserve Bank, which could refuse to allow transmission of funds for tender deposits, bid bonds or working capital.

Because of extreme pressure on the reserves, the bank tends to refuse all requests.

Mr Clogg says central banks in other countries can also cause problems. For example, taking out currency from Malawi will depend on when it becomes available even though approval to do so has been given.

The WB mostly uses an international competitive bidding (ICB) process. Under it contracts are awarded to the lowest qualified bidder.

Safto Africa manager Paul Runge says Europeans have an advantage because of co-financing and special funding by their own bilateral agencies.

SA may be able to share in a WB programme in the next 18 months.

SA taking new look
at tariff system

A SIMPLIFIED tariff system is being drawn up and could lead to a review of South Africa's offer to the Uruguay Round of the General Agreement on Tariffs and Trade, says Finance Minister Derek Keys.

He told Parliament on Friday that South Africa had developed a "greatly more complicated set of tariffs and tariff structures than most countries had". He said it was hindering the free flow of international trade.

Rebate

The Department of Trade and Industry, the Board of Tariffs and Trade and the Industrial Development Corporation had formed a team for the tariff review. It was examining the rationalisation of the tariff system and the improvement of rebate and drawback procedures.

"This work is being done in the light of the offer on tariffs

made in 1990 to Gatt and takes account of the import surcharge which exists."

This could lead to a review of the offer made to Gatt and those parties who could be affected would be consulted.

Mr Keys said rising grey imports and high revenue-sharing payments to Botswana, Lesotho, Namibia and Swaziland meant that a review of the Southern African Customs Union was unavoidable.

Grey imports, on which Customs duties have not been paid, had "clearly increased during the past year". The Department of Customs and Excise was stepping up its efforts to counter the trend and "prosecutions for such evasions will be increasing", he said.

"The role played by (Sacu members) in facilitating such imports is only one of a number of aspects of the present agreement which would seem to warrant attention," said Mr Keys.

SA seeks southern African ventures

GOVERNMENT was negotiating with several donor countries to undertake joint infrastructural development projects in southern Africa, Foreign Affairs deputy director-general Derek Auret said yesterday.

Addressing a Johannesburg conference on the World Bank's role in Africa, Auret confirmed that SA and Italy had set up a joint working group to identify areas of co-operation in Zambia, Mozambique and Angola. It is believed the Italians are putting about R200m into the projects.

Auret said his department was "vi-

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PETER DELMAR

gorously" pursuing negotiations with several major industrial nations.

Credit Guarantee MD Chris Leisewitz said SA could supply many of the goods and services for southern African projects cheaper and faster than its competitors. "While there are great difficulties in contracting in Africa, the time is right to discuss with the World Bank in detail the possibilities of co-operation. With the changes taking place on our continent, ways to finance and support them are slowly emerging."

Keys announces tariffs review

610AM 17/5/93

CAPE TOWN — Finance Minister Derek Keys told Parliament that a simplified tariff system was being drawn up which could lead to a review of SA's offer to GATT's Uruguay Round.

Opening the debate on his Trade and Industry portfolio, Keys said SA had developed a "greatly more complicated set of tariffs and tariff structures than most countries have" — which he said was hindering the free flow of international trade.

Keys said the Trade and Industry Department, the Board on Tariffs and Trade and the Industrial Development Corporation had formed a team for the tariff review.

It was examining the rationalisation of the tariff system and the improvement of rebate and drawback procedures.

"This work is being done in the light of the offer on tariffs made in 1990 to GATT (the Gen-

eral Agreement on Tariffs and Trade) and takes account of the import surcharge which presently exists," Keys said.

This could lead to a review of the offer made to GATT. Those parties who could be affected would be consulted.

The Trade and Industry Department said last year that it had offered to cut tariffs on about 42% of all lines. This would, over five years, replace all formula duties on these lines with ad valorem duties, with maximum levels of 30% on consumer products and 15% on other products.

Keys said that rationalisation of tariffs did not imply an immediate lowering of rates, saying there was room for simplification without changing tariff levels. But there was no getting away from the fact that SA had to prepare itself for a "progressive reduction of tariffs on certain products".

Keys said he was examining more-effective export incentive options. Under the terms of GATT, SA would not be allowed to entrench export incentive rebates, but could phase them out over a number of years.

According to official figures, government paid out R1.3bn in export-linked rebates of up to 20% in 1991/92.

Keys also said that rising levels of grey imports and high revenue-sharing payments to Botswana, Lesotho, Namibia and Swaziland meant that a review of the Southern African Customs Union was unavoidable.

He said grey imports on which customs duties have not been paid had "clearly increased during the past year".

Stef Naudé, the Trade and Industry Department's director-general, had signed a new five-year contract, Keys told Parliament. — Reuter.

Talks on SA-EC links

STEPHANE BOTHMA

A CONFERENCE to discuss new links between SA and the EC will be held in Brussels in June.

Organised by the SA Foundation and Forum Europe, the event will focus on the new trade and political links with the EC once SA's political reform process is firmly established.

Speakers will include SA Reserve Bank governor Chris Stals, ANC international relations expert Aziz Pahad, Safto chairman Len van Zyl, the Belgian Foreign Commerce Minister Robert Urbain and the European parliament's external relations committee chairman Willy de Clercq.

In all, there will be 40 top-level speakers, and topics on the programme will include the scope of a new political relationship, an industrial partnership, SA's future as an advanced financial marketplace and the EC's possible role in confronting economic challenges in SA.

The conference will be held on Monday June 28 and Tuesday June 29, and organisers say it will reflect the increasing warmth of EC relations with SA.

610AM 17/5/93

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Old barriers must come down

THE future relationship between South Africa and the world's largest and most innovative economy will depend, to a considerable extent, on certain actions and pronouncements of the ANC over the next few months.

Contrary to what is generally assumed, there exists substantial interest among American businessmen to create new business ties in South Africa or to re-establish old ones. This is important to South Africa's prospects for economic recovery and consequently it is important that the barriers to US business involvement in South Africa be removed.

The ANC knows this and the organisation has said that as soon as there is an announcement of an agreed date for elections and a Transitional Executive Council has been established, it will call for the lifting of economic sanctions on South Africa.

These remain a severe disincentive to businessmen who will not commit themselves to South Africa in any substantial sense until they are removed.

When the ANC calls for the lifting of sanctions many of these authorities are likely to respond accordingly, although the complete process will inevitably be slow and complicated. But this is not the problem. The real problem lies in the process whereby these sanctions were erected in the first place.

During the late 1960s and the decade that followed, the ANC and its allies worked assiduously and systematically to establish a network of sympathetic activists and organisations throughout the US, to exert pressure on apartheid and those who implemented it. This became an extensive network which was responsible not only for the across-the-board sanctions at state and city level but for the pressure on hundreds of US corporations which persuaded them to cut their ties with South Africa.

This network still exists and

represents a considerable potential for mobilising support for South Africa in future. But many of its members still adhere to the assumptions upon which they based their activism in the past and will not be easily persuaded to completely reverse their approach to US business and South Africa — to change from forcing them out of the country, to encouraging them to go back.

In the literature of this movement it is easy to detect views ranging from a scepticism of the motives of business to an assumption of the exploitative nature of capitalism and, in particular, of large, multinational corporations.

It was not surprising therefore, that when it became evident that the negotiation process in South Africa was moving to a point at which the ANC, in particular, would feel free to call for the lifting of economic sanctions, and that this was imminent, that the more alert and committed of these activists would devise a means of supplanting sanctions with different means of exercising

a degree of control over US business activities in South Africa.

It is now the stated policy of many of these groups to ensure that when sanctions are lifted they are supplanted by a mandatory requirement that any US business operating in South Africa should adhere to Cosatu's investment code or some similar code. The clear implication of this is that adherence to this code by US corporations would be monitored from the US with the involvement of the activist network.

This would mean that what ought to become an economic relationship would remain a politicised one. It would mean that the reasons why so many US corporations left South Africa in the first place would still apply. It would mean merely replacing one set of severe disincentives with another. It would mean that, in any substantial sense, US business would not return.

What has to be clearly understood is that US business does not object to the principle of an investment code. Investment codes

can be written to protect the interests of all parties. Their concern is about having their activities in South Africa monitored and judged by activist groups in the US, rather than by South Africans themselves. And for South Africa it comes down to a matter of sovereignty and the freedom to attract to its economy those foreign investors it wishes to, and to decide for itself the terms upon which it wishes to do business.

This is not an easy matter for the ANC. During its years of exile it relied on the support and assistance of its allies. Now it is having to ask them to change course and, if they are unable to, to step aside.

It is easy to suggest these activists are largely motivated by narrower interests. Certainly this would be true of many. Inevitably such a large grouping takes on a life of its own — its own views, its own bureaucracy and its own need to live. Also, the issue of South Africa always was, and still is, an extension of the civil rights debate in the US.

But it would be wrong to over-

look the reality that many of these people became involved because of a genuine desire to see a decent society emerge in South Africa. They presumably would wish it to be a prosperous one. They are therefore a constituency that could be mobilised to get resources to flow into South Africa rather than out of it.

The call for the lifting of sanctions is consequently more than just that. It will be a call to put aside accumulated animosities from the past, to assist with the growing of the South African economy, and to those who have resources and are prepared to take risks to join in the South African enterprise on mutually agreed terms set in South Africa and not elsewhere.

This is another complex and difficult responsibility that the legacy of apartheid has thrust upon the ANC. But, as always, the overriding consideration is the magnitude of what is at stake.

● Michael Christie is director of the South Africa Foundation's Washington office. □



SA's donors give billions report

WASHINGTON — Individual South Africans donated a remarkable \$2,8bn to schools, churches and welfare-oriented organisations in 1991, according to figures contained in an internal US Agency for International Development (USAid) discussion paper.

Voluntary contributions in SA from all sources is now "on the order of \$3,5bn annually" — a sum larger than the entire GDP of Mozambique, Tanzania, Malawi or Madagascar — the paper states.

It adds that the "voluntary sector" may represent nearly 5% of SA's GNP, double the US figure.

The USAid/SA Strategy Concept Paper was drawn up last March by Cap Dean, chief of the agency's SA mission, as part of a major review of Washington's \$80m a year SA assistance programme.

The figures for voluntary donations were taken from an unpublished study prepared for the Kagiso Trust last September which examined welfare and development funding levels in SA in 1991.

Individual giving, at \$2,8bn, dwarfed all other categories. The next largest was "corporate social responsibility", which generated \$311m.

This was followed by direct foreign government funding at \$260m and "independent local channels using foreign funds" — the Kagiso Trust, for example — at \$185m.

The Independent Development Trust and other government-funded institutions

SIMON BARBER

accounted for another \$185m, while corporate-created trusts and foundations contributed \$15m. Examples of the last group include the Energos (formerly Mobil) Foundation, Coca-Cola's Equal Opportunity Foundation, Xerox's Human Resources Trust and Union Carbide's Hexagon Trust.

Other figures quoted in the USAid paper show the US-based foundations are also making significant SA grants.

In 1992, the WK Kellogg Foundation budgeted \$6m, the Ford Foundation \$5,4m, the Henry J Kaiser Foundation \$3,3m and IBM SA Projects \$3m.

According to the UN Development Programme, embassy-directed funding by North American and European governments reached its highest level in 1992 at \$350m. Nearly half these funds went for education and training, with community development and human rights the next highest priorities.

USAid devoted 17% of its budget to private sector development, other donor governments only 1%.

The largest donor was the EC (\$108m), followed by the US (\$80m), Sweden (\$57m), the UK (\$27m), Germany (\$18m), Denmark (\$14m) and Italy (\$12m).

Greater co-ordination was needed to ensure the money was more effectively used, the USAid paper said.

● See Page 10

Debate on trading status

6/10 AM LINDA ENSOR 18/5/93

CAPE TOWN — A major debate on the trading status of SA within the EC was scheduled to take place in Brussels in October, Western Cape Growth Organisation (Wesgro) executive director David Bridgman said yesterday.

The debate will take place under the auspices of the Brussels Club, which acts as a forum of communication between the EC parliament and its constituents.

Bridgman told the Association of Corporate Treasurers of Southern Africa that SA's ambassador to the EC Neil van Heerden had been negotiating the debate.

While Lomé Convention status would be the most desirable, it was more likely that SA would be granted trading status similar to that of Brazil. (SA) (74)

Focusing on the western Cape, Bridgman said growth in demand would come from redistribution, world markets, African markets and the growth in the local and national economy.

He said the western Cape was more likely than any other part of the country to benefit from increased trade with Africa.

West African coastal cities from Lobito to Dakar, which could be supplied by sea from Cape Town, offered opportunities for manufactured exports. So far they accounted for only 2% of SA's trade with Africa.

W Cape 'main beneficiary

By AUDREY D'ANGELO
Business Editor

THE Western Cape is more likely than any other part of the country to benefit from increased trade with Africa, Wesgro director David Bridgman told the Association of Corporate Treasurers of SA yesterday.

He said, at a seminar at the Breakwater Lodge, that the seven major African cities to the north of Johannesburg were already being supplied by SA. Unless there was a major improvement in the

economies of Zambia and Zimbabwe there was little scope for more trade.

But the cities up the West Coast of Africa from Lobito to Dakar, which could be supplied most easily by sea from Cape Town, offered a major opportunity for manufactured exports.

So far they accounted for only 2% of SA's trade with Africa. But, in spite of the opportunities opening up, this huge growth market was not yet being served very well by SA.

It was an area of considerable potential for local manufacturers, who should investigate it.

of African trade'

18/5/93
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Bridgman said greater Cape Town was the only metropolitan area in SA that had shown any growth in the last two decades.

Its share of gross domestic product (GDP) had increased from 10,11% in the mid-80's to more than 13% at present. There had been significant growth in the Western Cape in the past few years and the region was now in "a relatively powerful position," as a result of a change in the focus of the economy.

The Western Cape had lagged behind the rest of the country during the years when economic poli-

cy was focused on import substitution and the development of the homelands.

But exports were now seen as a major source of growth. Apart from being near a port, Western Cape manufacturers had been forced by their distance from the PWV market to concentrate on high value added, easily transported goods. These were the goods best suited for export.

The foundations had been laid for growth in exports following a political settlement — which Bridgman believed would be reached next month.

Government set to open the debate on SA Custom Union's demise

GOVERNMENT is expected to publish a document soon which will pave the way for the dissolution of the SA Customs Union.

The discussion document, which the departments of Trade and Industry and Foreign Affairs are finalising, is expected to highlight government's problems with the 24-year-old union in its current form.

The report, which will be released for public comment, is believed to propose a radical restructuring.

Sources said yesterday that a new customs union could include countries beyond the SACU's current boundaries, including

Zimbabwe, Zambia, Mozambique and even Angola.

One of SA's main objections to the SACU is that it receives only about 40% of the more than R8,5bn in customs duties and excise taxes generated within the union. The other member states, Botswana, Lesotho, Swaziland and Namibia (BLSN states) receive a disproportionate share of the SACU's income to compensate them for SA's overriding financial strength.

The SACU is also used by the SA government to channel almost R2bn in funds to the SADC states, apart from the R3,7bn it

provides to them in direct aid.

Finance Minister Derek Keys was recently reported to have wanted to disband the SACU unilaterally because of the disproportionate funding. Officials, however, apparently prevailed on him to let them negotiate the issue.

SA is also concerned that the SACU is increasingly being used to channel goods imported to the BLSN countries into SA, without incurring import duties.

Because of the sensitivity of the issue,

government will not release the discussion document until the other SACU states have approved it.

The 10-member Southern African Development Community last year endorsed the inclusion of a post-apartheid SA, while the Preferential Trade Area, which stretches to Somalia, voted to merge with SADC. A rationalisation between the SACU and these two organisations is considered inevitable and the government discussion paper is expected to propose ways in which this could be effected.

Sources said SA's growing political ac-

ceptability in Africa presented it with new opportunities to cement and extend its position as the regional power and as a trading hub between the rest of the world and southern Africa.

In this regard, the SACU could present an obstacle to SA's penetration of African markets, while the liberalisation of SA's tariff policy necessitated new trade arrangements with other African states.

An enlarged customs union — with a customs and excise pool of more than R12bn — would take several years to come into being, the sources said.

Finrand poised to chase after dollar

TIM MARSLAND

THE hike in the gold price and positive political developments helped the financial rand improve 7c to close at R4,6250 against the dollar in good turnover on Wednesday, dealers said.

The unit tracked trends in the gold price during the day, trading as low as R4,58 at one stage. *Blom 2/15/93.*

A dealer said the unit was being priced in line with offshore demand for gold shares on the JSE. However, that demand would take a few days to go through the market because of the delay in paying for the share purchases.

He said sentiment towards the unit and the country had become more bullish with the rising gold price. This meant demand for the finrand was likely to increase, and it could start making real headway against the dollar. Progress on the political front was encouraging for foreigners and he saw pockets of foreign speculative buying picking up in the second half of the year, with real investment starting around the second half of 1994.

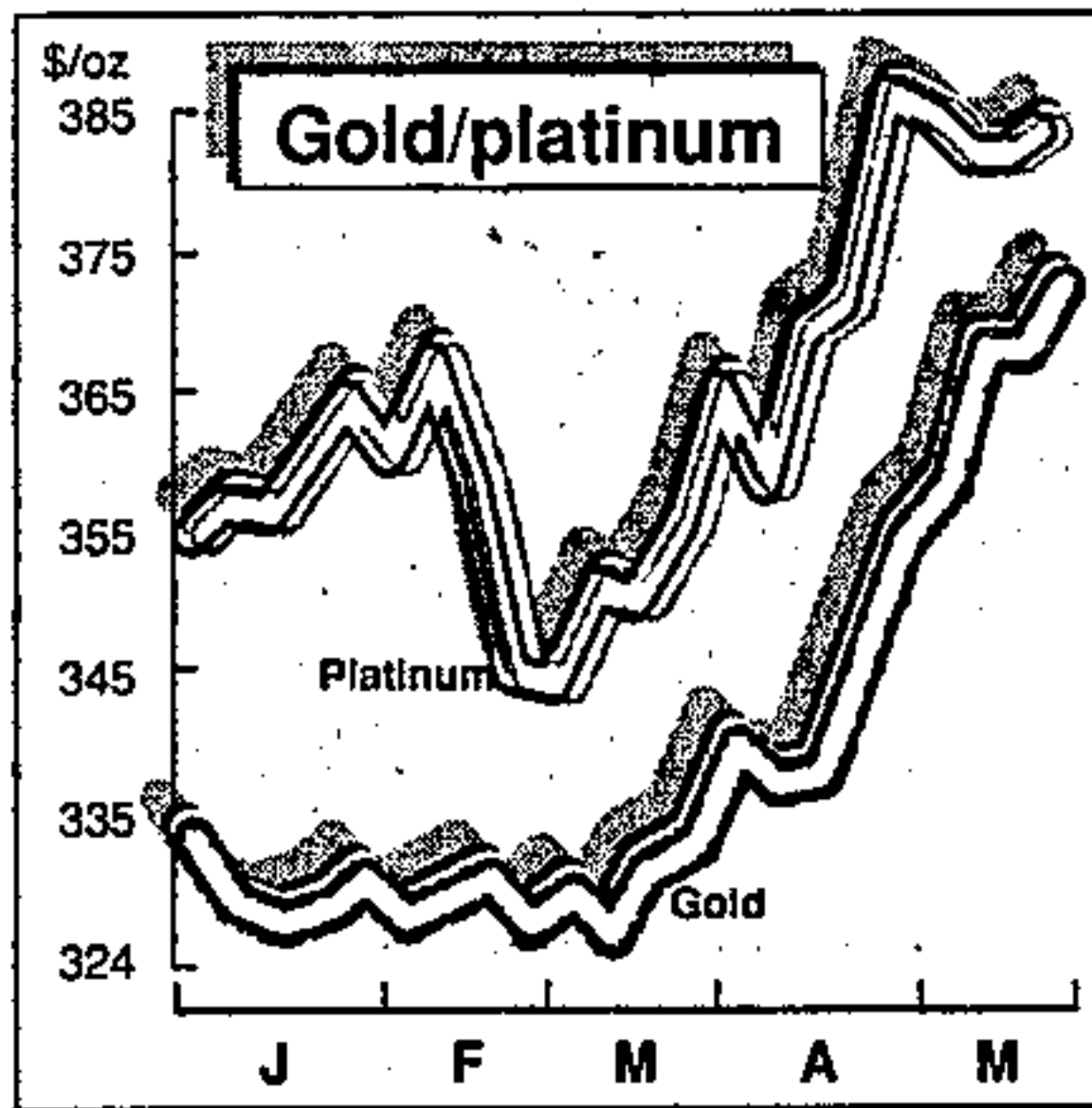
The capital market clung to gold's coat-tails, with some bonds in the shorter area ending the day up to 30 points better. Transnet's T007 ended at 13,755% from a previous 14,030%, and Telkom's TK05 at 13,750% from 14,040%. With bonds, lower yields mean the stock is worth more. A dealer said bulls were trading on the view that a better gold price would ultimately create scope for a cut in key interest rates.

Gold 'tumbles' after highs

BLOOM 21/5/93

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MATTHEW CURTIN



Graphic: RUBY-GAY MARTIN Source: I-NET

GOLD prices slumped yesterday after bullion had punched its way towards two-and-a-half-year highs of \$385 in London and New York on Wednesday.

Gold prices broke past the \$380 mark during the day on Wednesday, but late afternoon profit-taking in New York, coinciding with a rally on Wall Street, sent the metal tumbling.

The metal closed at \$373.30 in London yesterday, a drop of \$6.70 against Wednesday's finish of \$380.

In New York gold was trading at \$373.60 by midday yesterday, against Wednesday's finish of \$373.75.

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Gold BLOOM 21/5/93

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From Page 1

The jump in gold prices — to their highest level since the Gulf war — was matched by firmer platinum, palladium and silver prices, and sparked a new frenzy of share-buying by overseas and local investors on the JSE's gold board.

The all gold index jumped more than 13%, rising 213 points to close at 1 817 from 1 604 on Tuesday. It was the first time the index had overtaken 1 800 since the rally in gold prices in August 1990 after Iraq invaded Kuwait. However, analysts expected shares to tumble today after the sharp correction in bullion prices.

Heavyweight gold counters like Driefontein, Kloof and Vaal Reefs put on gains of 10-20%, with marginal and small independent mines showing 30-40% price rises.

Dealers said trading in gold counters was at its most hectic for a long time as share prices tracked every upward movement in gold prices. They said overseas investors returned to the gold board on Wednesday, with foreign institutions buying gold shares from local institutions such as Old Mutual and Liberty Life.

Offshore unit trusts, specialising in gold and other mining shares, were also key players, but local demand for shares remained strong across the board.

Anglo American gold division marketing director Kelvin Williams said bullion prices were being driven by "a new breed of market participants with a new set of motives for speculating or investing in gold". Physical demand for gold had dried up at higher prices, and the current price was being determined by the new partici-

pants, not producers or consumers.

Professional fund managers had been drawn into the gold market by the Soros/Goldsmith publicity and sound fundamental market conditions for gold.

Williams said a key technical factor supporting the speculative bull run was the large number of call options bought. That led to "self-fulfilling price rises".

Market-making banks which had written the call options — the right to buy gold at a pre-set price — had in turn covered part of their option exposures by buying physical gold in the spot market. As bullion prices kept rising, they were obliged to cover ever greater percentages of their call exposure in the spot market, creating further demand for bullion.

He said these were fundamentally different conditions from those behind the gold price spikes in the early '80s, and the physical business which had dominated the market in the past two years.

Williams said there were indications some North American gold producers had bought back gold positions, but it was possible that other producers might take "a sober view of gold prices", happy to sell gold forward at today's high prices which guaranteed management attractive profits and shareholders attractive dividends.

A central bank source said US investment funds had replaced buyers of physical metal as the main market players in the past few weeks, which was some cause for "nervousness" about the sustainability of gold prices near \$400.

No surge in trade expected

8/10m 21/5/93
PRETORIA — The lifting of Commonwealth sanctions against SA would not result in a sudden and spectacular increase in trade, said Safto official Bruce Donald.

He was commenting on a statement by Australian Foreign Minister Gareth Evans that Commonwealth countries could lift trade and investment sanctions "within weeks". Commonwealth secretary-general Chief Emeka Anyaoku also said sanctions would go once a date for SA's first non-racial elections had been fixed and a transitional executive council installed.

Donald said Commonwealth countries had never maintained a common sanctions policy against SA. Some member countries had been loath to lift even "people to people" sanctions.

Normal trade with the UK had resumed following the lifting of EC sanctions. To a

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GERALD REILLY

lesser extent, the already expanding trade with African countries could be further stimulated when Commonwealth sanctions were totally abolished.

But the possibility of increasing trade with India and Australia was strong.

Australian embassy counsellor David Spratt said the Australian government would not assist in developing trade ties with SA. But trade did, however, take place — outside of prohibitions — on a company to company basis. Australian exports to SA last year totalled about R620m and imports from SA about R300m.

Spratt said it could not be expected that trade would suddenly take off. It would be a steady advance over a period of time.

Economic sanctions set to go

w/mail 21/5 - 27/5/93
 With the message that it does not want

to inherit a wasteland, the ANC is preparing the way for the removal of all remaining trade and financial sanctions. By **ARTHUR GAVSHON**

AT the request of African National Congress president Nelson Mandela, Commonwealth secretary general Chief Emeka Anyaoku has prepared the way for the swift removal of all remaining trade and financial sanctions against South Africa.

Barring unforeseen developments, the green light for action will be given when, firstly, multi-party negotiators announce a date for countrywide non-racial elections; and, secondly, when the planned transitional executive council is set up.

And yesterday, Canada's External Affairs Minister, Barbara McDougall, announced that her government would lift economic sanctions against South Africa when a date for elections was announced. She was speaking after meeting President FW de Klerk at an official government residence in Cape Town.

Mandela's request to the Commonwealth was authorised by the ANC's national executive and was conveyed directly to Anyaoku. The two men met in London early this month.

Only a serious upsurge of violence is likely to cause Commonwealth governments to delay the dismantlement of their years-long sanctions, which have operated in tandem with the mandatory United Nations embargo on all economic and

military dealings with South Africa.

Cancellation of the UN embargo is a matter of time, if and when the final burial of the apartheid structure is confirmed, say British officials.

The American administration and the 12-nation European Community are also gearing themselves to normalise their trading and fiscal relations with South Africa when these conditions are fulfilled.

The message Mandela gave to the Commonwealth, the British government and a gathering of businessmen with interests in South Africa was simple: "We do not want to inherit a wasteland."

Many of his listeners seemed impressed not

only by the message but also by the assurances he offered bankers, multi-national conglomerates and industrialists: that they would be free to repatriate their profits and that their investments would be protected properly. British Prime Minister John Major was among those who publicly welcomed these assurances. Nevertheless, a mood of caution still appears prevalent.

Possibilities of violence are constantly featured in news reports, and are likely to be addressed when Anyaoku attends the Economic Forum in Johannesburg next week.

Regional pacts could lead to SA domination

WITH the world parceling itself out into trading blocs, South African economists are placing bets on what a democratic government will do about regional trade and development organisations.

There are three of them at present — the Southern African Customs Union (SACU), the Southern African Development Community (SADC) and the Preferential Trade Area for Eastern and South Africa (PTA).

In many ways, their activities overlap and duplicate one another unnecessarily, but there are certain vested interests which militate for their continued survival.

In 1990, when the "apartheid-curtain" to the rest of Africa began lifting, there was excitement among many business people and economists about the possibility of joining SADC or PTA and thereby vastly expanding their export markets.

Since then, however, doubts have set in among some business people, and these were aired at the recent IDASA/Aspen Institute conference. Professor Gavin Massadorp of the

University of Natal is sceptical of the effectiveness of SADC and PTA and believes South Africa should concentrate on SACU, imperfect as it is.

SACU is made up of Botswana, Lesotho, Namibia and Swaziland, the so-called BLNS states. It has been around in one form or another since 1889 and provides for a free trade area, common customs union and common monetary area.

Massadorp argues that it works better than the trade and co-operation arrangements under SADC or PTA and should therefore be refined, developed and maintained rather than abandoned.

Professor Rob Davies of the University of the Western Cape, does not see SACU as a success story. He says there are major strains developing and this was highlighted last week when Finance Minister Derek Keys said he would like the agreement to be reviewed.

In particular, the BLNS states are said to be responsible for all the cheap clothing from the Far East flooding the depressed local market, while they cost the South African taxpayer billions of rands each year in shared customs duties.

Professor Francis Wilson of the University of Cape Town said his main worry is that, given past developments, South Africa's entry into either SADC or PTA could do the economies of those groups more harm than good.

"What is good for South Africa, even under a democratic, non-racial, non-sexist government may not always be good for Angola, Botswana, Zimbabwe or other countries," he said.

Mineworkers

A quick look at the recent past proves this. When the mines first opened up in South Africa in the early 1900s, most of the mine workers were recruited from neighbouring countries, which helped those economies.

But as the mines became more mechanised and as unemployment in South Africa grew, there was increasing pressure on the mines to employ mainly South Africans and reduce the number of migrant workers from other countries.

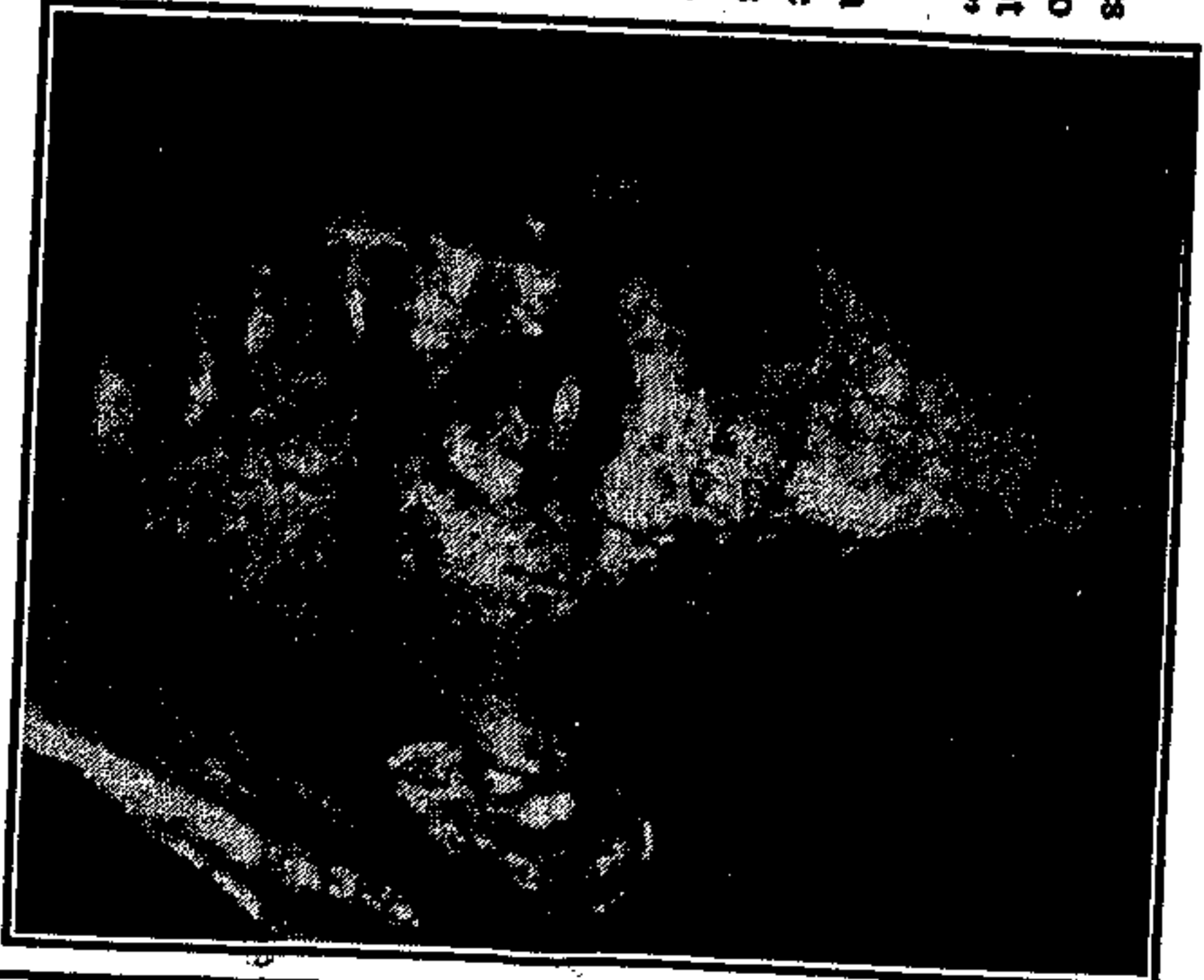
This pressure continues today and is likely to intensify under a new government wanting to tackle the growing problem of unemployment.

"The consequences could be damaging to certain countries, not least Mozambique," said Wilson.

Another problem area looming is the issue of trade. If, as some would want, a free trade policy is set up between regional states, what will the result be?

Wilson said many goods, both consumer and producer, could be bought at lower prices by Zambians or Zimbabweans from South Africa. Under a free trade agreement, these countries would buy even more from South Africa, effectively wiping out their own industries trying to make the same products.

This raises the question of whether South Africa, in turn, would agree to buy most of its maize from Zambia, where it can be produced more cheaply, to



ROB DAVIES

make up for the loss to Zambian industry. Would South African farmers allow this? Unlikely.

The end result, of course, will be that South Africa will dominate the region more and more, at the expense of other countries.

Top bankers meet to talk about trade bloc

714
ARG 22/5/93

TOP bankers and finance ministers from most Southern African nations hold high-powered meetings in the Cape next week which could spark the formation of a common market for the region.

The first meeting in Somerset West, which starts on Monday, will thrash out technical problems limiting regional trade and look at the possibility of forming a trading bloc.

A Southern African trading bloc would give the region significant clout in dealing with the other trading blocs, particularly in the marketing of primary resources as well as developing tourism — an industry which is increasing seen as the main future foreign currency earner.

It will be the first meeting of its kind involving South Africa to focus on the actual technical

■ First substantive steps towards forming a Southern African trading bloc are set to be taken at two high-level meetings in the Western Cape next week.

BRUCE CAMERON, Business Staff

problems of trade and the possibility of the formation of a powerful trading bloc.

The second conference, starting in Cape Town on Thursday, has been organised by the Swiss-based World Economic Forum (WEF). It will focus on foreign investment in the region and will also be attended by top company executives from Europe and the United States.

Reserve Bank governor Dr Chris Stals will open the Somerset West meeting and President F W de Klerk will open the WEF meeting on Thursday with ANC leader, Mr Nelson Mandela scheduled to give the closing speech.

Finance ministers and/or

central bank governors from Botswana, Kenya, Lesotho, Malawi, Mozambique, Swaziland, Tanzania, Uganda, Zaire, Zambia, and Zimbabwe will attend the meetings.

The Somerset West meeting is being sponsored the South African Reserve Bank, the Standard Bank, the Financial Mail and the Industrial Development Corporation.

The conference has no set format with most sessions dealing with problems raised by individuals.

The list of topics likely to be discussed include:

■ Monetary and fiscal policies, including exchange rate

mechanisms, exchange controls and interest rates;

■ Currency alignment between the different countries;

■ The economic strength and size of South Africa in relation to other countries in the region;

■ The rand as a regional currency at a time of readjustment and restructuring;

■ The trading environment and the need to facilitate trade with appropriate financing;

■ The role of development agencies, including the World Bank, the African Development Bank and the Development Bank of Southern Africa.

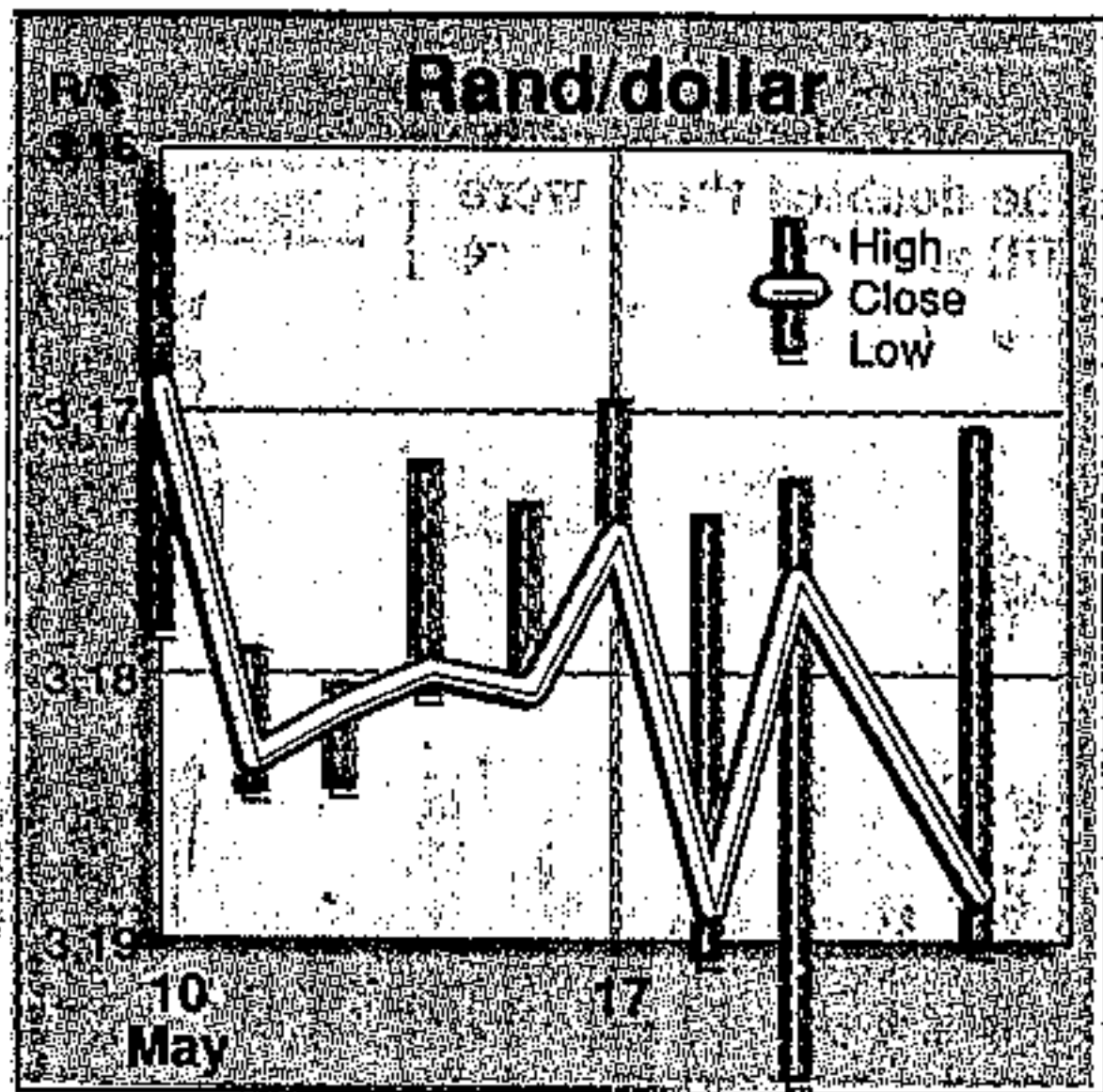
Mr Andre Hamersma, Standard Bank general manager, said in an interview "trading

blocs are the name of the game" and it was essential the region considered itself as a trading bloc to give it more punch.

Another problem in the region was that trade there was mostly focused outside the region. There was considerable advantage in developing trade between countries in the region.

The WEF conference follows on a similar conference in Geneva two years ago at which the central focus was future economic policy in South Africa. At the conference the ANC met stiff resistance to proposals for nationalisation from local and international businessmen.

The WEF conference will be attended by South African members of the Forum as well as representatives from the ANC, Inkatha and the National Party.



Graphics: RUBY-GAY MARTIN Source: I-NET

The commercial rand eased slightly to close on Friday at 3,1900 from Wednesday's close of R3,1765. The financial rand ended slightly weaker at R4,65 from the previous close of R4,63 after firming earlier in the week on the back of a gold price surge.

Reserves still low despite gold price

TIM MARSLAND

THE recent surge in the gold price had helped SA's reserves, but the level of these reserves remained low, Reserve Bank Governor Chris Stals said at the weekend.

"The increase in the gold price helps to reduce pressure on foreign reserves, but the level of the reserves is still very low after the total decline of about R6bn during the six months to end-March," he said.

Stals said the improved gold price had not affected negotiations regarding the debt standstill "which obviously must take a longer-term view".

Gold rose \$4,60 in Hong Kong on Saturday, to close at \$378,25. In New York on Friday it finished up \$3,40 at \$377,50, while in London it rose \$1,35 to close at \$374,65.

Asked whether the Bank's economic targets were back on track, Stals would only say: "Money supply growth has been satisfactory so far this year."

In a further move, government sold about R8,5bn of RSA debt stock during April, the first month of the financial year, figures from Nedcor chief economist Edward Osborn indicated.

The sales mean government has already raised about 30% of its funding requirement for the year, and will now have to sell just R2bn a month to fund the budgeted deficit of R30bn.

To Page 2

Reserves

Stals said these sales had reduced liquidity in the money market during April and had contributed to the daily shortages — which rose to all-time highs of more than R6bn at some points.

However, Stals said it was not Bank policy to put pressure on the money market. The Bank was responsible for just R2bn of those sales, while the rest were sold directly by the Treasury through the Public Investment Commissioners.

Money market dealers blamed the hike in short-term interest rates during April on the shortage. The 90-day bankers' acceptance rose to 11,85% to 12,20%, raising the

cost of finance for corporate borrowers.

Finance deputy director-general Estian Calitz said it was difficult to say to what extent funding had been responsible for the high shortages. The department had taken advantage of opportunities to sell the debt in April.

Stals said the influence of government finances on interest rates depended not only on bond sales but also on the rate of government expenditure.

Pressure on money market interest rates in April were caused by the increase in government deposits with the Bank — a situation reversed in May.

Blom 2415193 (74) From Page 1

ANC seen smoothing path to vital IMF aid

Star 24/5/93

By Sven Limsche

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ANC assistance is crucial if the Reserve Bank is to avoid higher interest rates or a rand devaluation, says Davis Borkum Hare economist Jos Gerson.

Writing in the broker's Quarterly Strategy Review, Gerson says the authorities will have to take action in response to recent capital outflows, which accounted for R4 billion of the R7 billion lost in gold and forex reserves in the first quarter.

He says the temporary weakening of the dollar had recently improved the "leads and lags" situation so that the Reserve Bank was able to replenish the reserves in April.

But he warns that this respite may be transitory, particularly if the dollar recovers some of its momentum against the European currencies.

"Ultimately, the Reserve Bank faces the stark choice of having either to put up interest rates or permit depreciation of the real exchange rate or both.

"The former option would directly delay the recovery. The latter option would re-ignite inflationary pressures and, like an interest rate hike, would also suppress domestic demand, although it would have the advantage of promoting exports."

He says, however, that this stark choice could be avoided if the Reserve Bank had access to International Monetary Fund (IMF) facilities.

With the help of the ANC, Gerson expects the Bank could raise

as much as R2 billion this year from the IMF.

"However, we have heard that the IMF disapproves of the high real exchange rate that is being maintained and may thus be expected to press for a more rapid depreciation of the rand."

Gerson forecasts, therefore, that the rand could depreciate further this year.

For the economy as a whole, he predicts marginal growth of 0.3 percent in gross domestic product this year and 2.2 percent growth in 1994.

Star 24/5/93

ANC plea on capital flight

(74) (235)
OWN CORRESPONDENT

CAPE TOWN — The ANC has challenged the rich and powerful in South Africa to show confidence in the future and invest on a large scale.

This is contained in a statement of concern at the multibillion-rand capital outflow between January and April.

The ANC said: "Powerful individuals in our country who control massive amounts of capital also have a responsibility to ensure that their actions contribute towards the generation of a climate conducive to investment."

Economists estimate the outflow on

the capital account of the balance of payments to have been between R2,5 billion and R5 billion from January to April.

The organisation warned that capital would continue to leave the country until a political settlement was reached. A settlement would supplement the country's domestic savings with foreign savings and help generate urgently needed investment.

Gold retreats as Fed considers rise in rates

Star 25/1/93

By Neil Behrmann

LONDON — Gold is meeting resistance around \$380 an ounce after reports that the US Federal Reserve Board is considering raising interest rates.

Fed officials have voted to lean towards higher short-term interest rates because they are concerned that inflationary pressures are building up in the economy.

As a result the dollar rose sharply yesterday and in New York gold tumbled from a peak of \$381 to close at \$373.90.

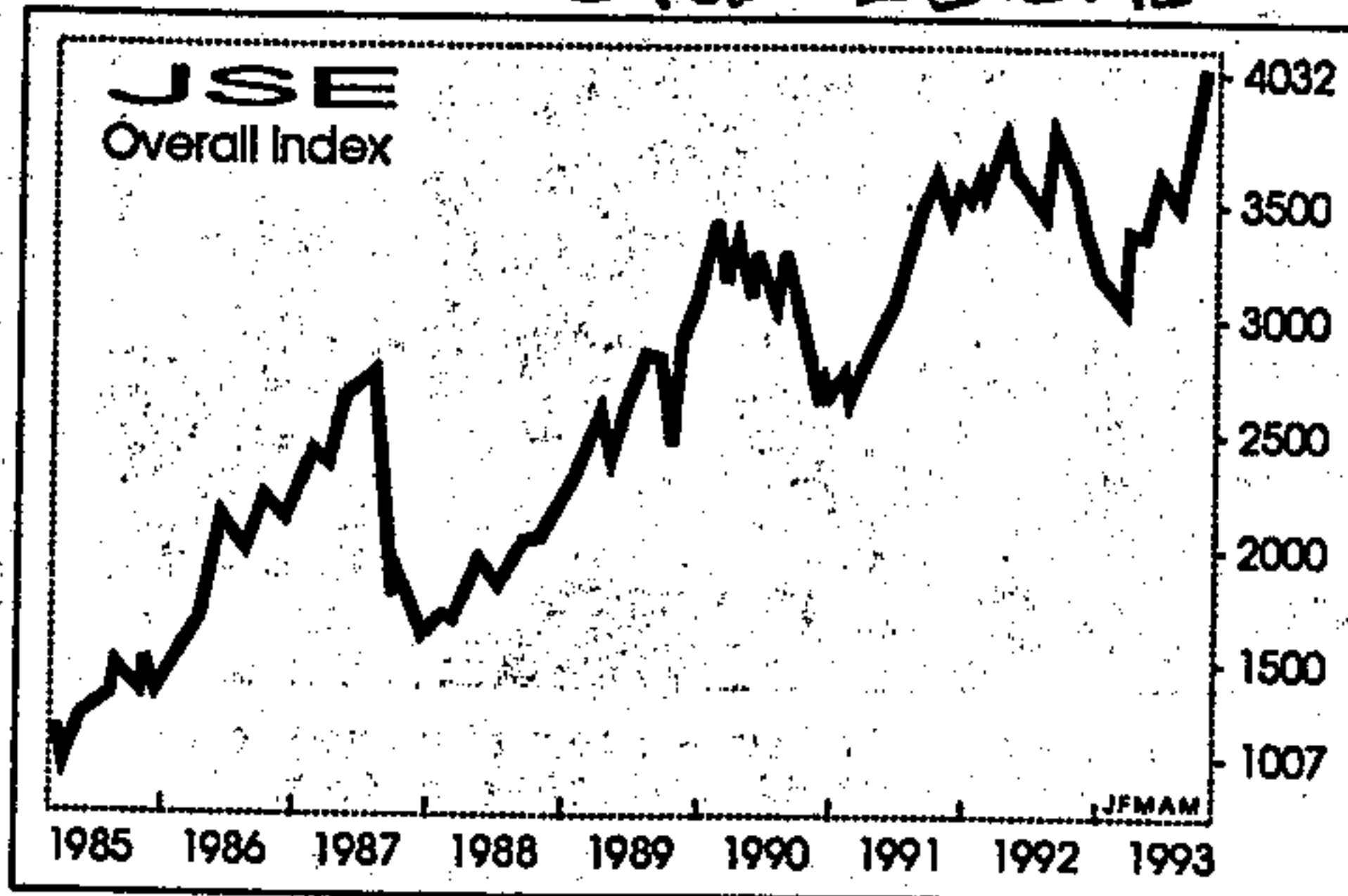
Some analysts are saying the time has come to be wary of proliferating bullion bugs who are leaving isolation wards and are making all sorts of predictions about the price.

Of course, South Africa can only welcome the 14 percent rise in gold since the seven-year low of \$327 in March.

The problem, however, is the quality of buying.

Daily gold volumes on New York's Commodity Exchange, the futures and options market, have surged in recent months by four times to 70 000 to 100 000 contracts, each equivalent to 100 ounces of gold.

The open interest of these contracts have more than doubled in the past few months to 177 000 contracts.



Record level . . . driven up by gold shares the JSE overall index rose above 4000 for the first time yesterday.

Since commodity funds and speculators have been overwhelmingly bullish, there are a lot of short-term gold holders out there, hence the sharp reaction on Monday.

A US bullion manager warns of "black holes" in the market where sharp price moves can take place on small volumes.

There is sufficient speculative money to drive gold through \$400. In the longer term, however, gold market prospects depend on solid jewellery demand, accelerating Western inflation and on hopes that buyers from China and other Asian countries will pay higher

prices.

Bullion dealers say that US, Swiss and other portfolio managers and private investors are far from convinced that gold is entering a major bull market.

Far too often, in the past five years, gold has surged, faltered and then tumbled as disenchanted investors dumped positions and ran for cover.

The price has traded in a narrow 15 percent range of \$330 to \$380 for several years, although there were brief break-outs from time to time. Many an investor was caught near the top of the band.

Serious investors are unsure

whether US inflation will rise sharply in an economy with high unemployment, spare capacity and uncomfortable levels of private debt.

The same applies to Europe. Germany is dragging European economies downwards. Britain's recession has ended, but recovery is slow and patchy.

There is also a question mark over China and the Far East, after record purchases of gold in the past year.

Dealers and analysts of the Union Bank of Switzerland, Deutsche Bank, Morgan Guaranty and others are detecting a sharp decline in orders from the Far East.

Imports by Singapore, Taiwan, Hong Kong and other parts of Asia have fallen sharply. China's authorities are cautioning that they will clamp down on inflation.

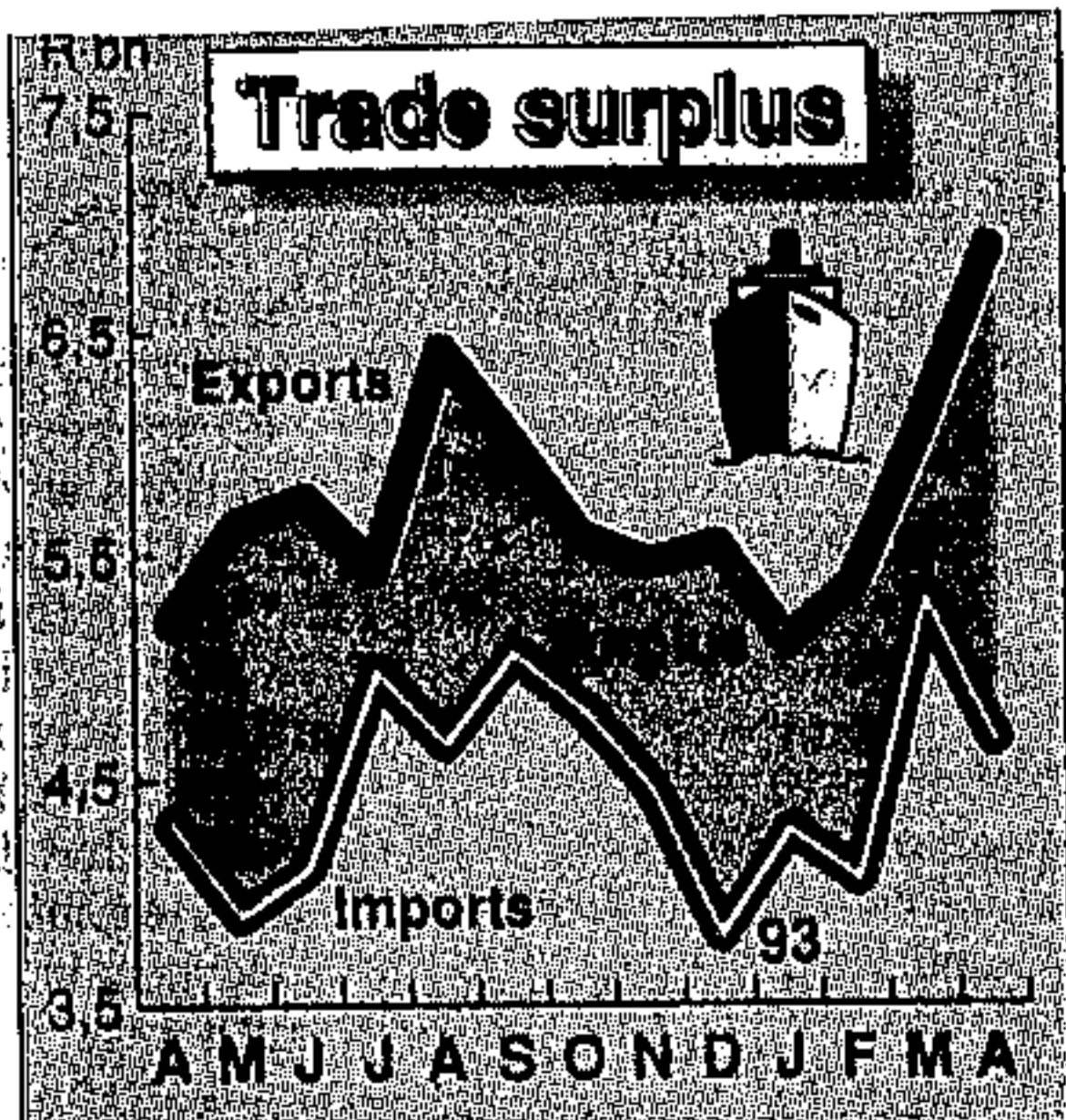
The gold market is thus delicately balancing between speculative demand from the West and price resistance from the East.

If gold were to stabilise between \$350 and \$380, Far Eastern buyers may well re-enter the market. But it is difficult to estimate on what scale.

If the price were to surge, Far Eastern hoarders and jewellers would be sellers, dealers say.

But if gold fails to move, commodity funds may grow impatient and sell.

Trade surplus ^{B10m 25/5/93} ⁽⁷⁴⁾ From Page 1



Graphic: LEE EMERTON Source: CUSTOMS & EXCISE

Sharp turnaround of trade surplus

^{B10m 25/5/93} GRETA STEYN ⁽⁷⁴⁾ ⁽²¹⁾

SA's trade surplus more than doubled in April from March, to R2,19bn, boosting hopes that a solid trade performance will provide a shot in the arm for the country's ailing foreign exchange reserves.

Exports rose and imports fell in a sharp turnaround after disappointing figures for the year to date. Exports were up more than 13% from the previous month to R6,87bn while imports were down by almost 12% to R4,68bn.

Economists said the improved trade surplus was only partly the result of an increase in the gold price and suggested the current account of the balance of payments (BoP) was on track for an adequate performance even if gold failed to hold at recent levels. Difficult economic conditions would restrain import demand from rising too rapidly while key export categories, including minerals and base and precious metals, were pulling their weight.

The capital market greeted the figures with a cautiously positive response, reflecting the importance of the overall BoP in the Reserve Bank's policymaking decisions. The Bank would take its cue from movements in the foreign exchange reserves which indicated the effects of capital outflows, an analyst said.

To Page 2

Standard Bank economist Nico Czynionka said the figures indicated the drought's pressure on foreign exchange reserves had started to lift. A further factor affecting comparisons of the import bill between March and April was the fall of more than R200m in April's unclassified imports, probably reflecting a huge oil import bill in March. SA's major export categories were growing at a significant rate in the face of weak world economies.

Old Mutual economist David Mohr said the average trade surplus for the year so far suggested SA was on track for a cur-

rent account surplus of about R4bn — in line with official projections — even if the gold price did not hold at present levels.

Safto economist Bruce Donald noted unclassified exports were up 12% for the first four months of 1993 compared with the same period a year ago — reflecting the gold price gains in April. Mineral products (up 29%) fared well in the first four months; base metal exports were up 3% while some manufactured categories recorded strong growth. Donald noted that trade with the US rose considerably, reflecting improved relations.

Heavy capital outflow obliterates gains in foreign trade performance

SA experienced a heavy capital outflow in the first four months of this year, obliterating the gains of a steady foreign trade performance and forcing the Reserve Bank into a cautious stance on monetary policy. Economists estimated the outflow on the capital account of the balance of payments (BoP) at R2,5bn-R5bn in the period January to April.

There was no let-up in the pressure since outflows started picking up in the last quarter of last year, when a R3,7bn outflow took the total outflow for the year to R6,5bn.

AHI economist Nick Barnardt noted that the steady trade performance for the year suggested that the decline in the country's foreign exchange reserves was the result of a drain on the capital account of the BoP, rather than a weak current account performance.

The current account — the trade surplus less net payments for invisible trade — was about R2bn in the first four months of the year (based on a trade surplus of about R6bn). In spite of the current account surplus, the country's gross gold and foreign exchange reserves had fallen by an esti-

26/5/79 3,
Greta Steyn

While other factors such as valuation and short-term central bank credit to shore up gross reserves could not be estimated with certainty, it was evident the capital outflow in the first four months of the year ran into a few billion rands and could even be as high as R5bn.

Nedbank chief economist Edward Osborn said: "The capital account is the crux of our difficulties this year. Without a surge in the gold price, the BoP requires a

delicate balancing act that leaves the authorities with little room to manoeuvre."

He said the Bank could not gamble on the gold price. It would be some months before it would be evident that the gold bull run had provided enough of a cushion of foreign exchange reserves to allow a slackening of policy in the face of a continued capital drain.

According to Osborn's figures, about \$535m in foreign debt fell due in the first quarter of this year, followed by a further \$410m in the present quarter. As the politi-

cal situation had made rollovers unlikely, this probably accounted for a large portion of the capital outflow.

However, other economists noted outflows of short-term capital had also placed huge pressure on the reserves and could exceed the debt repayments.

Factors influencing these outflows included the switching of trade finance to domestic sources from foreign sources because of a narrowing in the interest rate differential between SA and its major trading partners, as well as adverse leads and lags relating to currency fluctuations.

Exchange rate policy revision likely — Stals

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LINDA ENSOR

SOMERSET WEST — SA would have to revise its exchange rate policy in the next 12 months to liberalise the flow of capital into and out of SA, Reserve Bank Governor Chris Stals told a meeting of central bankers from 14 African countries yesterday.

"Things are moving quite quickly," he said, adding that SA's dual exchange rate system was creating problems as many capital flows took place outside the system. But he cautioned that much would depend on sustained political stability.

"It will take tremendous courage in the present fluid political situation to abolish the financial rand system. Recent events in the political arena provided ample evidence of the need for the retention of this kind of a protective measure to serve as an economic shock absorber in times of political and social upheaval."

Stals pointed out that there was continued underlying pressure to withdraw foreign investments from SA. The finrand was trading at a discount of about 30% to the commercial rand. Also, between R5bn and R6bn in readily transferable liquid finrand deposits, retained with foreign exchange dealers, was waiting to leave the country. *BJDAM 26/5/93*

"SA will first have to regain its creditworthiness before such a major step as the final abolition of the protective financial rand system will become feasible. In the meantime, there is little scope for moving away from the present situation."

Access to IMF and World Bank funding would also facilitate a review of the exchange controls.

Another obstacle to merging the financial and commercial rands was the debt standstill, as Stals said it would be unethical to prohibit non-residents from taking out their money while allowing residents to do so. He expressed optimism that negotiations with SA creditor banks would solve this situation.

In an interview Stals said it would take time to abolish exchange controls. He envisaged that the three exchange control mechanisms — the debt standstill, the finrand system applicable to non-residents

To Page 2

Forex *BJDAM 26/5/93*

and the exchange controls applicable to SA residents — would be phased out in that order. "The phasing out of the controls applicable to non-residents should perhaps get priority because, it is argued, the existence of these controls discourages the inflow of new investment by non-residents."

Stals expressed interest in the Zimbabwean system which allowed residents to invest a specified amount each year in neighbouring countries and said the Reserve Bank would have to consider this in future. Zambian central bank governor Dominic Muijisho said SA's exchange controls could prevent it from exploiting the region's investment potential.

Stals said the emergence of the rand as the single regional currency would be an evolutionary process: SA would have to earn this status by keeping down the rate of inflation. This would naturally lead neighbouring countries to attach themselves to the SA exchange rate.

He did not foresee this role for the rand

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in the present circumstances because of the huge divergence in sub-Saharan Africa's economic development. It would be extremely difficult to integrate the economies of the region at this stage, and SA would have to focus more on economic and financial co-operation.

It would also be difficult for the rand to play the role of a single regional currency while SA's extensive exchange controls were in place. In the long term, however, the expansion of trade and economic relations would give rise to the need for a single currency and the rand was a good candidate for this.

Stals said the April year-on-year inflation rate — due for release this week — was expected to be in the region of 12%. He noted that the underlying rate was less than 10%, and that an increase in the rate of about two percentage points had been allowed for the effects of the VAT hike.

● See Page 3

Concern at customs burden

B/DAM 2615793
CAPE TOWN — Expansion of the SA Customs Union to incorporate other countries in the region would require a restructuring of the allocation formula, Finance Minister Derek Keys said yesterday.

It was possible that a new structure would be devised within the next 12 months, clearly delineating allocations from the common customs union pool and SA aid to member countries.

Addressing central bankers from 14 African countries, he said allocations to countries outside SA were large in relation to what SA collected from them. SA would go broke if the union was enlarged on the current basis as it incurred a net liability each time a new member joined.

Keys said the question was one of defining the correct allocation rather than cutting down payments, though this could not be excluded.

He emphasised any cuts in payments would be phased in as some countries depended on income from the customs union for their survival.

(74)
LINDA ENSOR

Lesotho, for instance, derived a third of its income from the union.

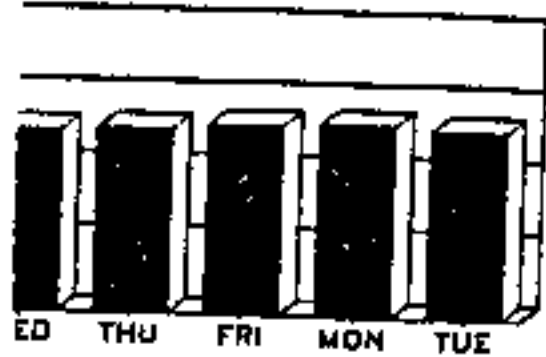
Member countries would have to discuss an alternative structure. Trade and Industry director-general Stef Naude was organising a meeting for this purpose. The interests of all parties, including those who saw a free trade area as a potential threat, would have to be taken into account.

SA was also keen to start negotiations with the European market on a mutually beneficial trade agreement. Keys envisaged this as a special agreement outside the Lomé Convention. SA had been advised not to lobby for membership of the latter.

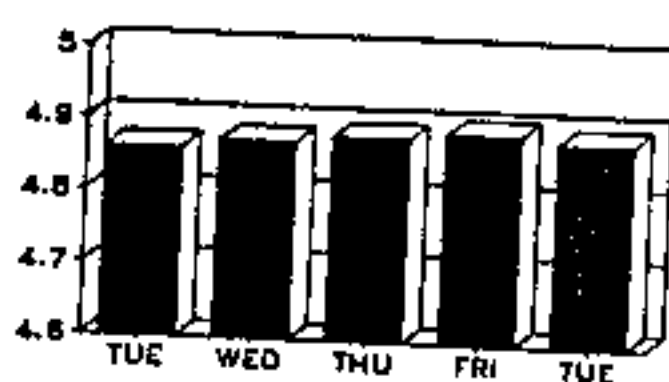
Keys said he hoped to have by August a detailed set of programmes intended to achieve the goals set out in the normative economic model.

The Finance Department and the Reserve Bank hoped to present the interim government with fairly detailed plans.

ollar/Rand



Pound/Rand



S

Star/FNB Investors Club

THE next meeting of the Star/FNB Investors Club, which takes place on Thursday June 17 at the Sandton Holiday Inn, will focus on the Johannesburg Stock Exchange and stock market investments.

Do you want to find out what the prospects for the JSE are, how the stock market works and how you can invest on the JSE? Then this seminar is for you.

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Keys seeks wider union for customs

By Bruce Cameron

CAPE TOWN — Finance Minister Derek Keys is set to renegotiate the Customs Union to enable membership to be spread to a wider range of countries in the region.

In a speech to a conference at Somerset West of bankers from 12 countries in the southern African region, Keys said he hoped to redefine the benefits of the union, which were lopsided against SA.

Allocations to Botswana, Lesotho and Swaziland as well as the four independent homelands were large in relation to what they contributed. With the imbalance it would be impossible to bring in new members.

"Clearly we have to sit down and see if we can come to a definition of a larger customs union.

Keys said South Africa was also preparing for new relationships with the IMF and World Bank, as well as the European Community.

Consensus
These organisations were insisting on political consensus before new relations could be finalised. This would be possible within six weeks of the formation of the Transitional Executive Council (TEC).

Keys said he was keen to see negotiations with the EC start as soon as possible. But SA would not seek entry into the Lome Agreement, which gives developing countries access to the EC.

Turning to domestic policies, Keys said the normative economic model, published earlier in the year for revitalising the economy, would be taken to its next stage by August.

The plan would also form part of the agenda of a finance sub-council of the TEC which should be established soon.

Arrival of Syfrets investment team adds R24-m to Corsyn

By Derek Tommey

The news that Syfrets's top investment team is to join investment company Coronation Syndicate (Corsyn) has boosted the value of Corsyn shares by R24 million to R75 million.

In the process, it has increased the value of the Corsyn shares held by controlling shareholder David Barnes by about R12 million to R40 million.

According to latest reports, Barnes holds 52 percent of Corsyn's shares.

Since Monday, when the news about the team was announced, Corsyn's shares have risen 250c to 800c.

Barnes is not the only person to benefit; the holdings of Gavan Ryan, who has a 26 percent stake, have risen by about R3 million to R20 million.

Barnes has become a wealthy man in an extremely short time.

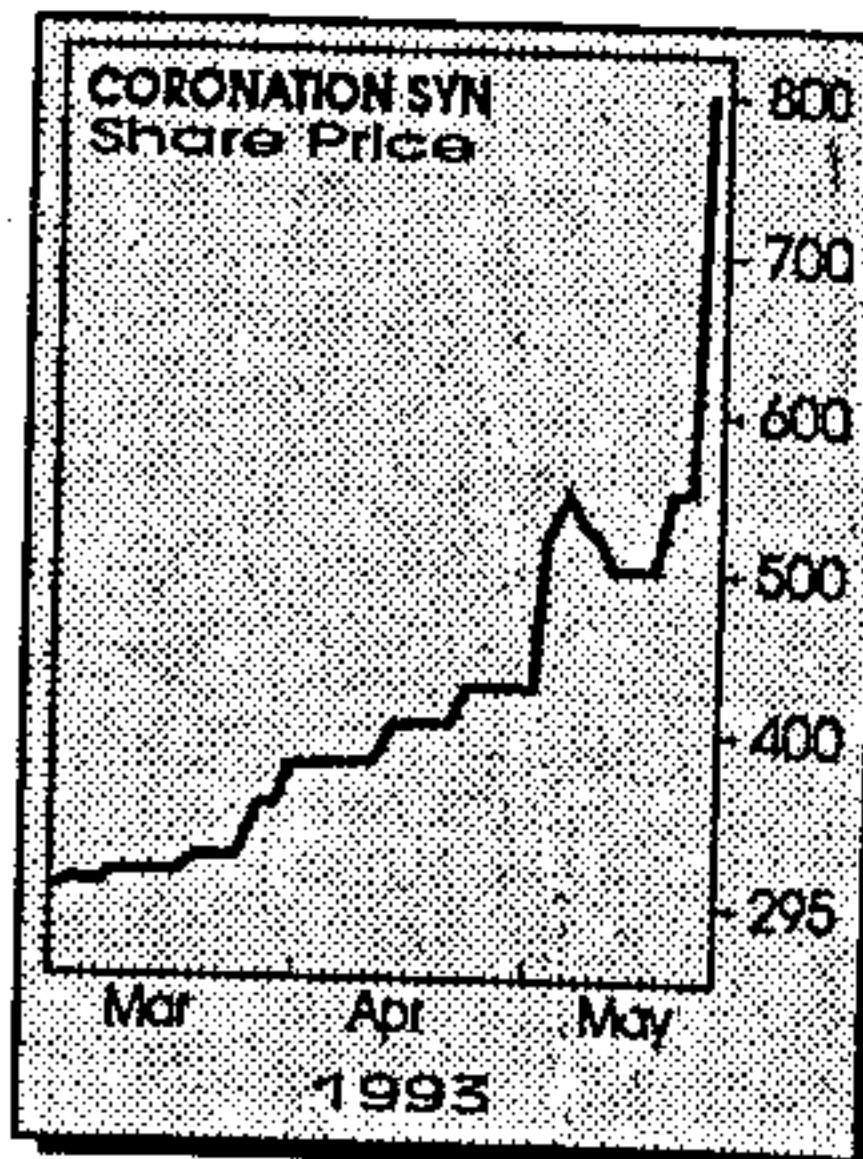
Last September, a syndicate of Barnes, Ryan and UAL obtained control of Corsyn by buying 3,96 million shares from the controlling shareholders for 105,3c a share, or R4,17 million.

Corsyn then acquired Barnes's Securities Development & Trading (SDT) for R3,6 million in exchange for 3,46 million new shares, also at 105,3c a share.

The 7,4 million shares acquired by the consortium at a cost of R7,8 million were equally divided among UAL, Barnes and Ryan. Subsequently, UAL sold its shares to Barnes.

This outlay of R7,8 million has now grown to R60 million.

It is clear that the prospect of getting shares in Corsyn and achieving returns similar to those enjoyed by Barnes and Ryan must have been a major factor in inducing Syfrets's top



team to join Corsyn, say observers.

Some people believe Syfrets should have done a deal with the six in order to keep them.

But bankers say no major organisation could ever reward its employees the way Corsyn might.

This is not to say that major organisations are not handsome payers. Barnes worked for UAL for 10 years, spending most of his time running its bond department and becoming a multi-millionaire in the process says one source.

But Barnes wanted more than this and left UAL in 1990 to start SDT.

Ryan was an executive director of UAL until he joined Corsyn — highlighting how strong is the lure of equity. Some people have questioned whether the acquisition of six new employees justified a R24 million jump in Corsyn's market value.

But with other companies in the same business standing on earnings yields of 6 percent, the six need only increase Corsyn's earnings by R3,6 million before tax to justify such a share price increase.

Forex control changes in pipeline — Stals

By ARI JACOBSON
MAJOR changes to foreign exchange controls are a possibility within the next year, according to SA Reserve Bank governor Dr Chris Stals yesterday.

And Minister of Finance Derek Keys says in the same period the economic model for the country will be shaped and ready for implementation "to suit the majority".

Both were speakers yesterday at the Financial Mail bank conference for Southern Africa's leading bankers, which is being held this week in Somerset West.

However, Stals, the keynote speaker, cautioned that SA's consumer price inflation would show a significant rise for the year to April, to around 12%, but underlying growth remained below 10%.

Discussing SA's debt standstill, Stals explained that negotiating a better deal on SA's debt-standstill was "one-third of the foreign exchange problem".

From GRETA STEYN

JOHANNESBURG. — SA experienced a heavy capital outflow in the first four months of this year, obliterating the gains of a steady foreign trade performance and forcing the Reserve Bank into a cautious stance on monetary policy.

Economists estimated the outflow on the capital account of the balance of payments (BoP) at R2,5bn-R5bn in the period January to April. There was no let-up in the pressure since outflows started picking up in the last quarter of last year, when a R3,7bn outflow took the total outflow for the year to R6,5bn.

AH economist Nick Bamardt noted that the steady trade performance for the year suggested that the decline in the country's foreign exchange reserves was the result of a drain on the capital account of the BoP, rather than a weak current account performance.

The current account — the trade surplus less net payments for invisible trade — was about R2bn in the first four months of the year (based on a trade surplus of about R6bn). In spite of the current account surplus, the coun-

The rest of the problem, with loosening exchange controls, constituted the social and political dilemmas in South Africa.

Zimbabwe central bank's governor Kombomoane, speaking from the floor, said that a solution was to allow the channelling of local funds into neighbouring

regions.

Stals argued that this would be a "distortion at a time when non-resident funds were being blocked from leaving the country".

In an interview afterwards, Stals said: "First we must undo financial controls applicable to non-residents. From there it is a good idea to

try's gross gold and foreign exchange reserves had fallen by an estimated R1bn.

While other factors such as valuation and short-term central bank credit to shore up gross reserves could not be estimated with certainty, it was evident the capital outflow in the first four months ran into a few billion rands and could even be as high as R5bn.

Nedbank chief economist Edward Osborn said: "The capital account is the crux of our difficulties this year. Without a surge in the gold price, the BoP requires a delicate balancing act that leaves the authorities with little room to manoeuvre."

He said the Bank could not gamble on the gold price.

According to Osborne's figures, about \$535m in foreign debt fell due in the first quarter, followed by a further \$410m in the present quarter. As the political situation had made rollovers unlikely, this probably accounted for a large portion of the capital outflow. However, other economists noted outflows of short-term capital had also placed huge pressure on the reserves and could exceed the debt repayments.

allow funds to be channelled into regional investments".

He was hopeful that this could take place within the next 12 months.

Keys, speaking over lunch, said that the region "would be far more interesting to the world together than apart".

But he warned that problems on a national level were already "overwhelming".

"In August we hope to have an economic model that suits the majority of SA citizens," he said.

Keys said that from there, programmes would be devised for specific areas such as fiscal discipline and productivity as well as for certain industries like clothing, textiles and electronics.

"By the time the interim government is in place (possibly next March) the economic agenda will be ready."

"I see myself as the Minister of Finance of the pre-interim government."

While official consumer price statistics for April are expected to be released later this week, Sanlam's chief economist Johan Louw, in his economic review released yesterday, echoed Stals' view, maintaining year-on-year inflation could shoot up to 12% for April and average 11% for the year as a whole.

Golds close off early lows

JOHANNESBURG. — Gold shares came off early lows by the close as the gold price staged a late recovery.

But dealers said the gold price would have to move above recent levels before staging another major rally on the share market, although foreign investors continued to be net buyers of local counters.

The Gold Index, which hit an earlier 1834 low, was 29 points off at the close at 1856. The Industrial Index was eight points down at 4518 and the Overall Index was 22 points softer at 4010.

● New York comex gold closed higher.

June delivery ended \$4.50 higher at \$378,70 an ounce. Analysts said the market was given a boost by the weaker dollar, which hit a new all-time low against the yen.

● Coronation Syndicate said it has established a subsidiary, Coronation Asset Management (Pty) Ltd, which it intends to develop as an investment manager to pension funds and institutional portfolios. Shareholders were advised to exercise caution in trading.

● Rand Mines Properties said it is closing its UK office and ending the listing of its shares on the London Stock Exchange on May 31. — Reuter

CT 26/5/93

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Seminar to focus on business's role in change

By Shirley Woodgate

Substantial American funds are waiting to be pumped into economic development in South Africa, United States ambassador to South Africa, Princeton Lyman said in Sandton recently.

But ambitious international plans for South Africa would not be realised unless the local business community displayed a similar kind of bullishness.

"More bluntly, none of the sources of foreign capital will materialise if South African capital is either leaving the country or held out of the marketplace.

South African companies expect foreign institutions to substitute their capital for South African," he added.

In every potential instance where foreign capital was waiting to come into this country, one clear condition was that this had to be matched, if not exceeded, by South African investment in the same areas of interest, Lyman said.

The ambassador's comments reflect the tone of a landmark one-day seminar next month, organised by The Star and the authoritative Consultative Business Movement (CBM) in Johannesburg on June 25. The seminar will focus on

the role of the business community in a changing environment and will be based on the recently published book *Managing Change*. A guide to the role of business in transition, the publication was compiled by the CBM national team.

Input at the conference will be from international businessman and chairman of Phillips Netherlands, Jan Timmer, backed by at least 16 of the South Africa's top industrialists and business leaders, including John Hall and Mike Rosholt.

Dr Zach de Beer, Dr Marnphela Ramphela and Dr Nthato Motlana are among other top speakers making

"Many are already active and others question only how they can become involved or refine their involvement."

This is where *Managing Change* ends; it is also where the debate at the Carlton Hotel conference on June 25 begins.

● A registration application form appears today on Page 23.



Lyman . . . urges SA businessmen to invest locally.

ANC sets police on new neighbours

DIRK VAN EEDEN

MOST people would find a group of uniformed AWB Wenkommando and Ystergarde members on their doorstep a trifle unnerving. More so if they happened to be in an ANC office in Pretoria.

So when ANC officials in the organisation's Central Street office this week spotted a group of "strange figures with guns — staring", they got on the line to head office in Johannesburg sharpish.

Minutes later a crack squad of policemen descended on the five AWB members who, it turned out, were quietly minding their leader's car while he went about business in the capital.

No, they had no plans to occupy the ANC offices, they explained. AWB leader Eugene Terre'Blanche was attending an Afrikaner Volksfront meeting in the building directly opposite of the ANC offices, and his bodyguards were cooling

their heels in the street.

Police said they had been alerted to a possible confrontation by ANC peace officer Joe Sithole, who had in turn been called by the ANC. Sithole said yesterday the ANC officials in Pretoria had been unaware that the newly formed Volksfront had set up offices in the area.

"With rumours of hit-lists going round, the ANC officials must have thought the people on their doorstep were ready to hit out," said Sithole.

Later, after police were assured nothing untoward was about to happen, the ANC members decided to close their office for the rest of the day.

Police spokesman Lt Evan Johnson said yesterday no arrests were made and no charges had been laid.

India 'likely to lift sanctions soon'

PETER DELMAR

TRADE and Industry director-general Stef Naude yesterday predicted a quick lifting of Indian sanctions, following a high-level government visit to the country.

Naude said he and other senior government members spent five days in New Delhi at the invitation of the Indian federation of trade and industry. The invitation had been extended after Naude's visit to India last year.

A Trade and Industry statement said Naude had held several meetings with Indian politicians, government officials, organised trade and industry as well as private businessmen. He met the Indian foreign minister as well as the secretaries of trade and foreign affairs.

"Although India still imposes comprehensive sanctions against SA it became evident during the visit that Indian policymakers are eager to normalise relations with SA," Naude said.

"Developments in SA are followed with keen interest and the impression is being created that a political settlement will result in the speedy lifting of sanctions."

India recently announced its intention to establish a cultural office in Johannesburg in a move interpreted as a forerunner to

the lifting of sanctions and the establishment of formal diplomatic relations.

Naude added new IMF calculations had raised India's GDP tenfold. "India's economy is currently the sixth largest in the world following those of the US, Japan, China, Germany and France. According to the latest calculations, its GDP amounts to \$3-trillion, compared with the previous figure of \$290bn. The per capita income in India has thus increased from \$330 to \$1 150."

Reuter reports that Trade and Industry also announced yesterday that SA would participate in India's international trade show in November. The department said a delegation of prominent industrialists would visit India at the same time.

It said the Indian market offered opportunities for products such as iron and steel, pulp and paper, phosphoric acid, chemical fertiliser, rock phosphate and ferro-alloys.

Sapa reports that India's cultural centre director Harsh Bhasin said a full range of consular services to assist travellers to India should be operating by mid-June. Bhasin arrived in SA last week and said the rest of the Indian cultural team would be in Johannesburg within a week.

Silent devaluation begins to bring in substantial benefit

Star 21/5/93

By Derek Tommey

The silent devaluation is beginning to work. Exports in April rose 30 percent to a record R6,9 billion in the teeth of poor economic conditions overseas.

This should make economy-watchers much happier because higher export earnings should impact favourably on local economic activity.

Nothing has been said officially about a rand devaluation.

But soon after Derek Keys became Minister of Finance last year the rand began sliding against the currencies of SA's main trading partners.

Whether this was planned or just happened is still a moot point. But the rand is now 8,9 percent lower against the dollar than it was a year ago, 12,4 percent lower against the mark and 22,6 percent lower against the Japanese yen.

However, as most SA exports to Japan are priced in dollars, the gain there is not as great as it might seem. In contrast, the rand is about 2 percent higher against the pound.

Economists say the cheaper rand must help exporters. Where products are priced in dollars, it should boost their local incomes. And it should lead to higher export volumes and revenue in the case of products priced in rands.

Part of the reason for the huge increase in exports in April was a



Derek Keys . . . rand began sliding soon after he became Minister of Finance

jump in precious stone (diamond) sales to R884,1 million from R157 million in April last year.

As the monthly diamond sales figures tend to be erratic, one must accept that the April figures were distorted to some degree.

Nonetheless, after excluding diamond sales, the balance of April exports was R6 billion — still a useful 17 percent above last year's figure.

This rise significantly exceeds the price advantage arising from the rand's devaluation, suggesting that export volumes are increasing along with export receipts.

One of the highlights of the April export figures was the 74 percent jump to R58,1 million in

receipts from sales of timber products.

A number of manufacturers have been trying to break into European and US markets with pine furniture and it is possible this figure reflects their efforts.

Another surprising figure was the 44 percent increase in textile sales to R192,9 million — probably as a result of increased sales by SA Nylon Spinners and Saiccor.

Exporters of mineral products (mainly coal) had a good April, with earnings rising 35 percent to R848,6 million.

Rivalling them were exporters of machinery and electronic equipment who earned R212,6 million — 31 percent more than a year ago.

This is a comparatively new export area for SA firms and shows that they can really compete.

Exporters of scientific equipment also scored with a 23 percent rise in sales to R19,5 million.

Animal exports rose 20 percent to R72,6 million, chemical exports were 19,4 percent higher at R320 million, while exports of "other" items, which include gold, uranium and probably platinum, were 17 percent up at R2,52 billion.

Vehicle exports were 16 percent higher at R173,9 million and base metal exports 15,5 percent higher at R975,6 million.

Exporters of most other products had a poor April.

Attitude to *Star 28/5/93* SA improving, survey finds

Foreign business attitudes towards South Africa are improving, a recent survey commissioned by accountants KPMG Aiken and Peat has found.

"Confidence in the country's future is strong, and has increased from the previous survey.

"There is fairly strong disagreement with the contention that South Africa is not a safe place for business people to visit," the firm says. *GU*

The survey of enterprises in Britain, Europe, Scandinavia and the US says three percent more plan to increase their involvement with South Africa, compared with findings in a survey done last July.

Of the respondents, 71,8 percent are already involved in South Africa and only one percent plans to withdraw from the country, compared with two percent previously.

Unaffected

The survey was conducted from last November to March 1993 and its results are unaffected by the assassination of Communist Party leader Chris Hani in April and the consequent negative sentiment towards the increase in social unrest.

The respondents offered their opinions before the encouraging progress made on constitutional talks, now largely seen as irreversible by observers.

However, foreign business is mixed on whether to wait for an interim or new government before investing, and on whether either form of government would institute policies conducive to investment.

"More respondents than before agree that the policies of a new government would be market-driven, and fewer believe the availability of international loan finance would be vital to the country's economic recovery," says Aiken and Peat. — Sapa.

TRADE

FM 28/5/93

Still weak

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In spite of the strong improvement in the trade balance in April, the cumulative balance for the first four months of the year remains weaker than over the same period last year. The cumulative value of imports grew 12,9% to R18,3bn but exports climbed only 7,5% to R23,4bn, compared with the first four months of 1992. Nedcor chief economist Edward Osborn says that, in currency-adjusted terms, exports fell 1,2% and imports were up 4,1%. "This gives a currency-adjusted decline in the surplus of 14,5%, against a nominal 8,2%," he says.

However, April's performance represented a turnaround. The surplus for the month rose to R2,2bn, from R776m in March. Imports totalled R4,7bn in April and exports R6,9bn.

The magnitude of the month's surplus might have a lot to do with one-off windfalls or the timing of bulk sales which vary from month to month. A typical example is exports in the category jewels and precious stones, which consists mainly of transfers of diamonds to the Central Selling Organisation in London. This item brought in R884m in April, from R689m in March.

Improvements in a number of export items simply represent "catching up" for items which haven't grown in real terms — base metals, at a cumulative R3bn is up 3,1%, jewels and precious stones, at R2,5bn up 1,8% and chemical products, at R920m down 6,5%.

So the effects of a poor first quarter are still with us. Yet a number of factors could allow for a substantial recovery in the year's trade balance. These include:

- The cessation of the maize import programme. Imports in the item vegetable products were down to R120m in April, from R220m in March, and should drop further in the year;
- Weaker demand for imports, as a result of the higher Vat-rate, the effect of which could show up only in the coming months;
- A continued rise in the price of gold and other precious minerals. Already the category for exports of unclassified items is at a cumulative R9,2bn, up 11,7% from the same period last year. But stronger growth should be revealed in the May figures, when the full

effect of the current bull run will be felt; and

- A steady oil price, which until now has kept imports of unclassified items at low levels. These reached a cumulative R2bn, down 1,5% from last year.

Historically, the price of gold rises in tandem with oil prices. In the Seventies, the knock-on effect of the two oil shocks sent the gold price to a high of over US\$800/oz. And, in 1990, after Iraq's invasion of Kuwait temporarily boosted the oil price, the precious metal twice topped \$400 — from pre-invasion levels of about \$370.

So any benefit derived from the higher gold price had to be balanced against the cost of oil imports.

But the recent rise in the gold price — from \$326 on March 11 to \$380 at the start of the week — is unrelated to events in the oil market. The (futures) price of the benchmark North Sea Brent Crude hit a three-month low of \$18,10 a barrel on Thursday last week, following Kuwait's demand for a higher Opec output quota, well down from the \$19 level on March 10.

So there has been no need to siphon off the foreign exchange benefits of the gold price windfall of the past 11 weeks to pay a higher import bill. ■

TARIFF POLICY

FM 28/5/93

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Still waiting for action

Countless studies and reports over several years have shown that SA's high level of protection hurts exports, retards economic growth, adds to the jobless rolls and, finally, makes the country poorer. So, when the parliamentary Budget debate on Minister Derek Keys's Trade & Industry portfolio came and went this month without a concrete initiative to reduce tariffs, the criticism boiled over.

"Government policies continue to have a negative impact on the economy," says DP MP Geoff Engel. "We need a structured and detailed five-year trade reform and liberalisation plan if we are to succeed." Engel adds that government's Normative Economic Model, released in March, will remain a mere "scenario document" unless it quickly becomes part of a five-year implementation plan for reform.

The model spells out the damage inflicted on the economy by government's stubborn defence of its outdated policies, which not only include inaction in simplifying and reducing tariffs but also a stream of tariff increases as companies hurt by the recession seek to shore up profits by restricting imported competition.

"We still sit with a short-term, ad hoc policy-making approach," he says. "Government should stop favouring big business. We need to focus instead on tariff and structural economic reform."

AHI economist Nick Barnardt says: "In the present sensitive negotiation phase, it would be difficult for government to go much further than the document outlining the model. But the urgency of achieving concrete consensus on the model and its translation into a programme of action are paramount."

Engel adds that instead of keeping busy with academic scenario exercises, government should study Argentina's speedy and successful economic reform — and do the same. A plan to implement the model's recommendations would signify seriousness about reform, rather than just talk.

For his part, Keys said this week that the model has been undergoing revisions as comments and suggestions are taken into account. He hopes to start developing programmes to implement the model by August.

Meanwhile, three task groups studying industries where tariffs have been the most controversial and have had the biggest impact — clothing & textiles, electronics and motor vehicles — are working on plans to increase competitiveness without wholesale job losses. Indeed, the immediate job losses that rapid tariff reduction would cause — adding to the political instability — is cited as the main reason for government's go-slow policy, though eliminating tariffs would result in many more jobs in the long run.

Like many of the reports that preceded it, the model is scathing in its indictment of high tariff walls. It refers to the anti-export bias created by SA's effective 27% tariff barrier (30,2% on average for the manufacturing sector) and says this is the result of the country's "long tradition of import replacement, which has created an inward-looking industrial base."

Adds the model: "The ad hoc process of granting tariff protection to individual industries over many years gave rise to a system that is apparently one of the most complex in the world. It lacks transparency, is prone to continuous change, and is open to lobbying. A high degree of selectivity... has also made the system economically distortive and arbitrary."

As the system allows producers to charge higher prices in the domestic market, they "become only marginally interested in export sales and the SA export performance in



manufactures improves only when domestic demand is substantially depressed."

Due to this protectionist skewing of SA's economic structure, any domestic-led economic recovery "will almost inevitably produce a deficit on the current account and/or a serious depreciation of the rand... An export-led recovery requires at least the removal of the anti-export bias."

Harsh words indeed. But in his Budget debate, Keys paid scant attention to tariff reduction — apart from referring to government's mild reform proposal to Gatt, which is far from being implemented. He also supported a rationalisation of SA's complex tariff structure — which would not necessarily lead to lower tariffs. Coming almost three years after the IDC's landmark recommendations for reform, the impression is one of aimlessness.

Opposition parties are quick to point this out. "If business is to flourish, one needs a climate that protects competition, not competitors," says DP MP Brian Goodall. "Competition fosters innovation, helps to diffuse technology and leads to the efficient use of resources. If an economy is to grow, it

must be able to play the world market. Inward-looking economies are not successful."

In SA, the reason for this circumstance is clear. "Many SA industries cannot compete internationally because their input costs are so high," says Goodall.

"Often the companies supplying them were protected against overseas competition. Heavily protected industries should be given between five and 10 years to become internationally competitive — or else disappear." ■

DIGITAL EQUIPMENT CORP FM 28/5/93 Taking the plunge

The return of international computer companies to SA continued this week with the announcement that Digital Equipment Corp will open a wholly owned subsidiary in Johannesburg on July 1. Based in Maynard, Massachusetts, Digital is the world's third largest computer vendor and is ranked 27th in the *Fortune 500*.

With its decision finally to set up shop in SA, Digital is following top software companies Microsoft, Lotus, WordPerfect and Novell — all US-based — and the French government-owned information technology (IT) company Groupe Bull. Taiwanese PC group Acer will also open an office in July and rumours persist that Apple — which withdrew from SA in the mid-Eighties — will soon return.

Though not unexpected, the local market has been thrown into a spin by Digital's move. The company has never had direct operations in SA but its products have always been available and there are an estimated 1 000 DEC VAX computers (Digital's popular minicomputer family) in use in SA.

Digital, founded in 1957 when the computer industry was in its infancy, was the first to challenge IBM mainframes with its smaller and faster computers. Digital focuses on IT solutions — from networked computer systems of varying sizes, to software, peripherals, systems integration, services and consultancy.

It prides itself on being politically correct and that certainly showed this week. Announcing the investment, Digital vice-president of strategic resources John Sims said: "There was a time, and it was not long ago, when I found it difficult to imagine standing here officially introducing Digital to SA."

It seems that SA is potentially too lucrative a market to ignore. European vice-president for African operations Alberto Fresco says: "It is estimated that about

Foreign timeshare swops in favour

74
TIMESHARE exchanges by South Africans travelling to the United States doubled last year to almost 3 600 compared with 1991. *Star 29/5/93*

According to the RCI exchange organisation, Europe showed a 38 percent increase in exchanges from South Africa, rising to 2 715. RCI Southern Africa says fall-

PROPERTY EDITOR *ES*

ing air fares and attractive travel packages, as well as the removal of political barriers, have boosted the number of South Africans travelling overseas.

But managing director Steve Griessel says the unfavourable

exchange rate is still putting the damper on many travel plans. However, timeshare is a cost-effective way for South Africans to holiday abroad.

RCI, which has 140 affiliated resorts locally and more than 2 000 more worldwide, expects to confirm a total of 80 000 exchanges in and from South Africa this year.

JOBS

World Bank's plan for SA's revival

S. Times (By SS)

By KEVIN DAVIE

THE World Bank, which will make \$1-billion a year in loans available to SA once power has been transferred to a transitional government, has tabled a four-point plan to revitalise this country's moribund economy.

The bank says in its first official publication on SA for several decades, that for higher growth the country must revive the private sector while maximising employment growth and narrowing income differentials between blacks and whites.

It also redress massive inequalities in access to public services, as well as land

ent expenditure in incomes and

restricting the growth of recurrent spending.

● Encouraging rapid growth in skilled labour by upgrading semi-skilled and unskilled workers.

● Stressing job creation in small business and agriculture.

● Encouraging a reorientation of manufacturing in favour of exports.

The bank says the resources needed to redistribute public services adequately are considerable.

"It will cost around R8-billion to provide sufficient extra classrooms for those children currently enrolled and those out of school.

"The cost of urban renewal will be even greater. In the Witwatersrand area alone, the total cost of provid-

ing additional water, sanitation and electricity could be R6-billion to R10-billion. Nationally, the cost would be much higher."

The bank says new investment should not repeat the mistakes of the past — "that is, concentrate on inefficient and highly capital-intensive major parastatals".

Where possible, preference should be given to labour-intensive public works programmes.

"Where the public sector is the contractor, wages of unskilled workers should be paid at about one-half of formal sector rates."

The bank says that feasible growth in government investment could result in impressive redistribution.

"If GDP growth of around 5% a year could be attained, then a fiscal

deficit as high as 6% of GDP may be sustainable."

Control of recurrent expenditure to about 2% in real terms could lead to an increase in capital spending from the present 3,4% to 8,8% of GDP in five years.

"In 1991 prices this translates into an average R11-billion additional per capita spending of roughly R325 a year for the black population."

SA's most urgent task in international trade is to deal with the anti-export bias inherent in its policies.

"Two-thirds of the disadvantages that SA exporters suffer relative to foreign competitors stem from the higher prices they pay for manufactured inputs."

It is possible to have export neutrality while maintaining protection. Exporters must be given free

access to imported inputs. Incentives to export must be brought more in line with those to produce for the domestic market.

"SA needs a streamlined, automatic, duty-drawback (or rebate) scheme — one which is explicitly independent of any suggestion that exporters should first shop for local inputs before importing."

There is no reason why, given the right economic environment and policy framework, the economy should not be able to re-establish positive per capita GDP growth fairly quickly.

"The sustainability of this will require, however, a commitment by all of the major players in the country to agree (to) and then implement a coherent and redistributive economic strategy."

R1,5bn reserves boost if gold price stays high

S Times (Buss) 30/5/93

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By CIARAN RYAN

THE balance of payments is in for a R1,5-billion boost if the gold price remains at current levels, possibly allowing another cut in interest rates.

Reserve Bank Governor Chris Stals says there was a net outflow of R6-billion in the past six months as loan repayments fell due on the capital account, exporters delayed invoice receipts to benefit from a stronger dollar and importers settled bills quickly to avoid further weakening of the rand.

Trade finance is being switched to domestic sources as a result of lower SA interest rates, adding to the outflow and giving rise to fears that a balance of payments squeeze could result in dearer borrowing.

Zero

"There is no immediate concern about the balance of payments," says Dr Stals, dismissing suggestions that capital flight is rising as political confidence wanes.

Initial forecasts were for a payments surplus of more than R4-billion.

"If the gold price stays at these levels we should have a balance of payments surplus of between R6-billion and R7-billion for the year, compared to our initial forecasts of over R4-billion."

Dr Stals says: "After a zero balance on the current account in the first quarter, April figures show a surplus which should continue in May."

Gold and foreign-currency reserves have fallen to R8-billion from R11,5-billion in August last year, knocking import cover to 1,7 months. The Reserve Bank's target is three months.

Dr Stals says the finrand mechanism and exchange control prevent large-scale capital flight.

Nedcor Bank chief economist Edward Osborn says the capital-flight issue has been blown out of proportion.

"It has been thought that you could measure this by analysing the errors and omissions on the balance of

payments. But this is totally incorrect. There is no effective means of measuring capital flight.

"This is not to say that it does not occur. We know it does because some cases are brought before the courts.

"Of greater concern this year is the extent of debt repayment. For the year it could be \$1,6-billion (R5-billion), depending on the extent to which there are roll-overs of parastatal debt falling due."

Mr Osborn says the high cost is a disincentive to rolling over parastatal debt.

Pressure remains strong on both the commercial and financial rands because of the capital outflow and a large surplus of liquid finrand deposits.

Non-residents have pumped more than R2-billion into SA shares in the past four months compared with net

sales of R472-million in 1992.

Reserve Bank foreign-exchange head James Cross says this reduced the R6-billion in finrand deposits held with banks at the beginning of the year. A further R250-million was invested in gilts by non-residents in the same time compared with R780-million for 1992.

The finrand remains under pressure because of the uncertain political environment and foreign-currency deals overhanging the market, says Mr Cross.

Dr Stals says that while the discount remains at these levels, there is little prospect of scrapping the finrand.

Turnover in finrands is R500-million a day, or 2,5% of the commercial unit market. About R11-billion, or 48%, of the Eskom 168 loan stock is foreign owned, in addition to several billions in equities.

This poses a threat to the foreign-currency markets if the finrand is abolished, says Mr Cross.

Hope for cheaper money

S Times (Buss) 30/5/93

CONSUMERS stopped shopping after the Chris Hani assassination, leading to plummeting demand for credit and a year-on-year money-supply growth rate of only 3,35% in April.

This is way below the Reserve Bank's money-supply target range of 6% to 9% and down on March's 5,66%.

Econometrix economist Azar Jammie says: "This puts a downward influence on inflation and could imply pressure on Reserve Bank Governor Chris Stals to drop interest rates."

Dr Jammie warns that the fall in

money-supply growth may end soon. "The higher gold price has lifted the reserves and the effects of this have not filtered through into money-supply figures."

Falling reserves since the beginning of the year contributed to the money-supply growth fall, says Dr Jammie.

Nedcor economist Edward Osborn says money-supply figures were kept artificially low by R8,5-billion being taken out of the system through the issue of government stock.

This brought the money-market shortage to an extraordinarily high level.

Russians lift diamond demands

RUSSIAN diamond mines are again claiming the right to sell fewer of their gems through the Central Selling Organisation (CSO). Head of the Committee on Precious Stones and

Metals says restrictions on prices and output imposed by the diamond cartel "no longer suit" miners. They want to sell up to 20% of output to Israel, India, Belgium and America.

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Rand down by 21 percent against yen in six months

Star 116193
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By Neil Behrmann

LONDON — The commercial rand has plunged by 21 percent against the Japanese yen in the past six months.

The poor performance reflects acute rand weakness in the first quarter of this year and a significantly strong yen against all currencies.

As anticipated by London currency analysts and dealers, however, the rand has stabilised against the dollar and European currencies since March.

The depreciation of the rand was too fast in the first quarter. Super rand bears, who sold rands on the forward market in the past eight weeks, have been losing.

The rand is now beginning to look cheap against the yen, as are other currencies.

SA has a competitive advantage over Japan. As a result of the surge in the currency, gold, platinum and diamond prices have not risen.

Prices of SA coal and other commodities are now cheap for the Japanese. If Japanese companies were to invest either through the commercial or financial rand, they would be picking up bargains in SA.

On the other hand, prices of Japanese products are likely to surge in coming months.

The big question in the currency markets is whether the dollar will slip to the 100-yen barrier in coming months. That would imply a further seven percent rand decline against the

yen.

Neil Mackinnon, chief currency strategist at Citibank, and Elli Gifford, a technical analyst at Investment Research of Cambridge, believe there is a good chance that it will touch those depths.

A majority of currency experts in our monthly currency forecasting panel, however, are more cautious.

They contend that the yen is already in overbought territory against the dollar and other major currencies.

In the event that the yen continues to overshoot, there will be resistance around 103 yen to the dollar.

Summit

The yen's strength, however, may well continue ahead of the Group of Seven (G-7) economic summit in July.

Brendan Brown, London-based head of economic research at Mitsubishi Finance International, says a tightening of US monetary policy and a rise in short-term dollar interest rates would end yen euphoria.

Peter Luxton, currency economist of Barclays Bank, also frets that a lot of hot money has poured into short-term yen deposits.

Most members of the panel predict that the yen will stabilise around present levels and then weaken in the longer term. The average three- and six-month forecast for the dollar-yen rate is 108 yen. It is 112 yen

for twelve months.

Nevertheless, currency dealers and analysts can only admit that the strength of the yen has taken them by surprise.

Towards the end of last year, when the Japanese economy and stock markets were depressed, only a few maverick forecasters guessed a dollar-yen rate of 110 to 115 yen, let alone 107 yen.

Most bankers, businessmen, and investors focus their attention on the yen-dollar rate, which has slumped by 15 percent since the beginning of this year. Yet in the same timespan, the Deutschmark has tumbled by 16 percent.

Since the middle of last year the weighted average of the yen has surged by 28 percent, says the Bank of England.

The basis of the yen's power is a mammoth trade surplus, which rose 39 percent to a record \$126 billion last year, according to the Japanese Ministry of Finance.

But the deflation of the Japanese share and property bubble forced banks and businesses to repatriate funds.

For the first time in ages, institutions were selling foreign shares and bonds. Foreign direct and portfolio investment by the Japanese fell appreciably.

The Japanese share market bottomed, and real, inflation-adjusted bond yields were attractive once again, so foreigners boosted the yen by buying securities.

SA urged to obey market economy rules

By Sven Lünsche

The Taiwanese ambassador I-Cheng Loh has criticised South Africa for practices which reflect "disbelief in the market economy".

He said at the weekend: "It is time for SA to realise that unless certain structural re-adjust-

ments are made, its prospects of economic development will not be as fast as imagined."

He urged economic re-adjustment in compliance with the market economy.

"The practices here, however, reflect disbelief in the system.

"For example, banks

charge 1,5 percent for every letter of credit issued, compared with only 0,15 percent in other countries."

Loh said trade between South Africa and Taiwan totalled R4,81 billion last year, with a surplus of R1,55 billion in SA's favour.

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Star 116193

Regional economic grouping punted

By Bruce Cameron

CAPE TOWN — A regional economic community has been targeted as a must for Southern Africa by top bankers.

At a closed-door conference in Somerset West last week, bankers and members of finance ministries from as far afield as Kenya sketched out a plan for the region to work towards unity.

Key to the process would be a South Africa prepared to work for the good of the region and not for the reconstruction of SA alone.

The bankers emphasised no formal agreements had been reached.

There was, however, general agreement that a number of objectives had to be achieved before an economic bloc could be

established.

These included:

- The rapid removal of all restrictions on South African outward investment, particularly with South Africa's substantial regional trading surplus.
- The scrapping of exchange controls in the region as soon as possible, as well as the removal of tariff barriers, which impeded the free exchange of goods and services.
- The enlargement of the size and operations of the Development Bank of Southern Africa to include the whole region.
- The enlargement of the Preferential Trade Association and the Southern African Development Community (SADC) to include South Africa as part of "gradual moves towards the creation of a trading block".
- The encouragement of com-

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mercial banks to establish special small business divisions to increase credit to small business.

● Improvement of the infrastructure of the region, including road, rail and port facilities, as well as power supplies, water availability and telecommunications.

● Foreign aid flows to be co-ordinated and the private sector encouraged to participate in development projects.

● Existing education and training facilities, especially in South Africa, be exploited for the benefit of the whole region.

● The formation of a central bank governors' committee to commission a survey of monetary, investment and trade issues that should be brought to the attention of regional governments to "provide momentum for the general process of change".

GATT focuses on SA trade policies

Buss day 216 1/3

SA's trade policies will come under the spotlight at the General Agreement on Tariffs and Trade (GATT) council meeting in Geneva today.

Trade and Industry director-general Stef Naudé, deputy director-general Gerrie Breyl and senior officials are attending the second day of the GATT meeting.

The council meeting follows an evaluation of SA's trade and industrial policies by the GATT secretariat during a visit to SA last September.

SA is the 26th country — and the first in Africa — to have its policy reviewed by the GATT secretariat since the start of the Uruguay Round of negotiations in 1989.

The GATT secretariat's report is sched-

PETER DELMAR

uled for release later today, but an account of council proceedings is not expected before September.

SA recently offered to reduce tariffs on 4 000 of its 11 000 tariff headings, but delayed implementation until January 1994, pending progress on the Uruguay Round.

At the time of their visit to SA, the GATT delegates gave no hint of the likely content of their report. But sources who met the team said the world body had indicated SA's offer did not go far enough. A government source said yesterday the SA delegation would make further concessions during this week's debates.

volved or amounting to an offence on the part of any person.

(3), (4) and (5) Yes, on 15 January 1993. In this regard cognizance has to be taken of the provisions of sections 17 and 21 of the Inquests Act, 1959 (Act 58 of 1959), which enables an attorney-general to, after considering the record of the proceedings, request the re-opening of the inquest or to institute criminal proceedings if he is of the opinion that it should be done.

No decision has been made as the Attorney-General is awaiting representations from the legal representatives of the deceased's mother.

Crime prevention unit at Chatsworth

*3. Mr A RAJBANSI asked the Minister of Law and Order:

- (1) Whether any arrests have been made by the crime prevention unit at Chatsworth since the so-called A Team unit was disbanded; if not, why not; if so, how many;
- (2) whether, since the disbandment of the above-mentioned unit, any Mandrax tablets have been seized in the area concerned; if so, how many? D280E

The MINISTER OF LAW AND ORDER:

- (1) Yes, 235.
- (2) Yes, 731.

Mr A RAJBANSI: Mr Chairman, arising out of the hon the Minister's reply, is he prepared to give us comparative data in respect of the efficiency of the present restructured crime unit and the performance of the A Team?

The MINISTER: Mr Chairman, if that question is placed on the Question Paper, I will gladly do so. Permit me to say that considering what the hon member said at the World Trade Centre on Thursday evening, I wish he was as concerned about the deaths of people murdered by Appla as he is about this particular issue.

Mr A RAJBANSI: Mr Chairman, on a point of order: That is an unrelated matter. If the hon the Minister has guts here, he should also have guts at the World Trade Centre.

HOUSE OF DELEGATES

case was also present and we took decisions on various matters.

Firstly, we decided that a press statement would be prepared by the commissioner for publication. This statement will deal with requirements and restrictions in respect of the clearance of imported goods by returning residents. It is anticipated that a better knowledge of the do's and don'ts will go a long way towards removing misunderstandings between customs and the public. The public is also being made aware of the fact that officers are required to wear name plates, so that offenders may be identified. That is the first step.

Secondly, the commissioner reissued an instruction that all officers who interact with the public should wear name tags in future. That is an important step.

Thirdly, the commissioner and I will visit Durban. I am sorry that it will not be possible for me to spend a whole day there during this parliamentary session, since I have many duties regarding legislation. However, I shall be visiting Durban. During that time I intend to visit the airport for an *in loco* inspection, and I shall inform the hon member of my visit.

Public Service: merit awards

*5. Mr M RAJAB asked the Minister of Education and Training (Minister responsible for the Commission for Administration):

Whether the Commission for Administration administers a system of merit awards for all members of the public service; if not, why not; if so, what are the relevant details? D291E

The MINISTER OF EDUCATION AND TRAINING (Minister responsible for the Commission for Administration):

No. The various departments mentioned in the Public Service Act, 1984, themselves administer certain prescribed systems with regard to merit awards in the case of members of the Public Service.

Own Affairs:

Funds for housing: insurance company

1. Mr M F CASSIM asked the Minister of Housing:

- (1) Whether his Department recently obtained funds for housing programmes through a certain insurance company, the name of which has been furnished to the Minister's Department for the purpose of his reply, below the market interest rate; if not, what is the position in this regard; if so, (a) when, (b) what is the name of the company in question, (c) what amount and (d) under what conditions;
- (2) whether he will make a statement on the matter? D261E

The MINISTER OF HOUSING:

- (1) No. As far as could be ascertained, the former Financial Consultant had exploratory discussions with an Insurance Company. However, it appears that no tangible results were derived therefrom. (a), (b) (c) and (d) fall away.
- (2) No.

Mr M F CASSIM: Mr Chairman, arising out of the hon the Minister's reply, is he aware that this particular insurance company has advertised its intention to make available vast sums of money for housing at an interest rate of 10%?

The MINISTER: Mr Chairman, for the information of the hon member Mr M F Cassim, such monies are not loaned by this Administration. Local authorities have to apply for such loans. Their applications have to be made in consultation with the administrator in charge of local authorities. In turn, the administrator concerned has to consult with Treasury to ascertain whether such loans can be serviced.

Mr M F CASSIM: Mr Chairman, further arising out of the hon the Minister's reply, why can the necessary machinery not be put in place to explore all the possibilities for obtaining this much needed funding for social upliftment in the country?

The MINISTER: Mr Chairman, I have stated on many occasions in this House that we must naturally explore every possible way of ensuring the upliftment of the underprivileged community, particularly with regard to housing, welfare, etcetera. Money is required.

In any event, with the restructuring of the Administration, there has to be a new scenario.

HOUSE OF DELEGATES

controlling the finances of that country. [Time expired.]

The DEPUTY MINISTER OF FOREIGN AFFAIRS: Mr Chairman, I think that the floundering hon member for Johannesburg North owes the hon member for Sea Point a debt of gratitude for trying to come to his rescue, but unfortunately what the hon member for Sea Point said implied that for 15 years the position has been static and nothing has been done. This does not stand up to critical examination. [Interjections.]

Ever-increasing attention has been given to this matter, so much so that there has not been a point at which more incisive attention has been given than at this very moment. [Interjections.]

I was on the point of trying to inform the hon member for Johannesburg North because I am trying to shed some light on the subject for him. He generates a lot of heat on the subject. I am trying to shed some light on the subject. [Interjections.]

I wanted to tell him, for example, of one specific mechanism in the whole process, namely suspensions. It actually happens frequently that proposed expenditure on specific items is suspended during the budgetary discussion. Before such suspension can be lifted, the affected party has to give full reasons justifying the lifting of that suspension, and these reasons have to be acceptable to the SA Government.

As I said earlier, the SA Government has a say in preparations made for these governments, but I must also remind hon members that the independent states frequently remind us of their independent status when the question of effective forms of control is discussed.

There is no disputing that taxpayers' money has to be protected and that proper financial control should be in force at all times. What I have been dealing with refers precisely to that. [Interjections.] [Time expired.]

Debate concluded.

Aliens Control Act, 1991 (Act No 96 of 1991);

(2) whether the admission of such persons was subject to any conditions; if not, why not; if so, what conditions;

(3) whether any of the persons referred to in paragraph (1) (b) are still in the Republic; if so, what are the relevant details with regard to the residence of such persons in the Republic;

(4) whether the South African Defence Force has been notified of the admission to the Republic of and the regaining of South African citizenship by the persons referred to in paragraph (1); if not, why not; if so, what are the relevant details? B853E

The MINISTER OF HOME AFFAIRS:

(1) to (4) Statistics on the required basis are unfortunately not available. However, for the hon member's information it may be mentioned that during the period April 1985 until December 1989 a total of 470 persons of all population groups, sexes and ages, whilst inside or outside the Republic, renounced their South African citizenship in terms of section 16 (2) of the South African Citizenship Act, 1949. It must also be pointed out that South African citizenship cannot be resumed whilst a person is abroad after he has renounced his citizenship in terms of section 16 (2) of the South African Citizenship Act, 1949. Such a person must first be admitted to South Africa lawfully and can only resume South African citizenship if he settles here permanently.

Persons who have renounced their South African citizenship and left South Africa and subsequently return to the country on a temporary basis are in terms of Departmental policy admitted to the country on temporary permits for holiday or business purposes only. Such persons must also hold return tickets.

When a former South African citizen resumes South African citizenship in terms of section 25bis of the South African Citizenship Act, 1949, or if he is in any way exempted from the loss of his South African citizenship, the South African Defence Force is advised thereof in writing. However, the South African Defence Force is not informed when a

former South African citizen returns temporarily to South Africa since such persons are not eligible for military service.

New questions:

RSA citizenship: national service for White males

*1. Mr D S PIENNAAR asked the Minister of Defence:†

Whether any of the White male persons who before 1 January 1990 and before reaching the age of 30 years had renounced their South African citizenship before they could perform their national service, performed such national service after they had regained their South African citizenship; if so, (a) how many and (b) in respect of what date is this information furnished; if not, why not? B854E

†The DEPUTY MINISTER OF DEFENCE:

(a) 15.
(b) 1988. Statistics of this nature were not kept before this date.

Housing finance: co-ordination

*2. Adv C H PIENNAAR asked the Minister of National Housing:†

Whether the Government intends co-ordinating all aspects of housing financed on the first, second and third tiers of government; if not, why not; if so, what are the relevant details? B814E

The MINISTER FOR NATIONAL HOUSING:

Mr Chairman, I am grateful to the hon member for Heilbron for asking me this question, because I am told that as a new boy I am supposed to make a maiden speech, and here I am giving a maiden reply. Regrettably, it is a very short reply as well, under the circumstances.

As a new national housing policy and strategy for South Africa are at present being negotiated between all interested parties, unfortunately it is at this delicate stage not possible to reply to the hon member's question.

I would like to add that it is expected that at least three months will be required before full details are available.

QUESTIONS

†Indicates translated version.

For oral reply:

General Affairs:

Questions standing over from Wednesday, 26 May 1993:

Swedish aid to political organization

*9. Mr J H MOMBBERG asked the Minister of Foreign Affairs:†

(1) Whether South Africa's ambassador in Sweden exerted any pressure on the Swedish government to discontinue financial assistance to a certain political organization, the name of which has been furnished to the Minister's Department for the purpose of his reply; if so, what is the name of this organization;

(2) whether he or his Department gave (a) instructions and/or (b) approval for such pressure to be exerted; if not, what is the position in this regard; if so, why;

(3) whether he will make a statement on the matter? B856E

†The DEPUTY MINISTER OF FOREIGN AFFAIRS:

(1) No.

(2) (a) and (b) No, not previously. I am of the opinion that benefits which are granted exclusively to the ANC result in heightened tension and do not contribute to reconciliation. This point of view was on more than one occasion conveyed to the relevant governments.

(3) Falls away.

Citizenship: White males

*12. Mr D S PIENNAAR asked the Minister of Home Affairs:†

(1) How many White male persons who renounced their South African citizenship and left the Republic before 1 January 1990 and before reaching the age of 30 years, were readmitted to the country after the said date (a) after regaining South African citizenship and (b) on a temporary basis in terms of the Aliens Act, 1937 (Act No 1 of 1937), and the

Sawetan 3/6/93

African countries ⁽⁷⁴⁾ 'must work together' ⁽¹⁰⁾

■ Two could exchange valuable ideas: ⁽¹⁰⁾

NAIROBI — There is a need for greater co-operation between African countries instead of depending on Western aid, local South African representative Mr Dries Venter said this week.

Speaking during a visit by the general manager of Siemens South Africa, Mr Darryl Flint, and his national sales manager, Mr Braam van Dyk, he said Kenya and South Africa had now begun to rediscover each other after a long break in relations. The two countries broke

their 30-year hiatus in relations two years ago when State President FW de Klerk visited Kenya.

Flint and Van Dyk met President Daniel arap Moi earlier this week and presented him with a dental chair which is to be donated to a rural health centre.

Flint told newsmen that the experiences of Kenya and South Africa in the medical field were similar and that the two countries could exchange valuable ideas.

Optimism over world trade pact

BIDAM 3/6/93

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PARIS — Leading industrial nations have agreed that a world trade pact could be ready for consideration by their summit in July, European Commission vice-president Leon Brittan said yesterday.

"It is realistic to aim for an outline of an ambitious market-access package by the time of the G-7 (Group of Seven) summit in early July," Brittan said. "This is an important step forward on GATT."

The G-7 summit will take place in Tokyo from July 7-9.

Negotiations to liberalise world trade have been going on under the Geneva-based General Agreement on Tariffs and Trade (GATT) for more than six years.

Brittan was summing up so-called quadrilateral talks between the EC, Japan, the US and Canada held yesterday on the sidelines of a ministerial meeting of the Organisation for Economic Co-operation and Development.

He said work was still needed on areas of dispute, which would be conducted through bilateral contacts and at a new quadrilateral meeting in Tokyo on June 23 and 24.

All sides would have to make hard changes in bargaining positions.

Brittan said GATT director-general Arthur Dunkel attended the start of the quadrilateral meeting to underline the fact that

any world trade deal had to involve many more countries.

Once the G-7 had agreed on an outline package, the debate would shift back to multilateral talks in Geneva, Brittan said.

Earlier French Industry and Foreign Trade Minister Gerard Longuet said a trade pact was possible by the end of the year "if everyone shows some good will".

He told French radio from the town of Beaune during regular Franco-German summit talks that an accord would raise confidence among world investors and help boost an economic recovery.

"It will not change the face of the world from one day to the next but at least investors will regain trust," he said.

On Tuesday, French officials in Beaune said French President Francois Mitterrand, Prime Minister Edouard Balladur and German Chancellor Helmut Kohl, and their agriculture ministers meeting separately, had moved closer on agriculture and towards a joint European stance in the trade negotiations.

The two countries were expected to issue a joint statement on the world trade talks, noting progress in EC farm reform and calling for global trade talks that did not single out agriculture.

France's rejection of a US-EC farm trade deal struck last November has been one of the major blocking points in the talks. — Sapa-Reuter.

Bus. Day 4/16/93

Two sides to GATT debate

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LEORA BLUMBERG

GOVERNMENT and ANC officials have indicated their intention that SA should seek developing-country status. Business Day (Comment, May 11), on the other hand, has criticised the calls for reclassification as a "craven preference to face the international community with cap in hand instead of sleeves rolled up". Who is correct?

In GATT there are only two provisions which explicitly allow differential treatment for developing countries. One basically grants four types of privileges to developing countries: the right to renegotiate tariff bindings, enabling protection of so-called infant industries; the privilege to use quantitative restrictions when in balance of payment difficulties; the privilege to use any measure necessary to promote a particular industry; and permission to deviate from GATT rules in order to establish a particular industry.

GATT gives specific recognition to the following needs: export earnings, efforts to increase trade, better access to world markets for primary products, diversification, and collaboration with international lending agencies and other agencies concerned with economic development.

The developed contracting parties do not expect reciprocity. GATT also grants developing countries a longer period in which to phase out unlawful subsidies such as GEIS.

Developing countries in GATT also benefit from the generalised systems of preferences (GSP) which promote the idea of lower tariff rules for imports into industrial countries. It is up to the government of each developed country to decide what products should be covered and what limits should be imposed on preference benefits.

In addition to the GSP schemes, there exist special arrangements between certain groups of countries designed to benefit developing countries. The most prominent of these is the EC's Lomé agreements with 60 African, Caribbean, and Pacific (ACP) nations. The US Caribbean Basin Initiative is another example.

It seems desirable, therefore, on the face of it, to become reclassified as a developing country. While there is no clear definition of a "developing

country", all concerned have a good idea as to which countries would qualify. Per capita GNP is relevant. SA's per capita GNP is lower than that of a number of other "developing" countries. Other relevant factors are the extent of industrialisation and balance of payments difficulties.

On these grounds, too, there appears to be some basis for arguing that SA should be reclassified. However, there are several obstacles which may prevent reclassification. It would be necessary to obtain consensus from the GATT contracting parties. Opposition could be expected from those developing countries that compete with SA (such as Australia, Canada and New Zealand) and from those developing countries that believe that SA's change of status would affect them detrimentally.

Similarly, there is likely to be vociferous opposition to SA becoming an ACP nation and benefiting from Lomé. SA is considered to be too advanced industrially and technologically to fit into the ACP group. In addition, the ACP countries are likely to regard SA's Lomé membership as a potential diversion of aid and investment from themselves. Opposition could also be expected from certain agricultural and industrial interests within the EC.

Further, the adverse effects of reclassification on the raising of finance and perceived credit-worthiness in the international capital markets need to be considered. While there is certainly some merit in the Business Day argument, SA's GATT classification is unlikely to be the sole factor considered by financial institutions. Of relevance is the country's borrowing and credit history, political risk profile, economic reports from international organisations and various other factors unrelated to trade classification.

There are, undoubtedly, certain issues that should be negotiated with our GATT partners, and concessions that should be sought, such as the phasing out of GEIS and preferences for our exports. Without some export incentive scheme, SA is unlikely to achieve export-led growth. SA should use its special position in the international community to obtain concessions during its transitional period. It is no shame to qualify for and receive developmental funds or trade concessions which will assist in economic growth. Such aid should not be shunned or rejected out of pride.

Reclassification should not, however, be seen as a mechanism for SA to maintain and perpetuate its protectionist policies, and it is unlikely the international community would allow this. Too much reliance should not be placed on reclassification. SA is more likely to achieve trading benefits and concessions through bilateral negotiations, and by entering into special trade arrangements with its major trading partners and the influential trade blocs, rather than within GATT generally.

Blumberg is an international trade partner at Webber Wentzel.

Star 416193

SA makes new offers to Gatt

By Sven Lünsche

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The South African Government yesterday made further offers to Gatt (the General Agreement on Tariffs and Trade) to fall into line with the world trade body's requirements.

According to government sources, the new offers, tabled at a Gatt council meeting in Geneva by the Department of Trade and Industry (DTI), contain a commitment to remove import quotas and formula duties on most products, except food, within a year.

Licensing requirements on agricultural imports would also be scrapped as soon as possible.

In earlier submissions SA offered to bind 55 percent of its 12 600 tariff lines to Gatt requirements, compared with 40 percent at present. This would reduce the simple average tariff on the value of imported industrial goods from 21 to 14 percent.

Furthermore, the percentage of duty-free tariff lines would rise from fewer than 20 percent to more than 25 percent.

The DTI also reiterated yester-

day that the import surcharges would be removed as soon as possible and tariffs reduced over and above SA's commitments in terms of Gatt's requirements.

The implementation of this package has been delayed until 1994 and will depend on the successful conclusion of the current Uruguay Round of Gatt negotiations, expected in September.

The Gatt secretariat welcomed the improved offers, but warned that SA's tariff structures and their review mechanisms were far from stable or transparent.

Leaving communism far behind



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The Far East is an increasingly important area for SA trade and investment. This fifth part of a series on the Dragons of the Pacific Rim looks at China.

Surveying the economic, political and human wreckage of Chairman Mao's Great Leap Forward of the Sixties, the Chinese Communist Party absorbed some valuable lessons. So in 1978, under Deng Xiaoping, it started opening up the economy, progressively freeing selected zones, cities and regions and drawing in foreign capital and know-how. The result: 15 years of spectacular growth for the world's most populous country (1,2bn people) and what is now the third largest economy.

Chinese pragmatism is firmly in the driver's seat, with ideology taking the back seat. Unlike the former USSR, which gained political freedom first and then started worrying about economic growth, China decided economic growth was the horse and political freedom the cart. The party is still officially in control but China's second great leap forward has done more to free an autocratic society than decades of human-rights pressures from the West.

Investors are scrambling to get aboard. "In 1992, 48 000 foreign-funded enterprises were approved, surpassing the total of the previous 14 years since the open-door policy began. Foreign capital invested to date has reached US\$34,4bn," says Liu Zhenshan, who headed China's recent exhibition at Kempton Park's World Trade Centre.

Spurred by cheap labour, enlightened economic policies and an increasing level of skills, China's GDP surged by 12,8% last year, while government projects annual growth rates will average 9% until at least 2000. Last month the World Bank ranked China as the third-biggest economy — after the US and Japan — and it expects the sprawling giant to supersede Japan early in the next decade and the US after that.

This huge shift of economic and political power from the West and other Asian countries to China has enormous implications for world trade and investment. SA is not being

left out. A few years ago China prohibited South Africans from even visiting. Then in July the Ministry of Foreign Economic Relations & Trade's Great Wall Group set up investment and business operations in Johannesburg. In April 102 companies took part in the trade exhibition, organised by the China Council for the Promotion of International Trade.

In March SA plans to return the favour with a 300-company trade fair at Beijing's World Trade Centre. This would be the largest SA exhibition ever organised overseas, says Joe Brady, CEO of Times Media Exhibitions, which is helping to put together the fair. The company, like the *FM*, is owned by Times Media Ltd.

Chinese officials promise that thousands

of top executives and buyers from the country's mammoth State-owned corporations will attend the five-day fair. "China's huge potential is positively scary. Once its people are affluent enough to become serious car buyers, the world may run short of minerals and materials to supply such a massive demand," Brady says.

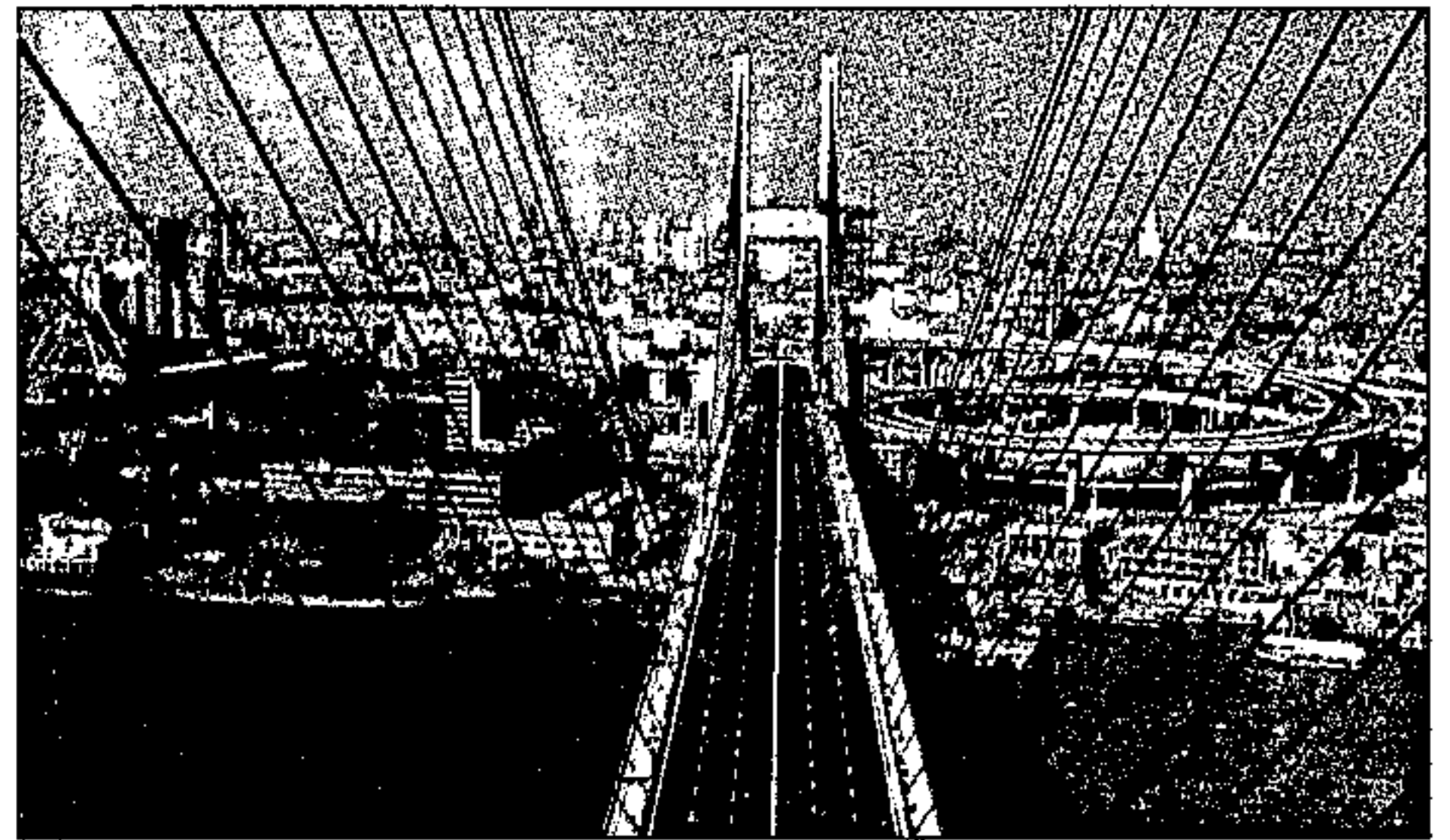
This is good news indeed for local mining and minerals industries. China may also soon become a net importer of animal feeds such as maize and soya, thus creating another big market for SA.

The explosion of growth in China's southern Guangdong province — it could easily be expanding by 25% a year — has been well publicised. But that's no longer the only growth centre. Beijing is clearing the way for more special industrial zones, open cities and economic and technology development regions. In fact, the whole of China is being drawn into the boom, with growing regional autonomy fuelling competition for foreign

investment and trade.

Much of this foreign interest comes from the Chinese diaspora, spread among Taiwan, Singapore, Hong Kong and elsewhere, from which funds are helping to create a greater China. (China's headlong rush to capitalism is reducing fears in Hong Kong for its future after the British colony reverts to China in four years.)

But, says Claude Smadja, director of the World Economic Forum, which met in Cape Town last week, China must address its structural imbalances. The most serious is the continuing losses piled up by a full third of China's State enterprises, which account for about half of the country's industrial output. The red ink is feeding China's growing budget deficit. Government recognises



Bridge to Shanghai . . . connecting with capitalism

that it must dismantle some of the companies but fears the unavoidable mass lay-offs.

"Therefore, the process of reform can be expected to continue to be marked by gradualism, with changes spread over a few years," he says.

But with price controls falling by the way-side; the modernisation of its investment, taxation, patent and trademark laws; constant upgrading of its infrastructure; and the likelihood of soon becoming a Gatt signatory, it is clear that the 21st Century will see China becoming a global, market-driven powerhouse, leaving communism far behind.

Betting on your own horse

FM 4/6/93



Brian Kantor is professor of economics at the University of Cape Town



Whether the rand is under- or overvalued is a critical issue. In the three months to the end of April, it lost 15% of its value. This is a significant devaluation by any standard and based on a basket of currencies in which the dollar is weighted 46% — about the Reserve Bank basket (see diagram).

Against all its inclinations, the Bank was forced to devalue in response to a dramatic loss in foreign exchange reserves that began last year. Some critics of the Bank would certainly regard this devaluation as appropriate.

Since the end of April the gold price has dramatically changed the fundamentals. A continued price rise would call for revaluation rather than devaluation. Any attempt to ignore the exchange rate effects of an increase in the price of gold undermines money supply control.

The way to avoid part of an otherwise necessary exchange rate appreciation would be to sell foreign exchange to the portfolio managers of our retirement funds for investment in foreign currency hedges. It is salaried savers, locked into pension funds and retirement annuities, who have been unable to diversify currency risks. They have lost on the swings of foreign exchange control while others, through dividend, interest payments and false invoices, have gained on the roundabout.

Remember that exchange control on balance has not worked, as may be seen in the price of Krugerrands. In this form, South Africans can buy as much gold as they like at close to the world price.

Let the private-sector fund managers hold a foreign currency portfolio on behalf of

their savers and let them, if necessary, be regarded as second-line reserves recallable in an emergency. They are bound to look after this wealth much better than the Reserve Bank has succeeded in doing. The Bank, after all, has proved its capacity for losing wealth in the form of forex reserves by consistently disposing of them at prices that are too low.

Chances are that, if the gold run does continue, the Bank will not reform exchange control until it is too late. By acting in the interest of gathering more reserves unto itself, and on behalf of exporters of manufactures, it will inhibit an exchange rate appreciation. Then it will not be able to prevent the money supply growing much faster as leads and lags turn in our favour, liquidity builds up in the banking system and interest rates decline. By the time they decide exchange control reform is a good idea, the reserves

the tariff structure and offering generous export subsidies as compensation.

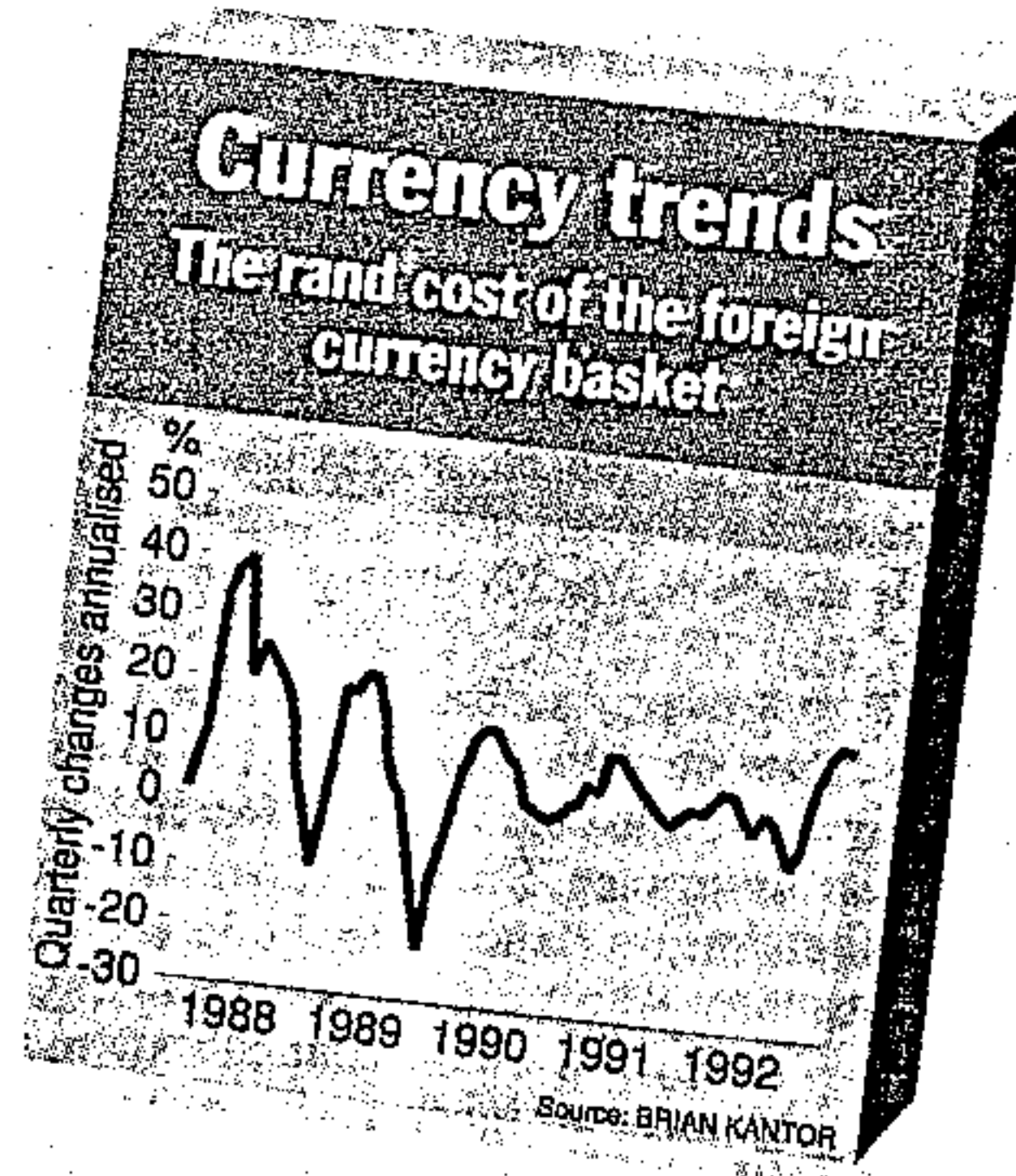
The best SA response to any rise in the gold price is to allow savers to diversify from gold-related risks while foreigners seek protection in gold from the risks of President Bill Clinton and the like. Without exchange control, such portfolio switches would be made automatically. While the gold price rises, our fund managers would accumulate more foreign currency hedges and, when it falls, we would draw them down. Such responses would stabilise a market-determined exchange rate to the advantage of all exporters and importers.

It would also let the Reserve Bank focus on its essential task of controlling money supply rather than second-guessing the gold price while portfolio managers coped with the outlook for gold.

The best approach to gold price related risk is to mine as much gold as the market dictates and allow mines to run as efficiently as they are able. Which means without having to subsidise inefficient local industry. Though people should be working on and for the mines, it makes little sense for them to own gold mines. They share in the ups and downs of the industry in every other way. Holding gold shares as well as foreign exchange in the form of gold is like betting on your own horse.

Were it not for the political interest in exchange control, people would have coped easily and automatically with the risks of dependence on the volatility of gold and other commodities. This we would have done by becoming more specialised in our structure of production and much more diversified in our portfolios — fewer SA shares and bonds and more foreign ones.

But it would be a real misanthrope who would hope that the gold price didn't rise further, even knowing that the economic policy Bourbons in Pretoria are unlikely to have learnt enough respect for market forces or, more likely, are just too dependent on second-guessing them, to take proper advantage of the opportunity it would present.



will be in decline again as import demand surges.

Gold in the bank will also allow them to show the IMF who is in charge and the Department of Trade & Industry will be able to carry on making random changes to

The first Gatt review of SA's trade policy and practice gives full credit for the reforms to normalise the post-apartheid economy. But, underlying the even-handed language of the Gatt secretariat's report is the clear message: SA could do better. For two days this week SA's policy has been under the microscope of the Council of the Gatt in Geneva.

An early result of the Uruguay Round these reviews have been held for 30 countries so far — and the top four exporters of Gatt's 111 members, the EC (treated as a single entity), US, Japan and Canada, which are subject to biennial scrutiny, have been through the process twice.

The purpose of the reviews is educative — both for the subject and its trading partners — rather than prescriptive. The reports presented, one by the secretariat and one by SA, are debated in the council with the aim of creating transparency and understanding of two-way problems and needs.

But implicit in these exchanges between SA and the 80-odd council members is peer pressure for reform and change. As such the secretariat's report on SA, published as the *FM* went to press at the conclusion of the review, was an indicator of the external perspective of what is being done and what more *should* be done. It acknowledges the problems of ironing out the distortions which are the legacy of apartheid and isolation.

Gatt estimates the combined cost of trade sanctions, the financial embargo and disinvestment at R40bn — or 13% of 1991 gross domestic product. But, equally bad, are the rigidities and uncompetitive, high-cost structures created by protective import-substitution policies.

The report welcomes the lowering of tariffs and reduced import controls, increased emphasis on export promotion and open-market reforms. However, it finds that the last is being only "cautiously pursued."

In addition, "the tariff structure and review mechanism underlying it are far from

stable or transparent.

In this respect greater binding (fixing) of tariffs in Gatt and less reliance on sectoral protection would provide a more reliable trading environment for firms in SA and for its trading partners.

"Further steps toward achieving this would include greater uniformity in the tariff, a pre-announced schedule of tariff reductions, a phasing out of the import surcharge and a review of the rebate system."

And, while government is to run down export subsidies — R2,4bn in the last fiscal year, up from R125m in 1986-1987 — in 1995, the report appears to query other incentives.

These "still appear focused principally on capital-intensive minerals beneficiation and processing projects with limited potential for domestic employment creation," it says.

Successful end

External changes, such as the removal of sanctions and (when it happens) a successful end to the Uruguay Round should give SA the conditions for moving towards becoming "an internally competitive economy."

But it need not wait.

With examples such as Argentina in mind, the Gatt report says: "Evidence from other countries at similar levels of development and trade-orientation to SA, which have undertaken reform, gives a clear signal that *autonomous* trade liberalisation, coupled with prudent macro-economic and progres-

sive social policies, can bring notable and sustained economic growth and development."

Government's oily evasions

51 Times (Buss) 6/6/93

AFTER the price of money, the most important price in the economy is that of fuel. It also affects every other price in the economy, including labour.

Apartheid — the World Bank reportedly estimates — has placed SA workers an average 37 kilometres from their work.

No other country in the world houses its labour force so far from the workplace.

Prices have to be competitive if a country is to be competitive. But South Africans have in recent years begun to forget the meaning of the word competitive.

So the leading trade authority, the General Agreement on Tariffs and Trade, reported this week that SA slipped from being the world's 16th largest exporter to 30th between 1980 and 1991.

Gatt says the solution is for SA to follow market-related policies.

The Government recognises that the economy has been largely structured around the needs of apartheid and that a democracy will require new policy objectives.

It has tabled the normative economic model (NEM) which stresses that the economy will be revitalised only through improved competitiveness.

NEM insists that evils, such as retail price maintenance (RPM) where cartels are able to fix prices and then bill the consumer, should be outlawed.

This, of course, is common practice in many countries. SA has the powers on the statute books to do the same.

But the Government last week published its first major policy report since tabling the NEM. The

THE Government now has two policies — one for the oil industry and one for the rest of the economy.
Comment by KEVIN DAVIE

report about its involvement in the oil industry admits that RPM is a cornerstone of the tightly regulated oil cartel.

Collusion, import control, market sharing, price fixing, barriers to market entry, guaranteed profits, subsidies and kickbacks will remain.

If Raymond Ackelman cuts prices, he will go to jail.

The Government uses a myriad hackneyed excuses, rationalisation and obfuscation to justify rejecting its own principles as embodied in the NEM.

It claims that petrol attendants will lose their jobs in a deregulated market. But regulation has limited the growth of service stations to 10% since 1960 and volumes sold have grown by 300%.

The report acknowledges that in major towns such as Pretoria there have been floods of applications to open service stations, but they have been refused because of the infamous Ratplan, the cartel agreement which controls fuel distribution.

Petrol stations may close in small towns, the Government says, ignoring the fact that cartel members have been refusing to supply low-volume garages so that they can switch their Ratplan allocations to more lucrative sites.

Where markets are ignored, distortions occur. Hard-pressed consumers are already subsidising exports to Africa to ease an oversupply of fuel as the R11-billion waste of money known as Mossgas comes on stream.

The industry is investing billions on the promise of further profits guaranteed by the Government.

The Government's continuing commitment to a regulated fuel industry in the face of its support for competition in the rest of the economy is not easy to fathom.

But it does have a contract with Sasol, which produces 150 000 barrels a day of synthetic fuel at a floor price of \$23 a barrel while crude prices are languishing at \$16.

The contract, a Sasol document says, is an undertaking from the Government to ensure that the company will be profitable.

The Government accordingly ensures that Sasol sells all its fuel at inflated prices and then tips in hundreds of millions in additional subsidies annually.

Last year one of its subsidies amounted to R600-million, enough to cut company tax for every company in SA by four percentage points from 40% to 36% (a NEM goal is to lower company taxes to improve the investment climate).

Sasol is ranked the world's most profitable corporation in its sector by the Fortune 500. Yet some analysts say Sasol would battle to show a profit in a competitive market.

Could this be the truth: is the Government wedded to regulation to save this world-class performer from the embarrassment of battling to earn its living?

World gears up to give SA aid

By PETER MALHERBE
and CIARAN RYAN

THE international community is gearing up to pump aid into South Africa after the setting of April 27 next year as a tentative date for elections.

US Assistant Secretary of State George Moose announced this week that President Bill Clinton would discuss aid for South Africa with heads of major governments at the annual seven-power economic summit in Tokyo next month.

Meanwhile, European Community foreign ministers are to meet in Luxembourg on Tuesday to discuss a

SI Times 6/16/93
revised programme for South Africa.

This could include the normalisation of relations with the establishment of an EC mission in the country and encouragement to EC companies to invest.

The revised programme is likely to be linked to the appointment of a transitional executive council, the first stage of joint rule.

Speaking in Washington on Friday, Mr Moose outlined the Clinton administration's plans for assistance after the appointment of a TEC.

"We are planning a variety of financial arrangements to allow

public sector funds, which are limited, to leverage private sector investment, particularly to target those sectors of the economy and society which have been most affected by apartheid," he said. (14)

"There is a crying need for investment in housing, water development, electrification, education and many other sectors."

Reacting to the announcement of an election date, World Bank country operations officer for South Africa Alun Morris said that once the ANC called for the lifting of sanctions, the bank could start approving funding.

World Bank funding of about \$1-billion (R3-billion) is available for investment in health, education and urban upliftment. Mr Morris said the typical lead time for project approval was 12 months. Funding approval could commence ahead of the election.

"But it is not just a matter of turning on the tap. The funds will flow gradually."

International Monetary Fund assistant director for Africa Leslie Lipschitz said the announcement of an election date did not alter the official IMF position, which was that South Africa, as a member country, could make a formal application for IMF assistance at any time. The IMF lends money to countries in balance of payments difficulties.

LIBERALISTS EXPECT IMPROVEMENT IN RESERVES

ECONOMISTS expect SA's gold and foreign reserves to continue to show some improvement when the May reserve figures are released later this week. In April reserves increased by R500m after falling for five consecutive months. The improved gold price saw gold holdings valued at a higher price increasing the value of SA's gold stocks to R5,24bn from R5,21bn the month before.

The currency component of reserves improved to R2,79bn from R2,27bn. The rise in gold and foreign reserves in May will result from improvements in the current account as a result of the continued increase in the gold price and the end of gold imports. The higher gold price could also benefit SA's imports.

Old Mutual economist Dave Mohr said "another favourable spinoff from the higher gold price is a turnaround in the negative sentiment regarding the rand which bodes well for imports."

Nedbank chief economist Edward Osborn is more cautious of predicting an improvement in May reserve figures. "The recent easing of the money market shortage indicates no dramatic changes either up or down," he said.

Osborn warned about making predictions about a rise in reserves based on the higher gold price. "If the improvement in the gold reserves are taken out then we are unlikely to see much of an improvement," he said.

Osborn has a point - if SA's reserve position depended only on imports and exports one could safely bet that reserve holdings would rise in May. However, the capital account remains the wild card.

Absa economist Adam Jacobs backs up this argument by citing the short-term loans the Reserve Bank took out earlier this year. "No one knows if these loans were repaid in May, if they were, it could wipe out any gains made from a higher gold price."

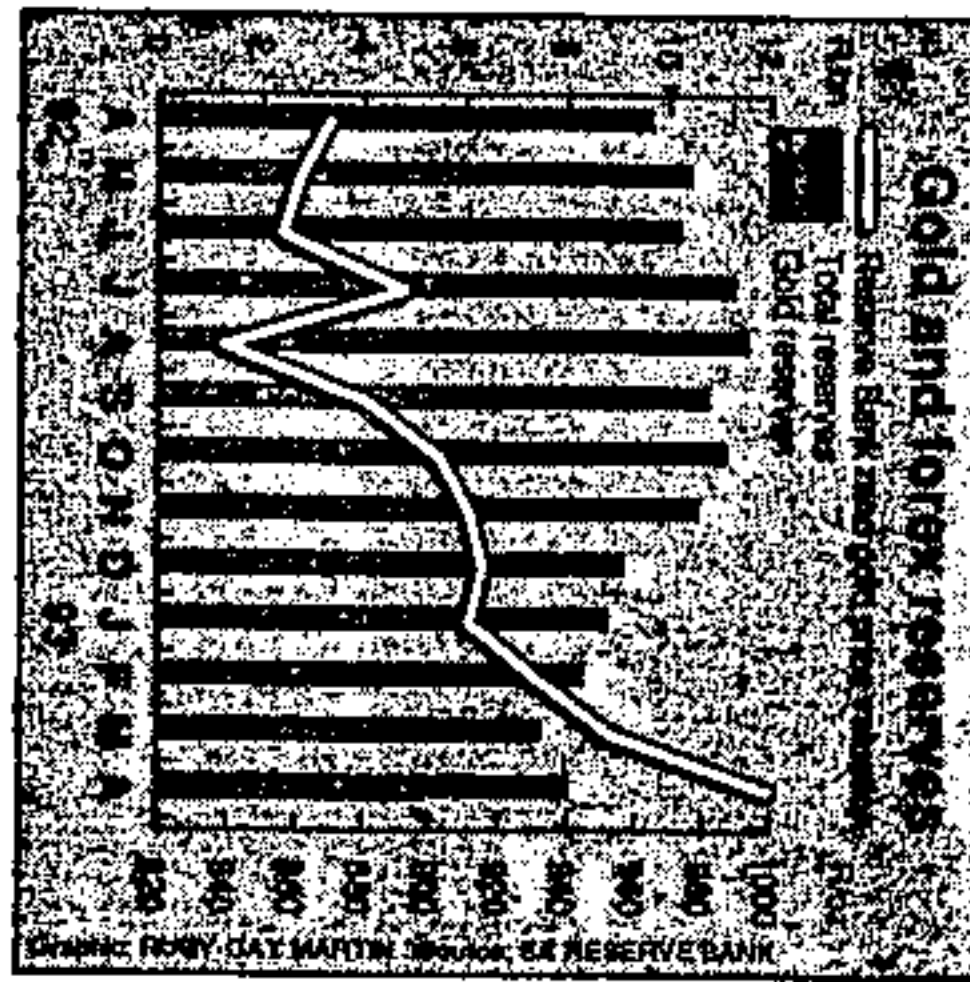
Taking into account other debt commitments Osborn predicts that reserves will be under "considerable pressure" for the rest of the year.

"Especially in the third and fourth quarter SA has large chunks of foreign debt to repay and some debt repayments could even hit us in June." The problem is that nobody is too sure in which months debt repayments fall due, except for the debt inside the net which must be paid in August and September. Some would argue that this pressure could be offset by capital inflows from organisations such as the IMF after the introduction of a transitional executive council. But US ambassador to SA Princeton Lyman recently warned that there was a long lead time between the beginning of pro-

ject development and implementation. It appears the only factors that would benefit SA's reserve position this year are a higher gold price, an improvement in the world economy, better rainfall and the extension of the recession, which would restrict imports.

The foreign data releases likely to be most closely watched by the markets this week are US producer prices and retail sales figures for May, due out on Friday. The volatility in recent US price data has created concern about a resurgence in US inflation.

The May retail sales figure will provide an important clue about the US economy's health. The 1,2% monthly rise in retail sales was the highest in six months and confirmed that the fall in March was weather-related.



SA reserves Star 816193 fall sharply

By Derek Tommey

Gold and foreign exchange reserves came under some pressure in May, dropping by R128,6 million to R7,9 billion, the latest monthly Reserve Bank statement shows.

The value of gold holdings, helped by a 7,7 percent increase in the price at which the Reserve Bank values its gold stocks, rose from R5,24 billion to R5,59 billion.

But the value of other foreign assets dropped by R480,7 million to R2,3 billion.

It seems that the increased revenue expected from gold sales at the higher price has still to be received.

Feature

An encouraging feature for those who believe the note issue is a good indication of what is happening to the economy was the R381,4 million (3,2 percent) jump in this item in May to R12,3 billion.

The note issue at the end of May was only R100 million, or 0,8 percent, below its peak of R12,4 billion at the end of December.

In the same five months last year, the note issue dropped 6 percent from R11,7 billion to R11 billion.

A further encouraging feature for economy-watchers is that the Reserve Bank's statement indicates there has been some easing in money supply.

Total facilities afforded the market dropped some 19 percent in May to R7,3 billion from R9 billion at the end of April.

Business still facing lows

B/DAY 10/6/93
CAPE TOWN — Business should make provision for increased deterioration in both business and political conditions before a marked degree of improvement could be achieved, economist Ben van Rensburg said yesterday.

Speaking at a Cape Town Chamber of Commerce economic seminar on the mid-year business outlook, Van Rensburg said several negative factors affected the immediate position.

These included a government decision to reduce domestic expenditure, increase VAT and not adjust for bracket creep. There had also been renewed calls for mass action and deterioration in the balance of payments.

Capital outflow was more than R600m in April and continued to be negative in May. The capital account remained vulnerable.

An average monthly outflow of foreign capital of R1bn during August 1992 to March 1993 created extremely tight financial conditions which made it virtually impossible for the Reserve Bank to ease its monetary policy.

"Nevertheless the situation has now improved and the outlook for a further decrease in interest rates in the third quarter can be said to be more positive."

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TIM COHEN

Listing positive factors that could influence the short-term outlook, Van Rensburg noted the upward buoyancy in the gold price, improved agricultural conditions and improved prospects for a political settlement.

He did warn, though, that political and social instability could worsen and intensify as SA moved nearer to a final settlement.

He pointed out that interim agreements had thus far been reached on process issues rather than on matters of substance. "I suspect that as we get nearer to substantial issues the debate will change in intensity and character and could even be accompanied by more violence and instability."

Violence would probably also tend to increase because of the high political stakes and the fact that a clear winner had emerged.

However, the ingredients existed for a prosperous new SA to emerge from the existing process both in politics and economics.

What was clearly missing was a major breakthrough in the restoration of business confidence, he said.

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Soros predicts Deutschmark collapse

Bilbay 10/6/93

LONDON — The Deutschmark was set to fall against "all the major currencies including sterling" in coming months, US-based financier George Soros forecast in an open letter to the Times newspaper yesterday.

The Hungarian-born financier, reputed to have made about £1bn betting on the devaluation of sterling last September, also said he expected German bonds to fall against French bonds "in the months to come".

The German Bundesbank has "kept

interest rates too high, too long," Soros said, leaving it "in a worse recession than France and with a large and growing budget deficit."

If the Bundesbank had cut its rates earlier it could have done so without any real effect on the investment yield curve and the mark's exchange rate but now it had "missed the boat".

"The markets have begun to discount the inevitable and eventually the Bundesbank will capitulate."

Soros did not expect the Bundes-

bank to change its stance on rates while Helmut Schlesinger was bank president but noted that "his retirement is only a few months away."

Following publication of the remarks, the German currency fell on the London exchange yesterday to DM1,6303 to the dollar from DM1,6225/dollar on Tuesday.

It also slipped against sterling, trading at DM2,48/£ against Tuesday's 2,4662. — Sapa-AFP.

● See Page 8

GEOERGE Soros has become that rarest of investment gurus — an individual that his such mystique that his actions can trigger large jumps in financial markets around the world. Where Soros goes, a motley army of fans stampedes behind.

This remarkable power was demonstrated in Britain last week when the New York-based fund manager announced plans to invest \$284m in the stricken British property market. UK property stocks immediately rose 6% and observers rushed to pronounce the deal as definitive evidence that the market had turned for the better.

Seven weeks ago Soros had a similar impact on the world gold market. News that funds under Soros management had bought a 10% stake in Newmont Mining helped spark a strong rally in the price of gold.

Soros has been regarded for the past 20 years as one of the canniest investors on Wall Street, but his current superstar status is something new. It dates from last November, when he let it be known that his funds had made about £1bn on "Black Wednesday" last September by taking a huge, correct bet that the British government would be forced to devalue sterling.

Soros was hardly alone. Many foreign exchange traders had made the same calculation, but the sheer size of the Soros speculation — on his reckoning, his Quantum Group of "hedge" funds had about \$10bn committed to the bet — gave him a reputation as the "man who broke the Bank of England" and an aura of unerring investment expertise.

Like most "Midas touch" reputations, his has become somewhat overstated. As he is the first to acknowledge, he has made his share of mistakes. And since 1988 many important elements of his investment strategy have been devolved onto his publicly-shy American lieutenant, Stanley Druckenmiller.

Nevertheless, the duo are greatly admired on Wall Street. Julian Robertson, who runs Tiger Management, one of the biggest hedge funds, says of Soros: "He's a brilliant man and has a fabulous lieutenant in Stanley Druckenmiller."

So just how good is Soros's track

The philosophical speculator who goes for the jugular

By Day 10/6/93

MARTIN DICKSON and PATRICK HARVERSON

record? How do his funds operate? And what can other investors learn from his methods? From a 33rd-floor office with a magnificent view of Manhattan's Central Park, the 62-year-old Hungarian-American runs Soros Fund Management, which sets the investment strategy for the unquoted Quantum Group, which has assets of about \$6bn.

Hedge funds, which invest in a wide range of liquid assets such as stocks, bonds, currencies and commodities, are not suitable for the small investor. Managing them requires access to large amounts of capital, very strong nerves, fast reflexes and a willingness to take huge risks.

Unlike most traditional mutual and pension funds, whose investment strategies are restricted by industry regulators or internal policy, hedge funds are free to use complex, speculative trading methods, including using leveraged funds (money borrowed against the value of assets), and hedging techniques.

The most common form of hedging is short-selling — selling a security not owned in the hope that later, when it has to be delivered to the buyer, it can be acquired at a lower price. It was this technique which Soros used before Black Wednesday, when he "shorted" sterling.

Hedge funds are only for the very rich, or for financial institutions. The US Securities and Exchange Commission requires that individual investors have a net worth totalling at



□ **SOROS**

least \$1m, or annual income of at least \$200,000 for two consecutive years. Most fund managers require their investors to be even wealthier.

And in the case of the Quantum Group, investors cannot be American citizens or residents. This is because the funds, domiciled in the Netherlands Antilles or the British Virgin Islands, are not registered

investments fell. Beginning with \$4m, Quantum Fund now has \$4.1bn — and that after distributions to investors of \$3.4bn to keep its size manageable. Soros himself has increasingly drawn back from day-to-day involvement in the funds, which are run by a team of about a dozen managers, led by Druckenmiller. Soros, while still coach and strategist to the team, spends a substantial part of his time involved in philanthropic work, mostly in eastern Europe.

In a rare interview with Jack Schwager, author of the book *New Market Wizards*, Druckenmiller admitted that his first six months with Soros were fairly rocky, as the two men had different strategies, but then came the collapse of the Soviet empire and "with George in eastern Europe, he couldn't meddle even if he wanted to".

Whatever the early friction, the two men have a very similar approach to investing. Soros, given by philosophical musings — he described himself as a "financial and philosophical speculator" — when receiving an honorary Oxford degree — summed up his ideas in a complex book called the *Alchemy of Finance*. His theory of "reflexivity" holds that markets are moved partly by any scientific rules, with perceptions changing events, and events in turn changing perceptions. In simpler language, markets tend to go to extremes, opening up great opportunities for profit.

But for all the philosophy, other Wall Street investors say Soros's greatest traits — as with every successful trader — include the willingness to reverse his position in an instant when he recognises he has made a mistake.

In his book interview, Druckenmiller says that probably the most important thing he has learnt from Soros is that "it's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong. The few times that Soros has ever criticised me was when I was really right on a market and didn't maximise the opportunity. . . . Soros has taught me that when you have tremendous conviction on a trade, you have to go for the jugular." — *Financial Times*.

with the commission, since this allows them more operating flexibility and freedom from US disclosure rules. Most of Quantum's investors are thought to be European, and Soros himself is rumoured to own between 25% and 30% of the funds. Born in Hungary in 1930, Soros and his Jewish family spent much of the Second World War in hiding from occupying Nazi forces. After the war he moved to Britain, attended the London School of Economics and worked for securities firm Singer & Friedlander before moving to the US in 1966.

In 1969, after working for several Wall Street houses as a trader and analyst, his investment career took off when he was assigned the management of an offshore vehicle which grew into Quantum Fund. Soros and his then partner, Jim Rogers, in 1985 made what he called "the killing of a lifetime" by speculating in the yen at the time when the Plaza Accord was sending the value of the Japanese currency soaring. But there have also been many big losses. Most famously, Quantum Fund is estimated to have lost \$800m in the 1987 Wall Street crash, though it still managed to boost returns by 14% during that year.

Cheering news on foreign-debt front

By Neil Behrmann

LONDON — Good news for South Africa is that its total foreign debt is down to \$17 billion (R54 billion) from \$23,8 billion in 1985 — when the country was forced to freeze debt repayments.

By the end of this year further repayments should reduce the debt to \$16,5 billion.

These figures were given in an interview in London by Reserve Bank Governor Chris Stals.

He said, however, that first-quarter capital outflows from SA totalled R3 billion — a drain on foreign exchange reserves after net capital outflows of R6,5 billion in 1992 and R6,1 billion in 1991.

Huge capital outflows were largely the result of debt repayments, which have been a heavy constraint on the economy.

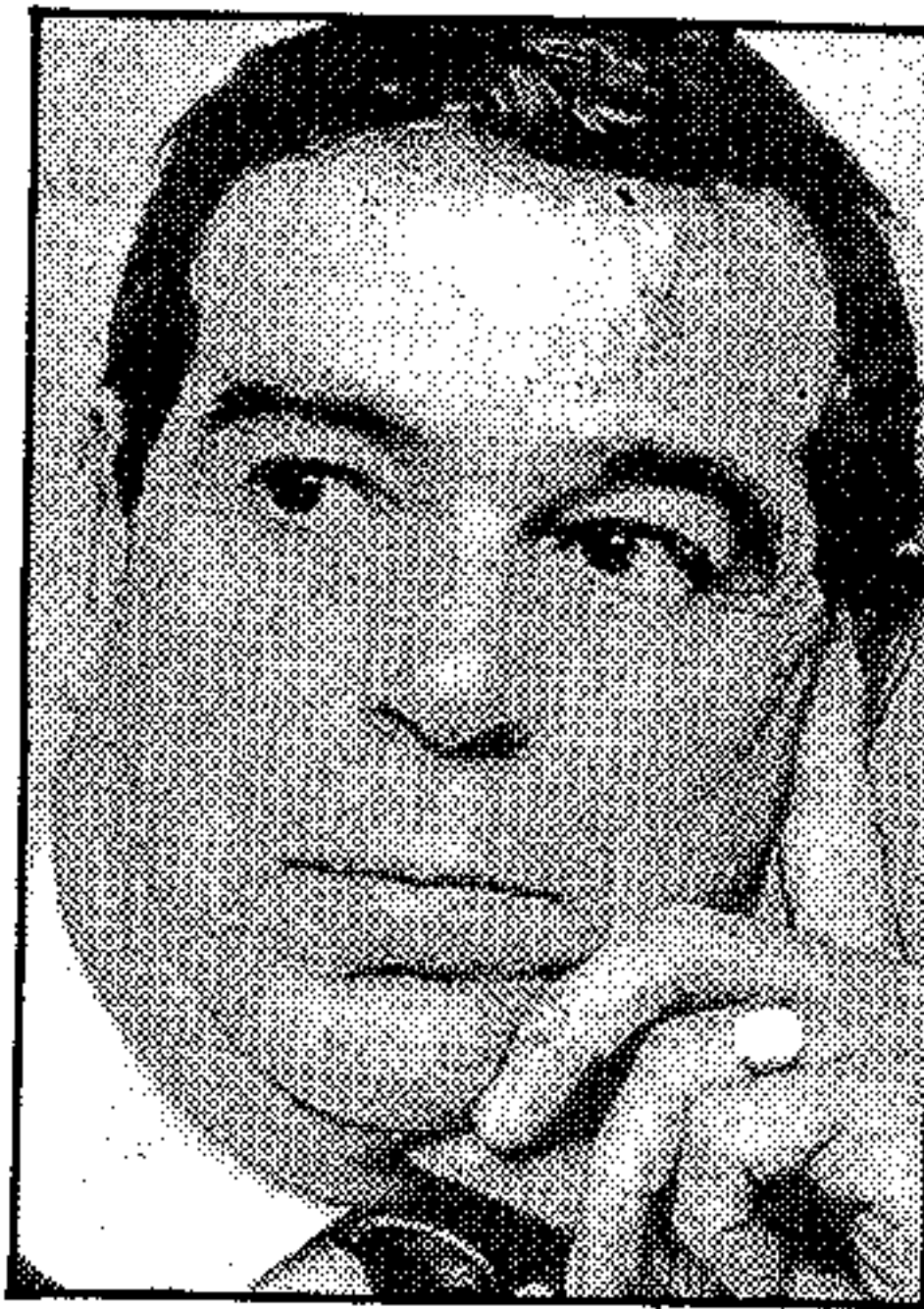
Stals said that by the end of the year SA would have re-negotiated an agreement to reschedule repayments on R16 billion of foreign debt.

In 1985, overseas banks demanded early repayment of debt because of the political and economic consequences of apartheid.

Then, some 300 international banks were owed money. That number has been whittled down to 200, with Swiss, German, UK and US banks the major creditors.

Stals said foreign debt now accounted for only 15,5 percent of gross domestic product.

This compared with 43 percent of the goods and services produced in SA in 1985.



Dr Chris Stals . . . determined to grind down inflation.

Foreign borrowings were so low that they were equivalent to only 60 percent of annual exports. Interest on this debt was a mere 4 percent of exports.

In comparison, developing countries' debt accounted on average for 270 percent of export earnings, while interest payments accounted for 28 percent of their exports.

Stals would not comment on negotiations with the creditor committee of 15 foreign banks. He is not involved in the negotiations.

He said the IMF and World Bank would decide on amounts to lend to SA in the coming 12 months.

SA could ask for a "compensatory financing facility" from the IMF because of the hardship caused by drought.

74
Future capital inflows, either investment or loans, would depend on the resolution of SA's political situation and its economic performance under a new government.

Capital outflows were the main reason for the 6 percent slide in the rand's weighted average in the past six months.

It was difficult to roll over a proportion of foreign debt because overseas bankers, were worried about political violence. But money also flowed out of SA because of fears that the rand would slide.

Companies involved in foreign trade borrowed locally instead of abroad.

Fearing depreciation of the rand, exporters delayed repatriation of foreign receipts, while importers swiftly paid foreign bills.

Forward transactions on foreign currencies also drained foreign exchange reserves.

Provided there was no major political violence ahead of elections, gold and foreign exchange reserves should rise.

After economic contraction of two percent last year, real growth was one percent in the first quarter.

The improvement came about mainly because of the revival in agriculture.

Stals said he was determined to grind down inflation gradually with slower monetary growth. Monetary targets were below the inflation rate.

Financial stability and much lower inflation placed the economy in a better position to grow and attract foreign investment.

RESERVES ~~(74)~~ (74)

Debt burden ~~(74)~~ (74)

FM
11/6/93

Gross gold and foreign exchange reserves fell US\$55,7m (R128,6m) to \$2,49bn (R7,9bn) in May, due mainly to debt repayments of about \$100m. These related to long-term loans and short-term liabilities incurred earlier this year to protect the outflow in net reserves.

The reduction in foreign exchange was \$156,5m (R480,7m). Gold holdings rose \$100,9m (R352,1m), partly offsetting this.

FM 11/6/93 ~~(74)~~ (74) ~~(74)~~ ECONOMY & FINANCE

But about 52 000 oz were disposed of in sales or swaps to take advantage of the higher international gold prices.

Transnet economist Ulrich Joubert says a lot of the outflows in recent months have been because large borrowers are choosing to repatriate foreign loans "rather than roll over debt at very low margins. And this could be the pattern for most of the year. At Transnet for instance we have elected not to roll over debt unless the conditions change significantly. We are instead borrowing locally."

UAL economist Dennis Dykes believes the downward trend in reserves could be bottoming out: "Though large debt repayments are due this month, we should see an improvement in the later stages of the year when the higher agricultural trade surplus comes through."

□ The Reserve Bank's May statement of assets and liabilities, which gives the position of gross gold and foreign exchange reserves, reflected the change in the money market accommodation system. Since the Bank no longer discounts bills from the banking sector, this item was reduced to zero from R5,42bn. To account for the change in flows, overnight loans rose by R3,2bn (banks are now accommodated by overnight loans) and government deposits reduced by about R2bn. ■

Concession is granted, but Gatt getting tough with SA

ST Times [Buss] 13/6/93

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By CIARAN RYAN

THE General Agreement on Tariffs and Trade has agreed to classify South Africa as an "economy in transition" in what is regarded as a major concession to industries under threat from foreign competition.

But any hopes of reclassification as a developing nation were ruled out by the US this week.

A revamp of SA's tariff policy is imminent after meetings in Geneva between Gatt and the Department of Trade and Industry (DTI).

More than three-quarters of the country's 12 600 tariff headings are likely to be reduced over five years from 1995. Gatt, established in 1948 to promote free trade, has told SA to improve its Uruguay Round offer to lower tariffs by an average 23% on 40% of its headings.

DTI Director-General Stef Naude says: "There was a positive attitude to SA this time compared with previously. We will have to make a new offer by August."

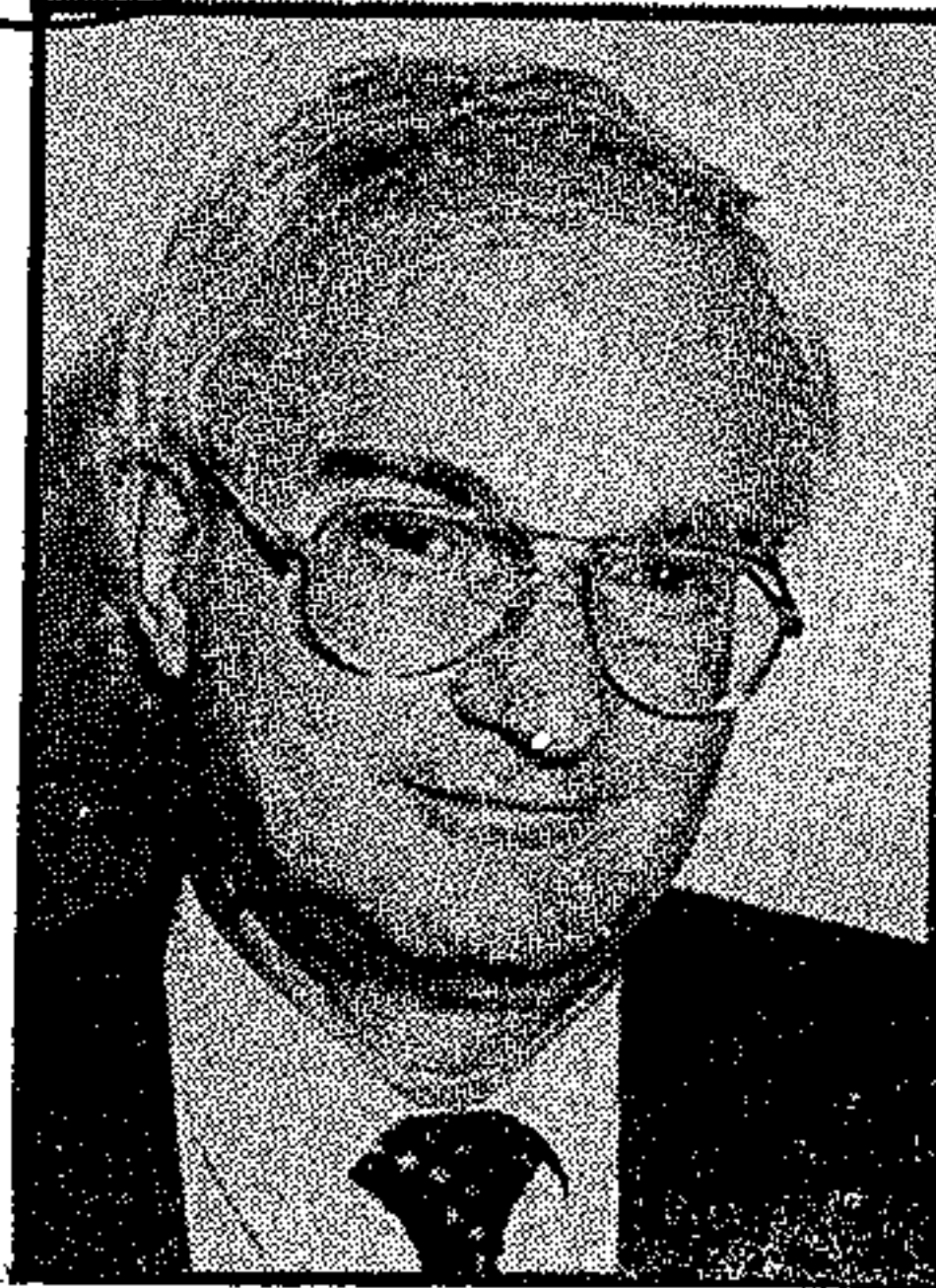
Competition from imports is likely to intensify once the Uruguay Round is implemented. Agreement is expected among Gatt's 111 member countries this year.

First to be removed will be import quotas for non-agricultural products, licensing requirements for farm imports, import surcharges and formula duties, says Braam Roodt, spokesman for the SA trade mission in Geneva.

The Treasury stands to lose about R1.5-billion a year through the removal of import surcharges.

The general export incentive scheme (Geis) will also have to be scrapped because it contravenes Gatt's export subsidy code.

SA is also under pressure from Gatt to simplify its complex tariff system and reduce the number of headings. Most industrialised coun-



STEF NAUDE: We have to conform

tries have fewer than 8 000 headings. SA's electronics industry alone has more than 1 500 tariff headings. Tariffs range from nil to more than 100%.

Dr Roodt says: "Most of our trading partners were dissatisfied with our previous Uruguay Round offer. The world is moving closer to a trade accord and we will have to fall into line."

Other less-developed countries (LDCs), such as Korea and Singapore, will lower tariffs by an average 33% on all imports. SA is expected to get away with less than this because financial, arms and oil sanctions are still in force.

SA also pleaded for leniency on the grounds that Customs Union members would be prejudiced by across-the-board tariff reductions.

Dr Roodt says: "We won't get away with reducing tariffs on less than 75% of our tariff headings. Most other countries have agreed to reduce 100% of their tariff headings."

The 60 Lome Convention countries which enjoy preferential access to European markets are also coming under pressure to conform to the new trade regime.

Dr Roodt says SA may have to negotiate a separate agreement with the EEC.

SA is treated as a developed country, but the ANC has called for this status to be revised.

Gatt has started to get tough with developing countries calling for exemption from tariff bindings and protection for infant industries. SA has tended to abuse this concession by awarding tariff increases to established industries, such as cable, paper and chemicals.

Donors *S/Times* open the *(Buss)* door to *13/16/93* SA firms

(74)
By TERRY BETTY

(130)
AID agencies are ready to inject capital into commercial projects in Africa, providing an opportunity for South African business to expand.

This is a change in emphasis from the previous policy of carrying out mostly social and infrastructural projects, such as building roads, bridges, dams and providing health care.

Safto Africa director Paul Runge says: "It opens new opportunities for SA companies."

The new emphasis is that money must not be poured into a bottomless pit. Projects should promise profit and stimulate the private sector.

Mr Runge says only a few countries south of the Sahara do not depend on aid programmes. They include South Africa, Mauritius and Botswana.

The rest are undergoing structural adjustment programmes as a result of donor pressure.

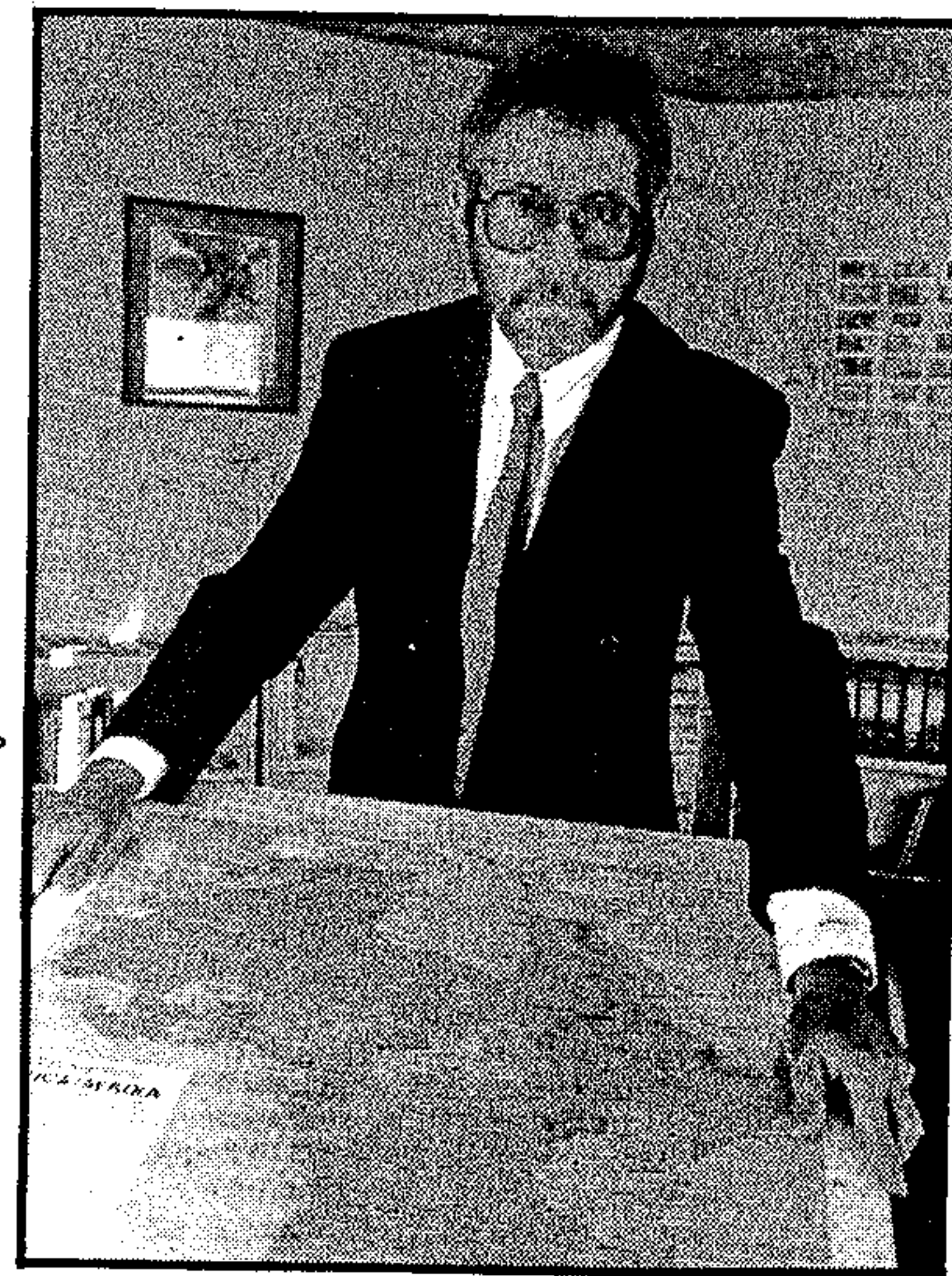
Float

Mr Runge says donor agencies basically control the countries' economies and have put pressure on them to liberalise prices, reduce the role of the public sector and boost private enterprise.

Main donor organisations are the World Bank, the Africa Development Bank, the EEC through the Lome agreement and the United Nations.

African countries are being forced to allow the currencies to float to their real rates. Governments are being persuaded to practise fiscal discipline and introduce transparency into their economies.

For example, Zambia, Togo and Kenya have become liberal investment



PAUL RUNGE: Good deeds not enough Picture: JON HRUSA

countries that have tax holidays and allow repatriation of profits.

In a major rethink, donor agencies have decided that pure social spending, although worthwhile, does not stimulate the private sector.

Mr Runge says: "Giving medicine to sick people is good and holy. However, it does not stimulate the economy."

About three years ago the African Development Bank (ADB), the International Finance Corporation (IFC) — the private sector investment arm of the World Bank — and the United Nations Development Programme formed the African Project Development Facility (APDF).

This aims to conduct feasibility studies for small and medium private projects and help to secure finance.

The World Bank had already formed the IFC, which provides direct project funding for private enterprise in developing countries.

Although this has the advantage of less bureaucracy and a shorter project lead time of about six months, it does not handle projects worth less than \$15-million.

Mr Runge says the agencies must find people to provide the skills, management, training and technology

transfer. He believes SA is their ideal source.

But he warns that SA will be competing against European suppliers.

"SA is in an ideal position to provide consultants for projects and supplies for joint-venture companies."

"When SA companies have their foot in the door, have established contacts and become acquainted with the donor agencies, they will be able to become involved in projects."

Mr Runge says donor organisations take up to 30% of a private company for the duration of the project to make sure it does not go sour.

They generally prefer a partner with the expertise to ensure good management of the project.

But where will the money come from because African countries are notorious for their inability to pay?

Mr Runge says businessmen should change their way of thinking. Instead of only trading with traditional dealers, they should investigate the formation of joint ventures with companies which have foreign currency.

● Safto will host an Africa Business Opportunities through Commercial Aid Projects conference on July 7 and 8 in Johannesburg.

US ousts Germany as top SA trader

AMERICA has pipped Germany as South Africa's most important trading partner, says the Department of Trade and Industry.

Trade between America and SA in the year to December was worth about R12-billion, made up by imports of R7,142-billion and exports from SA of R4,858-billion.

This is a 13,5% increase on the R10,569-billion in the previous year when imports were R6,602-billion and exports R3,967-billion.

The improvement was led by a sharp increase in imports of maize following SA's devastated drought crop. Maize imports rose to \$369-million from \$2-million in 1991.

German trade with SA dipped to R11,596-billion in 1992 from R11,895-billion in the previous year. Exports from Germany last year earned R8,588-billion and imports from SA cost R3,008-

billion.

Klaus Schuurman, chief executive of the SA-Germany Chamber of Commerce and Industry, says the weak SA economy and the consequent fall in demand for machine tools and automotive components resulted in Germany losing top place.

But Herbert Weicke, executive manager of the chamber, says statistics from Germany and the US show that Germany's trade with SA amounted to \$4,785-billion last year and America's to \$4,148-billion.

Third, according to SA figures, is Britain with R9,905-billion, marginally lower than 1991's R10,016-billion.

Maintaining fourth place is Japan. Its trade with SA last year was worth R9,324-billion (R9,198-billion).

By DON ROBERTSON

S Times Business 13/1/93

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Dutch economic affairs minister visiting SA

DUTCH Economic Affairs Minister Koos Andriessen arrived in SA yesterday to meet political, business and labour leaders.

During his five-day official visit, Andriessen is expected to hold talks with President F W de Klerk and ministers Derek Keys, Pik Botha and Piet Welgemoed;

ANC president Nelson Mandela and head of economic planning Trevor Manuel; Inkatha president Mangosuthu Buthelezi and Cosatu representatives.

He is also due to meet officials from the Reserve Bank, Portnet, Eskom, Nedcor Bank, Investec Bank and Idasa.

Andriessen is being accompanied by a delegation of Dutch businessmen who are keen to familiarise themselves with economic developments in SA.

The Netherlands imposed comprehensive economic sanctions against SA in the '80s but has since lifted some trade and investment embargoes. — Sapa.

IN TERMS of a decision taken during the GATT mid-term review in 1989, SA's trade policy was reviewed in Geneva in the General Agreement on Tariffs and Trade on June 1 and 2.

Before the review, the SA delegation met representatives of SA's more important trading partners and various senior GATT officials to discuss our economic situation against the backdrop of the political negotiations and the national economic forum. We met GATT director-general Arthur Dunkel; GATT council chairman, ambassador Szepesi; Mr Asakai, economics minister at the Japanese mission; ambassador Zutshi, chairman of the GATT Contracting Parties; ambassador Tran Van-Thinh of the European Commission; and officials of the US government.

The matters which received most attention during these discussions were: our new tariff offer under the Uruguay Round; our trading partners' response to our cautious approach to tariff rationalisation; and the prospects of SA achieving developing nation status. I explained why we had implemented the trade practices which are not acceptable in terms of GATT principles; and these explanations were met with considerable understanding.

Participants in the discussions were particularly interested in SA's proposed revised industrial tariff offer. The offer has not been well received by GATT members mainly because it proposes to bind only about 55% of the total industrial tariff. The mean average tariff reduction amounts to about 23% — well below the GATT ideal of 33%.

We explained that the revised offer would substantially extend the binding schedule and reduce average base rates. We also informed GATT that the revised offer, which would fundamentally rationalise the tariff structure, was part of a thorough review of industrial and international trade policy which was being finalised and would be submitted after consultation with interested parties and discussion in the national economic forum. SA's economic status was dis-

An important step towards rejoining

World markets

B/Dav 14/6/93
STEF NAUDE

cussed at length. Senior officials from both Japan and the US said they would have difficulty accepting SA as a developing country because its actual economic situation did not support such classification.

The US representative said: "SA, as a founding member of the GATT, has never been viewed as a developing country and has itself taken pride in its capabilities as a world-class trader. Today, SA ranks among the top 30 trading nations of the world. My government is not disposed to recognise SA as a developing country in this forum."

A leading GATT official advised that SA should rather endeavour to obtain what is informally known in the GATT as "economy in transition status". This status has been granted informally to some east European countries and its practical benefit is that particular GATT rules are either relaxed or not applied at all during a period of political and economic transition. A precondition of "economy in transition" status is that it is granted for only a limited period.

I argued at the review proceedings that it was indisputably clear that SA was in a transitional phase and that this ought to be acknowledged by other parties in their response to the pace of reform in SA trade policy. The major members of GATT accepted that our reforms had to be



□ DUNKEL

dealt with tolerantly.

The actual trade policy review took place in the GATT Council on June 1 and 2 with 40 countries represented. The SA delegation was able to make a 15-minute formal statement, after which two officials, appointed by the GATT Council to

out at a pace governed by progress in developing an effective anti-dumping and countervailing mechanism; progress in the restructuring of industries concerned to make them less sensitive to low priced imports; and the success of efforts to increase the competitiveness of domestic industries.

We acknowledged the important effect of tariff reduction on the general cost structure, the anti-export bias and the international competitiveness of domestic industries, and took note of several countries urging SA not to be too cautious in the liberalisation process.

In relation to the General Export Incentive Scheme (GEIS), we explained that the scheme was an essential instrument in overcoming the anti-export bias experienced by exporters, particularly those of fully manufactured products. Exporters would remain dependent on export assistance for as long as the protective system served as a constraint on their competitiveness.

We conceded that GEIS was not consistent with GATT requirements, and reconfirmed our intention to phase it out — gradually and in line with the reduction of the anti-export bias. The import liberalisation programme, including an improved system of rebates and drawbacks for exporters, was cited as a means of lowering the level of GEIS assistance.

My lasting impression was the fundamental change in the attitude of GATT members towards SA. We were treated with great courtesy, even warmth. I detected no signs of antagonism.

While we will be under considerable pressure to make good our commitment to trade reform, our important trading partners now have a deeper understanding of the pressures SA faces and the consequent need for a measure of tolerance. We have taken an important step towards full reintegration into world markets.

Naude is Trade and Industry director-general. This is an edited version of his report to Minister Derek Keys on his return from the Geneva talks.

Development agencies in Africa poised to visit SA

B/Day 14/7/93

74 (12) (12)

PETER DELMAR

LEADERS of most of the major private sector development agencies in Africa are to visit SA for the first time next month.

Their visit is expected to pave the way for local participation in projects worth hundreds of millions of dollars a year.

SA Foreign Trade Organisation (Safto) manager Paul Runge said the visitors included representatives of the International Finance Corporation's Small Business Development Unit, the African Development Bank (ADB) and the bank's African Business Men's Round Table.

Runge said a Safto-organised conference in Johannesburg next month would promote potentially lucrative trilateral development co-operation.

Organisations such as the French Proparco and the Swedish Swedecorp would be represented at the meeting which Runge described as "a vital breakthrough".

These and other national organisa-

tions annually allocated tens of millions of dollars to development in Africa and could in future provide lucrative financing for SA products and services. For the first time the Private Sector Development Agency of the ADB, as well as the African Project Development Facility would explain their development roles and opportunities they provided.

The project development facility was recently created by the World Bank, ADB and the UN Development Programme to identify medium and smaller projects in Africa.

Runge said SA businessmen were largely ignorant of the opportunities which private sector development organisations offered.

"While the International Finance Corporation only deals with big projects, we need to explore and find niches for ourselves in the smaller and medium projects," he said.

Sacking report shocks PAC's Alexander

PAC secretary-general Benny Alexander says he has yet to learn if he has been axed from the organisation's negotiating team, adding he was still awaiting a response to his request to be temporarily excused for personal reasons. *14/6/93*

But if he had been sacked, he would abide by the decision, he said in reaction to Sunday newspaper reports that he was dismissed because of his embarrassing statements supporting the organisation's armed wing Apla. *(S)*

"I wrote a letter to the leader of the PAC negotiating team... Willy Seriti requesting that I be excused from the team for a while to attend to personal family matters," Alexander said.

"I made it clear that I would take up my post at negotiations again once I had attended to the said personal matters. I am still awaiting a response... and I am shocked

with disbelief to learn through the media that I have been kicked out and axed."

Alexander said if he had been sacked by an appropriate organ with due authority he would abide by its decision.

He denied he had embarrassed the PAC over his support for Apla.

"I wish to restate the official party policy: that the armed struggle will only come to an end through a mutual cessation of hostilities."

□ The PAC later issued a statement denying "in the strongest possible terms" that Alexander had been dismissed, saying that he would be present at a meeting today of the organisation's planning committee.

The statement said that Seriti was the PAC negotiating team's leader and not Alexander as claimed in Sunday's reports, and that the team operated "as a collective on a rotating basis". — Sapa.

Dutch economic affairs minister visiting SA

DUTCH Economic Affairs Minister Koos Andriessen arrived in SA yesterday to meet political, business and labour leaders. *(S)*

During his five-day official visit, Andriessen is expected to hold talks with President F W de Klerk and ministers Derek Keys, Pik Botha and Piet Welgemoed;

ANC president Nelson Mandela and head of economic planning Trevor Manuel; Inkatha president Mangosuthu Buthelezi and Cosatu representatives.

He is also due to meet officials from the Reserve Bank, Portnet, Eskom, Nedcor Bank, Investec Bank and Idasa. *(S)*

Andriessen is being accompanied by a delegation of Dutch businessmen who are keen to familiarise themselves with economic developments in SA.

The Netherlands imposed comprehensive economic sanctions against SA in the '80s but has since lifted some trade and investment embargoes. — Sapa.

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Dutch-SA trade could improve

By Chris Whitfield
 Political Correspondent

CAPE TOWN — South Africa could become the gateway to Africa, Dutch Economic Affairs Minister Jacobus Andriessen said yesterday after a meeting here with President de Klerk.

Andriessen, on a six-day fact-finding visit with a delegation of top Dutch businessmen, will meet KwaZulu Chief Minister Mangosuthu Buthelezi tomorrow and ANC president Nelson Mandela on Thursday.

He was cautious in his assessment of South Africa's business potential, saying "there is still much to be settled".

But he added that if circumstances forced agreement "then I can see no reason whatsoever why Dutch businessmen will not want to come to South Africa. We always say that Holland is the gateway to Europe and South Africa could become the gateway to Africa".

De Klerk said there was considerable space for expanding economic interaction between the two countries and he believed South Africa would become "the Japan of Africa".

The President said he believed a breakthrough in negotiations was imminent. The country was still on track for elections by the end of April.

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SA firms 74

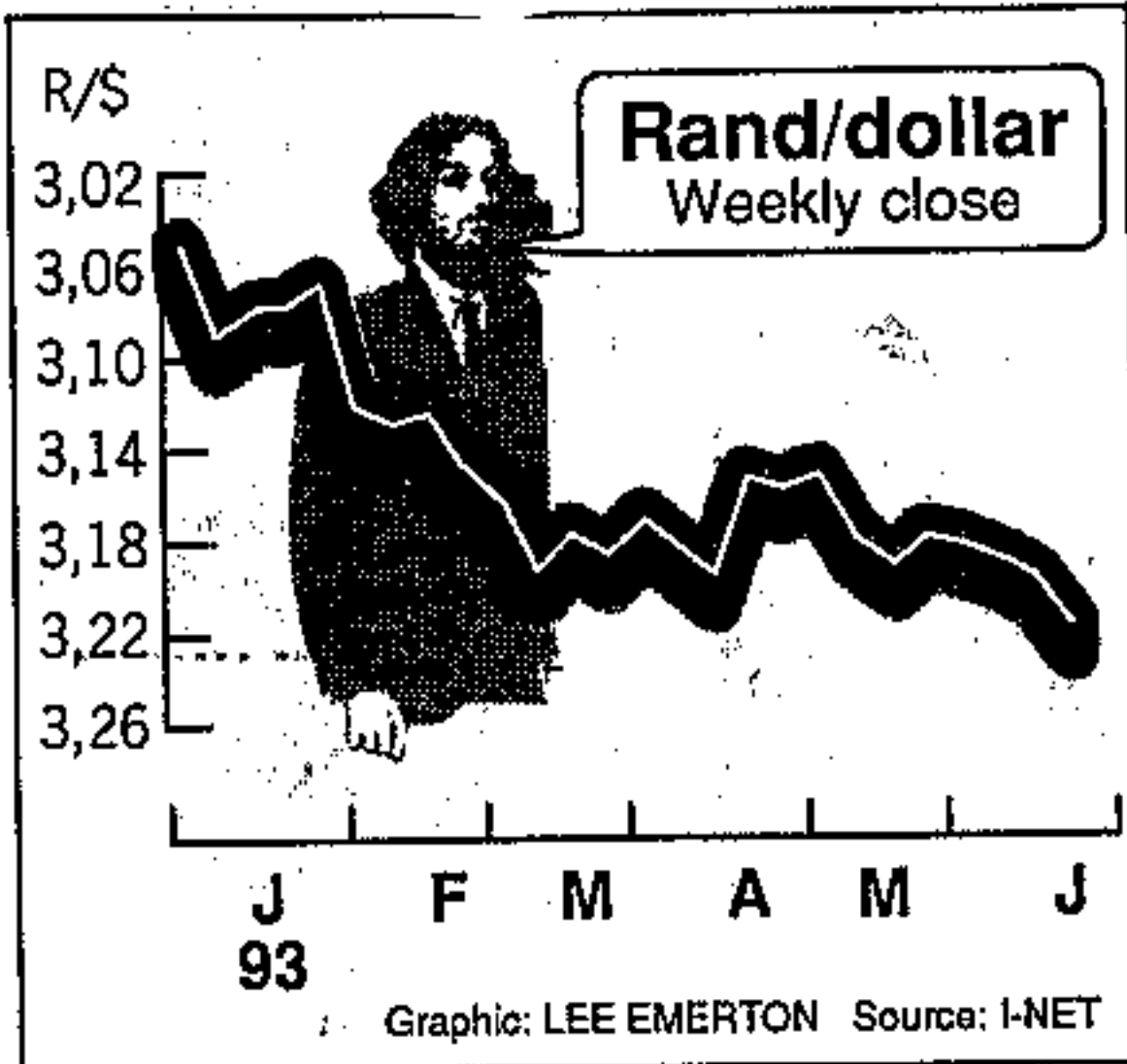
for Beijing trade show

Some 250 South African enterprises are expected to take part in a trade show in Beijing next year in an effort to lock into the rapidly expanding Chinese economy.

The South African Chinese Exhibition is scheduled to take place in March 1994 and the organisers envisage inviting 40 000 Chinese business people to the show.

The show follows a Chinese trade fair in South Africa earlier this year and reflects a warming in trade relations between the two countries.

Bilateral trade has escalated by almost 50 per cent over the last two years and total South African-Chinese trade in 1992 was R685,9 million.— Sapa.



Rampant dollar pummels the rand

TIM MARSLAND

THE rand took a beating from the rampant dollar yesterday, closing at a new low of R3,2208 from a previous R3,1973.

However, the unit gained ground on other major currencies, ending at R4,84 against sterling from a previous R4,88 and at DM0,5148 from DM0,5094.

Dealers said the rand "reacted entirely to the dollar", which surged on global markets after comments by German central bank officials that they were comfortable with the dollar's strong performance against the mark. Dealers said this could signal an easing in German interest rates.

Local dealers said rand trade was active. "There seemed to be no stopping the dollar once it broke through key points on the charts which have been unchallenged since 1989," one said.

They noted a Reserve Bank presence, but said the Bank had not attempted to buck the trend through heavy intervention.

Customs fraud laws get more teeth

CAPE TOWN — Customs and Excise officials are to get new weapons in their fight against customs fraud, including the right to publish the names of transgressors and extended scope in providing rewards for disclosures of wrongdoings. (14)

Legislation was tabled in Parliament yesterday that would allow the commissioner to publish perpetrators' names, addresses and nature of offences in the Government Gazette.

In the past, the commissioner's administrative hearings were kept secret because offenders often elected to be dealt with administratively and to pay large amounts in order not to be prosecuted.

The measure, which Finance Department officials hope will serve as a major deterrent, will apply only to cases where

the fraud is greater than R10 000.

The Customs and Excise Amendment Bill also cites a new offence: making or possessing counterfeit customs stamps. Officials said customs fraud was often committed by means of false stamps, used to obtain the release of imported goods without paying duties.

Existing legislation allows the commissioner to reward those who contribute to the conviction of customs fraud perpetrators. The amended legislation extends the category of people whom the commissioner can reward. He may now withhold up to a third of any fine, penalty or the proceeds of sale of anything forfeited or seized. This can then be awarded to any person, including an officer.

TIM COHEN

New powers for customs staff

Political Staff

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CUSTOMS AND EXCISE officials are to get new weapons in their fight against customs fraud, including the right to publish the names of transgressors and new scope in providing rewards.

Legislation was tabled in Parliament yesterday that will allow the Commissioner to publish in the Government Gazette the name, address, offence and fine of

CT 17/6/93
a perpetrator of serious customs fraud.

In the past, the administrative hearings of the Commissioner were kept secret because offenders often elected to be dealt with administratively and pay large sums to avoid prosecution.

The measure, which finance department officials hope will serve as a major deterrent, will only apply to cases where the fraud amounts to more than R10 000.

The legislation, the Customs and Excise Amendment Bill, also creates a new offence for counterfeiting customs stamps.

The legislation extends the category of people the Commissioner may reward. He may now withhold up to one-third of any fine, penalty or the proceeds of sale of anything seized under the act and award this to any person, including an official, instrumental in exposing the offence.

Dollar climbs to record high against the rand

By Derek Tommey

Investors in gold shares will be cheering today. But those planning to visit the US or buy American goods will be far from happy.

The reason for the joy/misery is a soaring dollar in the foreign exchange markets and a sharply higher gold price.

Yesterday, after expectations of an increase in US interest rates, the dollar jumped from R3,1973 to a record R3,222. It later closed at R3,2163.

For a tourist to pay an extra 2,35c for a dollar may not seem much. But it brings to 17c (a rise of almost 6 percent) the extra amount South Africans have had to pay for a dollar this year.

It is not just visitors to the US who will be hit by the rising dol-

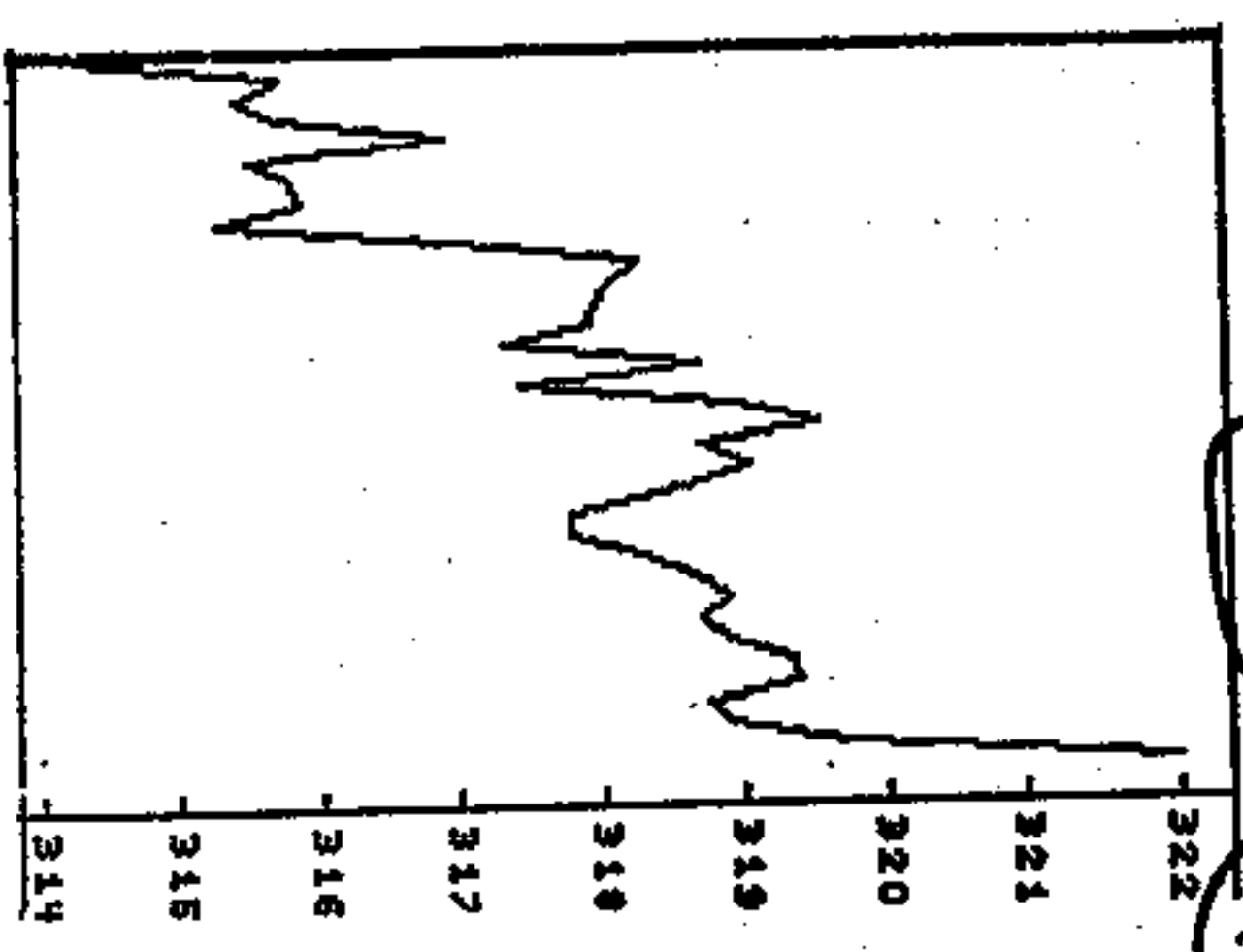
lar. Traders buying US goods will have to pay an extra 6 percent for them.

This means they have the choice of raising their prices in line with the currency factor or absorbing the higher cost and reducing their profit margins.

But not all South Africans will be unhappy about the more expensive dollar. Foreigners pay in dollars for a large proportion of SA exports. Now, because of the change in the exchange rate, these dollars are worth 6 percent more in SA than at the beginning of the year.

This means exporters of platinum, manganese, iron ore, and a vast range of minerals are earning more, even though they are not exporting more.

SA's gold exports in particular are benefiting from the more expensive dollar as well as from the higher dollar price.



After being a little depressed recently the gold price jumped almost \$5 in London yesterday to close at \$370.

Some dealers were surprised. But others said there had been some bullish news for gold in the past few days.

The news included comments by a number of central bankers that they had no intention of selling gold and depressing the price, reports from the Chinese (who are large buyers of gold these days) that their economy was still booming, and reports of the World Gold Council's multi-million dollar gold promotion campaign.

This is good news for holders of gold shares.

But even more encouraging is the rise in the dollar, which helped lift the local price of gold last night to above R1 190 an ounce.

This is R186, or 16 percent, higher than at the beginning of the year, which should lift gold mining profits sharply.



Durban's port can expect competition from Beira

DURBAN — Africa's busiest port, Durban, could expect competition from Mozambique ports Beira and Maputo as the country moved towards peace after 16 years of civil war, Durban port manager Rudi Basson said yesterday.

On Tuesday the Swaziland Sugar Association announced it was rerouting sugar exports through Maputo instead of Durban, as transport to Durban added R20m to export costs.

"With African ports getting their acts together, they will become more competitive," Basson said.

Portnet, which controls SA's ports, recently unveiled plans for additional berths and container terminals in Durban, which handles more than 2-million tons of cargo and more than 3 300 ships each year.

Portnet has even more

ambitious plans for the port at Richards Bay, which is bigger than SA's other four ports combined and is already one of the most diverse bulk-handling ports in the world, according to its manager, Glen Martin.

The Portnet plan provides for substantial extensions to the coal terminal, provision of passenger liner docking facilities and transformation of the harbour into a rapid ship turn-around centre.

Martin said planning was well under way for an additional 650m of quayside. Other developments mooted by Portnet were the erection of cool storage facilities, extended container terminals and sugar and grain terminals.

Richards Bay handles approximately 1 200 ships and more than 60m tons of cargo a year. — Reuter.

B. Saw 17/16/93

JCCI chief calls for new look at aid

INTERNATIONAL donors should use only economic criteria to allocate aid funds, Johannesburg Chamber of Commerce and Industry (JCCI) president Mervyn King said yesterday.

Commenting on recent reports of SA's institutional inability to disburse international donations, King said the money should be given to specific projects which were feasible and acceptably managed.

MARIANNE MERTEN

This would ensure the creation of employment opportunities, prevent corruption and force political parties to commit themselves to sound economic policies.

The vast sums of money expected to be available once a transitional executive council was established would serve "little purpose" if future economic policies were not sound.

Still lagging far behind

FM 18/6/93

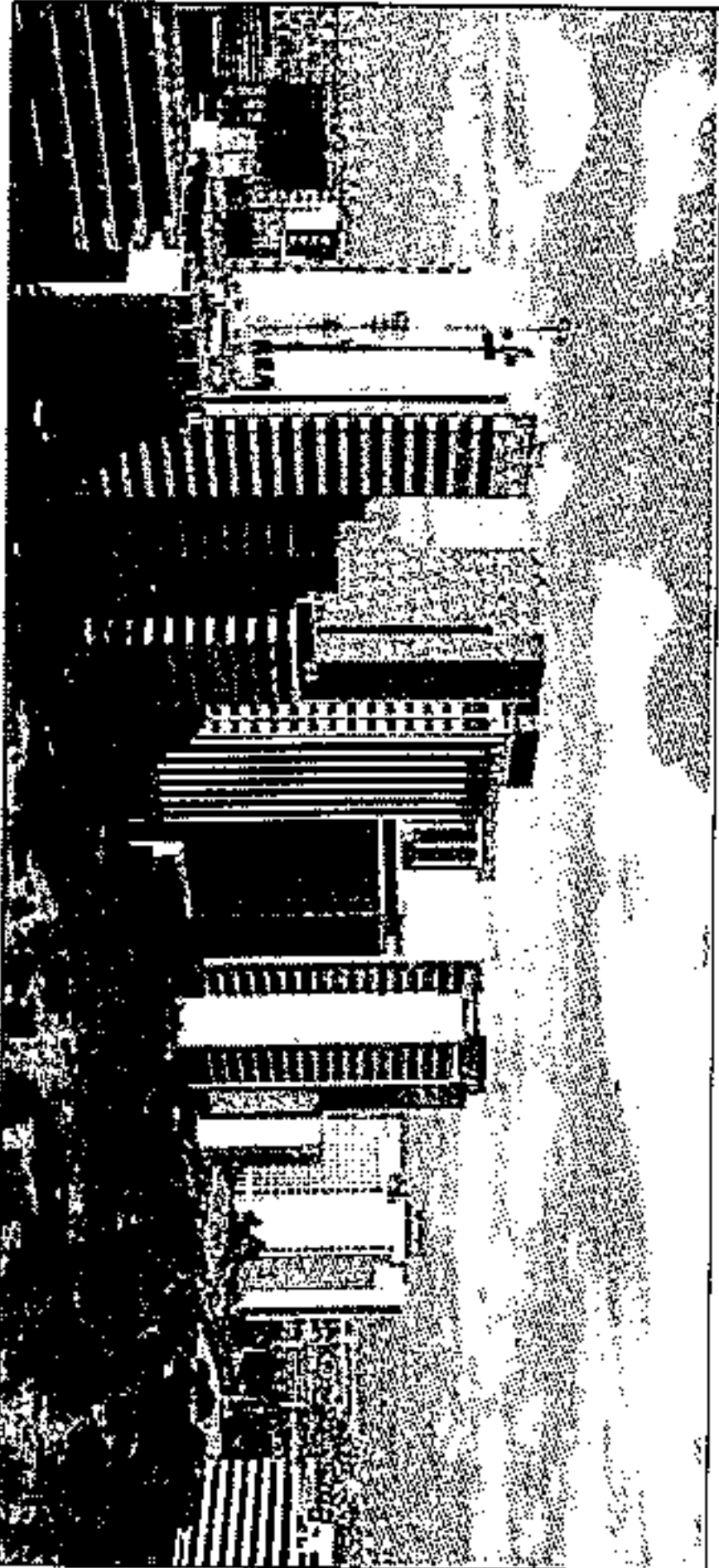
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The Far East is an increasingly important area for SA trade and investment. This sixth and final part of a series on the Dragons of the Pacific Rim looks at the Philippines.

First there was Japan. Then the four tigers: Hong Kong, Taiwan, Singapore and South Korea. Now China, Malaysia, Thailand, Indonesia and even Vietnam are elbowing their way into the big leagues of economic growth.

But there's still no sign of when one of the Pacific Rim's biggest countries, the



Downtown Manila . . . time to switch on the economy

Philippines, will decide to join its neighbours and begin energising its backward economy.

Some say the reason for the Philippines' Cinderella status is the three centuries of Spanish rule and then the nearly 100 years of American domination. "Following 300 years in the cloister, we are now trying to recover from 95 years of Hollywood," is a popular joke in the capital, Manila. But many of today's most successful countries began life as colonies and the most successful of the tigers, Hong Kong, is still a colony.

Others point to the country's unstable politics. It is still trying to recover from the Marcos era. Others say nature is the Philippines' biggest enemy. Not only do the coun-

try's 7 000 islands lie in the path of some of the world's most devastating tropical storms, but it is also a regular victim of volcanoes.

Then there are the anachronisms. Odd-looking, overloaded "Jeepney" taxis helping to transport Manila's 10m people are as characteristic of the tropical city as sombreros are of Mexico. Indeed, the country seems to have more in common with Mexico than with its Asian neighbours. Its largely Christian, English-speaking culture, with its Spanish roots, add to the effect. Nevertheless, it lies in the middle of south-east Asia and it knows that that's where its economic and political promise lies.

The Philippines does have promise. While much of Manila looks like a typical impoverished Third-World city, its Makati business district has a sophisticated look about it, with some modern hotels offering excellent service. Some upmarket residential areas rival any city's. But it is only now, following the huge downgrading of the Americans' military presence, that the Filipinos are beginning to search for their destiny as an Asian nation.

That search must overcome some terrible political and economic decisions of past years. For example, under the corrupt rule of Ferdinand Marcos, timber concessions were handed out to foreign firms that stripped the country's diverse tropical hardwood forests. A worse mistake was the decision of former President Cory Aquino to scrap plans for the Philippines' first nuclear power reactor. She

also failed to budget enough funds for the regular upkeep of the country's ageing gas- and oil-driven power plants.

Manila is forced to suffer daily eight-hour blackouts. The result is stifled economic growth, while the government finally focuses its full attention on getting the power plants up and running again.

The task of putting this country of 67m people on the right path has fallen to the new president, Fidel Ramos, who has announced an economic restructuring and reconstruction plan in the hope of attracting World Bank and other foreign funding.

Apart from special investment zones, offering the usual package of tax and other incentives, the high skills levels — and especially the computer literacy — of Filipinos are a big selling point.

But with repatriation of foreign earnings by millions of overseas Filipinos still one of its major sources of foreign exchange, the underdeveloped republic has a long way to go. Foreigners are not yet allowed to own Filipino land, so overseas investors need a lot of convincing.

Rather than offer ownership, the government mainly touts so-called "build operate transfer" or "build and transfer" initiatives, where the foreign investor would, at most, use a facility temporarily before it was transferred to locals.

For SA businessmen and investors there are many opportunities to offer skills to a country desperate for know-how and investment. The best appear to be in power generation, engineering, power plant construction and operation, harbour development and coal sales. But, investor beware: make sure of the conditions and whether finances are guaranteed. The patient investor who can wait while the country gets its economic act together should be well rewarded.

Politicians urged to resist protectionism

BRITISH Ambassador Sir Anthony Reeve yesterday urged SA political leaders to resist protectionism.

Reeve told a SA-Britain Trade Association meeting in Johannesburg that SA would always be a trading nation and its future prosperity would depend on its ability to compete in international markets.

"It seems to me that it is in SA's own interests to encourage the efficient industries, not the inefficient ones. As SA makes a welcome and long overdue return to normality in her international relationships, she will need to play by the GATT rules.

B/Say 18/6/93
PETER DELMAR

"I hope that the SA government, whatever its political complexion, will always be pro-business. I would urge the need for SA's political leaders to resist any protectionist tendencies." (74) (82)

Reeve said Britain accepted that there would have to be an interim period in which protection and export subsidies were phased out.

Asked afterwards how Britain would view a failure by SA to liberalise its tariff policies, Reeve said it would be "very unhappy".

However, he was confident that for at least the first five years under a new coalition government, SA's policies would be centrist and pragmatic.

Reeve also called for greater involvement by blacks in management and ownership of business. White business had to redouble its efforts to train blacks and to promote those "who make the grade".

"But black people themselves clearly need to play their part; above all by turning their backs on the tragedy of school boycotts. For our part, we in Britain will do all we can to support this process."

Reserve Bank bolsters the rand

TIM MARSLAND

A LARGE currency transaction by a major corporate saw the Reserve Bank step in yesterday to support the rand, which traded at a new low of R3,2350 against the dollar. (R3) (74)

The rand ended at R3,2288 to the dollar from a previous R3,2163.

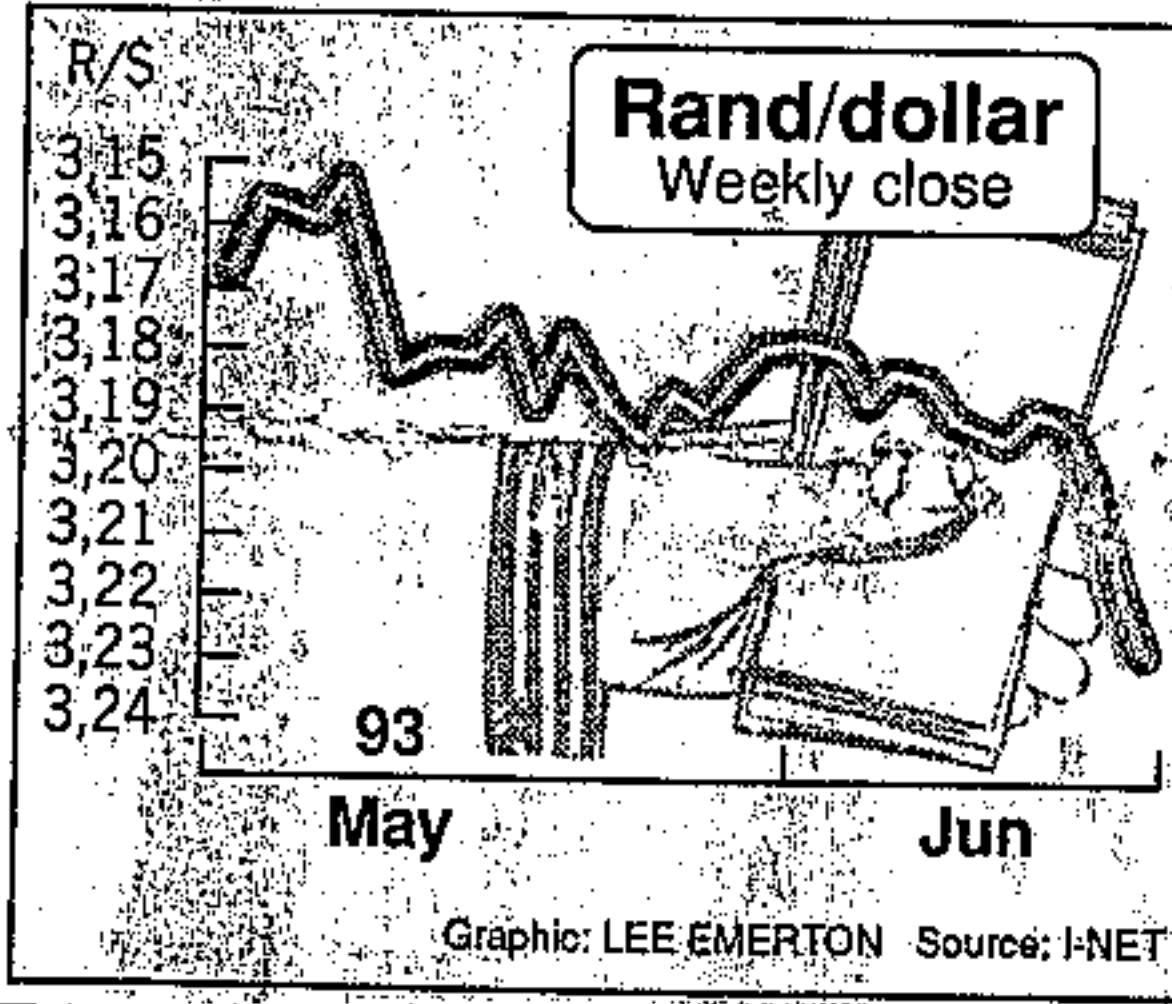
Dealers said the corporate was restructuring its currency book and had been active in the options and spot market. The size of the transactions was said to have been about \$100m.

A dealer said the Bank's role had been limited to taking the rough edges off the day's trade. He said the rand's current fall against the dollar was due to the strength of the dollar rather than rand weakness. Against the basket of currencies, the rand continued to perform well.

The Bank had been absent from the market for some time, which could have prompted some players to see its activity yesterday as aggressive.

Another dealer said the rand firmed late in the day against the US unit after the release of poor US trade data. The dollar's outlook remained good and he expected a rate of R3,40 to the dollar by the year-end.

1816/93



● Comment: Page 8

'Christmas is over for funders'

South 1916 - 2316193

THE CHANGE in overseas donors' perceptions of South Africa as a recipient of funds has led to the transformation of many non-government organisations who now need to prove their long term developmental impact to secure support.

For tertiary funding organisations this has meant radical changes to ensure more effective use and control of resources.

But the tertiary education fees have risen as the economy worsened, and growing numbers of students need support to study.

As a result, the shift in methods of operation has created the impression of a withdrawal of support from the most needy students.

This year the number of students supported by Kagiso Trust, one of the biggest bursary organisations in the country, rose from 5 600 in 1992 to about 11 000, giving some indication of the pressures on tertiary funding.

Kagiso Trust's director Mr Eric Molobi explained the dilemma: "South Africans could not hope that the Christmas of being victims of apartheid would continue forever."

"We need to sell ourselves on the basis of good development programmes which have impact."

What this has meant is a move away from funding community-based bursary organisations to channelling money directly through tertiary institutions.

Kagiso presently allocated 37 to

40 percent of their annual budget to education and training. Last year R47 million was distributed to tertiary institutions.

This year they will receive R70 million.

"We were forced to look at ourselves and other institutions that we never used to deal with," Molobi said.

"For instance, we used to give money to community bursary programmes and wait for reports. When we got them, they were very scanty. But that was acceptable at the time. We were victims of apartheid, we were harassed, we had all kinds of excuses.

"As soon as we became a professional organisation we were forced to look at other avenues. If we deployed R47 million and got half reports, people were going to accuse us of mismanaging the funds.

"So we took the money we used for bursary programmes and invested it in universities, which are in a position to give proper reports.

"We are not sure that was the correct decision, because the selection of students could not be done properly because universities employ their own criteria.

"But we are trying to affect those criteria so that the universities are not only sensitive to academic criteria but look at things like need, social background, urban/rural balance and bringing women into the universities."

'We used to give money to community bursary programmes and wait for reports. They were very scanty. But that was acceptable at the time. We were victims of apartheid.'

SA Times (Bus)

SA firms favoured at a cost of R1bn a year

2016193 (74)

By CIARAN RYAN

THE Government is adding an estimated R1-billion to its annual purchasing bill by favouring SA suppliers.

The policy has been exposed by the world's leading trade authority, Gatt, which met government representatives this month.

Government departments and provincial administrations buy supplies worth between R6-billion and R8-billion a year.

Government procurement policies have been attacked by the ANC for allegedly favouring big business.

The National Economic Forum is discussing the matter and measures to increase small and black businesses' share of tenders are expected to be implemented before the end of the year.

SA agreed to phase out or reduce several local content preference schemes to bring it more into line with General Agreement on Tariffs and Trade rules.

Suppliers have, according to Gatt, been allowed preferential margins of 30% to 40% if they meet local content requirements.

Industries in homelands (regional growth points) get 5% to 10% and a railage rebate of up to 60% of transport costs. Electronic goods suppliers have been allowed to add 35% to their price and still win tenders. Companies with SABS ratings can add 2,5% to their prices.

Regional preferences will be phased out by the month-end and foreign companies which meet SABS standards will also be able to add 2,5% to their prices.

Price preferences of up to 35% for SA-made electronic equipment are being scaled down.

Electronic equipment accounts for less than 10% of government purchases, says State Tender Board chairman Kobus Coetzer.

"The decision to do away with price preferences for local suppliers is a government decision," he says.

"The State Tender Board operates in a totally transparent manner. All tender awards are published in the Government Gazette and we have to give reasons why a cheaper tender was refused."

Imported goods account for 30% to 40% of Government purchases, according to Stefan Schutte, administrative secretary at the Department of State Expenditure.

He disagrees that local content preference margins are 30% to 40%, as claimed by Gatt.

Mr Schutte says the average local content preference is "no more than 10% in respect of all imports where electronic goods receive as much as 20%". The prefer-

ences cost SA no more than R320-million.

Chamber of Commerce economist Ben van Rensburg says SA will have to phase out all protection, including those applying to government procurement, as the country normalises its trade relations.

"But 350 000 to 500 000 jobs have been lost since 1989 and we must be careful not to damage employment creation any further."

One of the more controversial schemes is the ad hoc preference for SA products which have "little or no tariff protection" and where the price difference is marginally in favour of imports.

In this situation the State Tender Board may refer the matter to the Board on Tariffs and Trade.

Gatt says: "Where tenders are equally priced, even after deduction for preferences, the board gives priority to supplies made in SA."

Rampant dollar sends rand reeling

B/Day 2/16/93

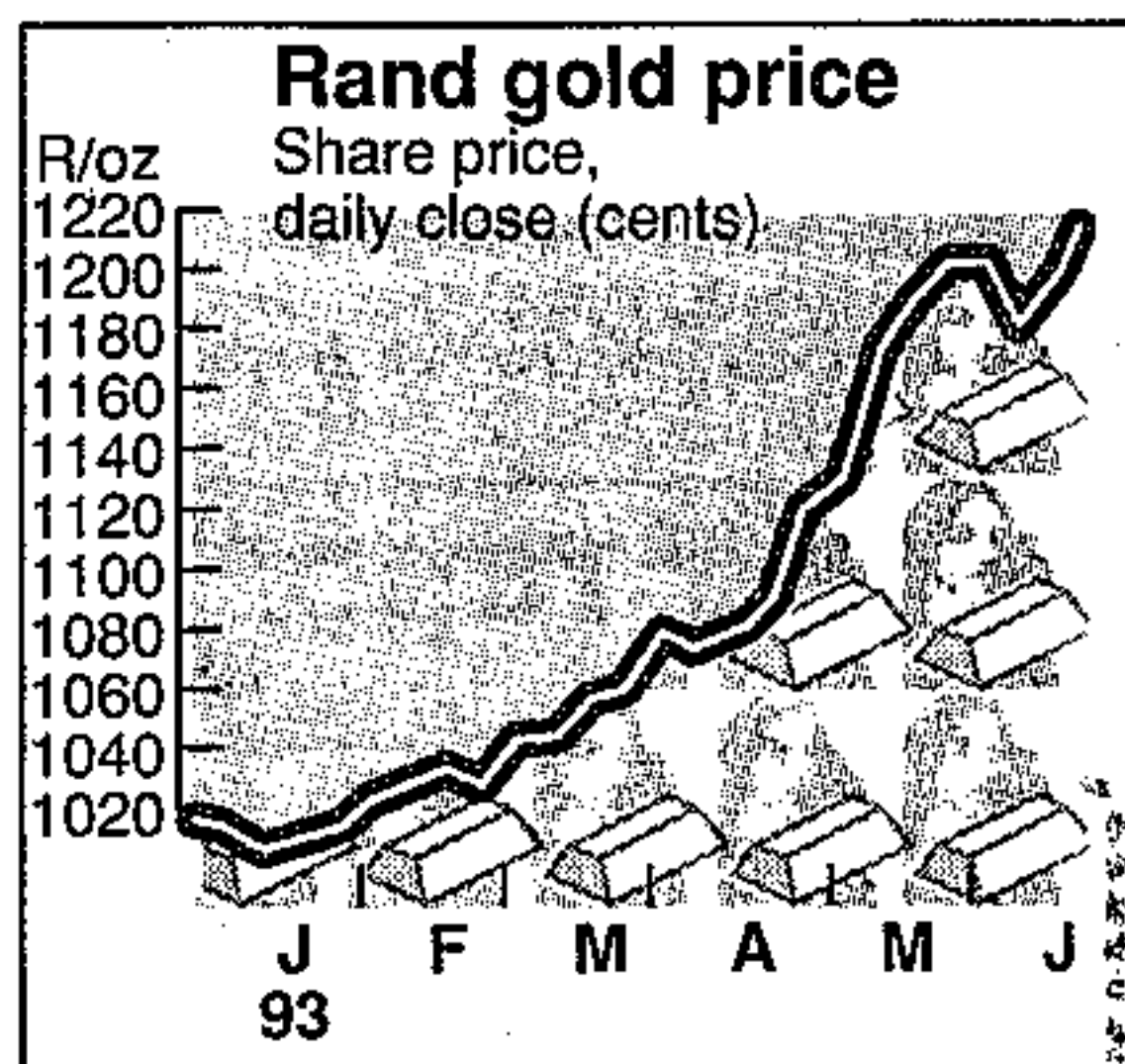
GRETA STEYN

THE dollar powered ahead on international currency markets yesterday, sending the rand reeling to a record low but boosting the JSE gold board as the rand price of gold hit a fresh peak. (74) (109)

The US unit notched up a 21-month high against the German mark of DM1,6953 and bounced back from recent lows against the Japanese yen as German economic woes combined with Japanese political turmoil to boost sentiment.

The rampant dollar saw the rand open weaker at R3,2620 against the US unit and fall to a close of R3,2853 from Friday's R3,2398. Dealers said the dollar's strength was given added impetus by a major buy order by an importer.

The local currency's weakness pushed the rand price of gold to a fresh peak of R1 217,36 from levels below R1 200 last week before the dollar rally gained mo-



Graphic: LEE EMERTON Source: I-NET

mentum on Friday. The gold index added 57 points, or 3,4%, in slow trade yesterday to close at 1 750. Reuter reports the continued decline of the rand against the dollar heightened prospects of a strong second

□ To Page 2

Dollar

B/Day 2/16/93

□ From Page 1

quarter performance by SA gold mines.

Standard Bank senior economist Carol Mason said the dollar's strength was a delayed reaction to economic fundamentals and had been predicted at the beginning of the year. The market expected the weak German economy would force a cut in German interest rates. The German money supply figures released yesterday had done nothing to dispel expectations that an interest rate reduction was possible at the last Bundesbank council meeting before the summer recess at the beginning of next month. Germany's money supply rose 6,7% in May, against a target of between 4,5% and 6,5% for the year. (74)

Dollar strength joined forces with a large sell order in the financial rand market to push the foreign investment unit

weaker. It ended the day at R4,7050 from Friday's R4,64 amid rumours that the Spanish company Pescanova's reduction of its stake in Sea Harvest to 10% from 38% was affecting the market.

Standard Bank's index of the trade-weighted rand showed a small decline yesterday, to 27,6481 from 27,7258 a week ago. Little more than a year ago, the index stood at more than 30. (24)

Economists said the dollar's strength could push pressure on the foreign exchange reserves by triggering "leads and lags" as importers rush dollar purchases and exporters delay sales. They added that the need to top up forward cover contracts against third currencies by paying out extra dollars could add to the pressure.

Bid to review Soros's effect on market

WASHINGTON — House Banking Committee chairman Henry Gonzalez has said he will ask the Federal Reserve and the Securities and Exchange Commission to review the foreign exchange dealings of George Soros's quantum fund.

The quantum fund is a huge offshore investment fund managed by Soros.

Citing Press accounts that Soros made more than \$1bn betting against the British pound, Gonzalez said he wanted to know how Soros was able to make such a profit, how much of his investment capital was from bank loans, the US bank exposure to

Soros's fund and the role played by so-called derivative securities products in earning Soros the windfall.

"I will ask the Federal Reserve and the commission to review Mr Soros's impact on the foreign exchange market to determine if it is possible for an individual actor such as Mr Soros to manipulate the foreign exchange market. (FZ)

"At a minimum, it is in the best interest of the Federal Reserve and other central banks to fully understand Mr Soros's methodology for manipulating the foreign exchange market. After all, they are compet-

ing head on with Mr Soros in an effort to manipulate the value of various currencies," Gonzalez said.

Lawyers for Soros were not immediately available for comment. (74)

Gonzalez also expressed serious concern over the growth in bank holdings of derivative securities products and the implications of this on the safety and soundness of the banking system.

Gonzalez said he planned to ask bank regulators soon for "detailed information regarding their regulation of derivative activities". — AP-DJ.

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May trade figures a pointer

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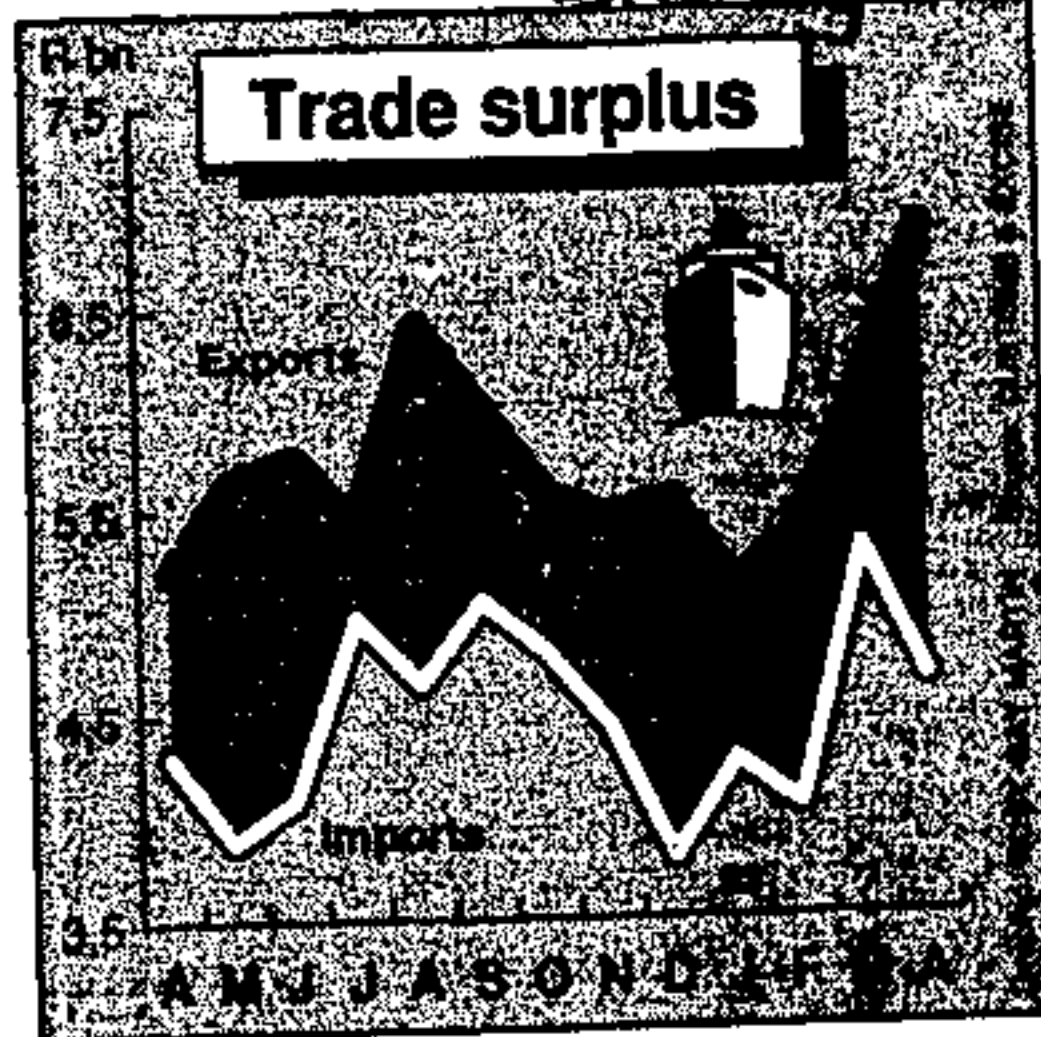
AN important pointer to balance of payment prospects for the rest of the year is due later this week with the release of the May trade figures.

With inflation and money supply responding favourably to the Reserve Bank's restrictive monetary policy, one of the only factors preventing Bank interest rates cuts is the balance of payments situation.

Last month's trade figure will indicate to what extent capital outflows were responsible for the poor reserve figures in May. Gold and foreign exchange reserves fell by R128,6m last month to R7,9bn despite a rise in the gold price, which increased the value of gold to R1077,47 per fine ounce from R999,53 in April. The gold component of the reserves rose to R5,59bn from R5,24bn the month before, while the currency component fell by more than R480m to R2,3bn.

Old Mutual economist Rian le Roux said if the surplus on the current account covered capital outflows then the higher gold price should have increased reserves by R400m. As this did not occur, the only conclusion he could draw was that capital outflows were "significant".

With the trend of large capital outflows expected to continue for the rest of the year, a large and sustained surplus on the current account is



needed to offset these outflows. If the significant increase in the surplus recorded in April is sustained, the chances are higher that the current account could offset outflows from the capital account.

Nedbank economist Edward Osborn has warned that reserves would be under "considerable pressure" for the rest of the year due to large capital outflows from debt repayments.

SA's trade surplus nearly trebled in April to R2,19bn from R776m in March, as exports increased by 13% to R6,87bn and imports fell by 12% to R4,68bn. The effect of the recession on demand, the improvement in the gold price, the fall-off in drought-related imports and a lower oil im-

port bill were cited as the main reasons for the continued fall in imports.

Osborn said the May surplus could be sustained above R2bn for several reasons: over the past several years imports had slumped slightly between April and May while exports increased; and a more important factor is last month's gold price.

Osborn said although monthly gold production fell by two tons in May, this was more than offset by the higher gold price. In April the average gold price per ounce was R1 086 increasing to R1 167 in May while production fell from 50 573kg to 50 264kg. This resulted in an increase in the value of gold production to R1,898bn in May from R1,84bn in April, adding about R50m to total exports. "With the increase in platinum we could see unclassified exports increasing by R100m in May".

On the international front, German money supply figures for May are due out later today. In April broad money supply (M3) grew by an annualised 7,0% relative to the target range of 4,5% to 6,5%. The chances of lower money supply growth in May do not look encouraging.

US May durable goods orders are scheduled for release on Wednesday. The orders remained flat in April after a disastrous 3,7% monthly decline in March.

Future of the financial rand hangs in balance

Star 21/6/93

74

By Derek Tommey

Planning attention is beginning to focus on the future of the financial rand.

This follows from the likelihood that South Africa will soon be governed by a transitional executive council and the probability that there will be a general election within the next 12 months — both of which will be good for SA's image overseas.

It also follows from the prospect of a firmer gold price.

These factors could greatly enhance South Africa's position abroad — and thereby eliminate the need for the financial rand.

The financial rand in its current form has been in existence since 1985. South Africa was then in turmoil and the Government wanted to discourage foreigners from taking their money out of the country.

Forcing them to use the financial rand, which stood at a huge discount to the commercial rand, significantly slowed the outflow.

Reasons

Anyone now taking money out of the country in financial rand form has to pay R4,64 for a US dollar.

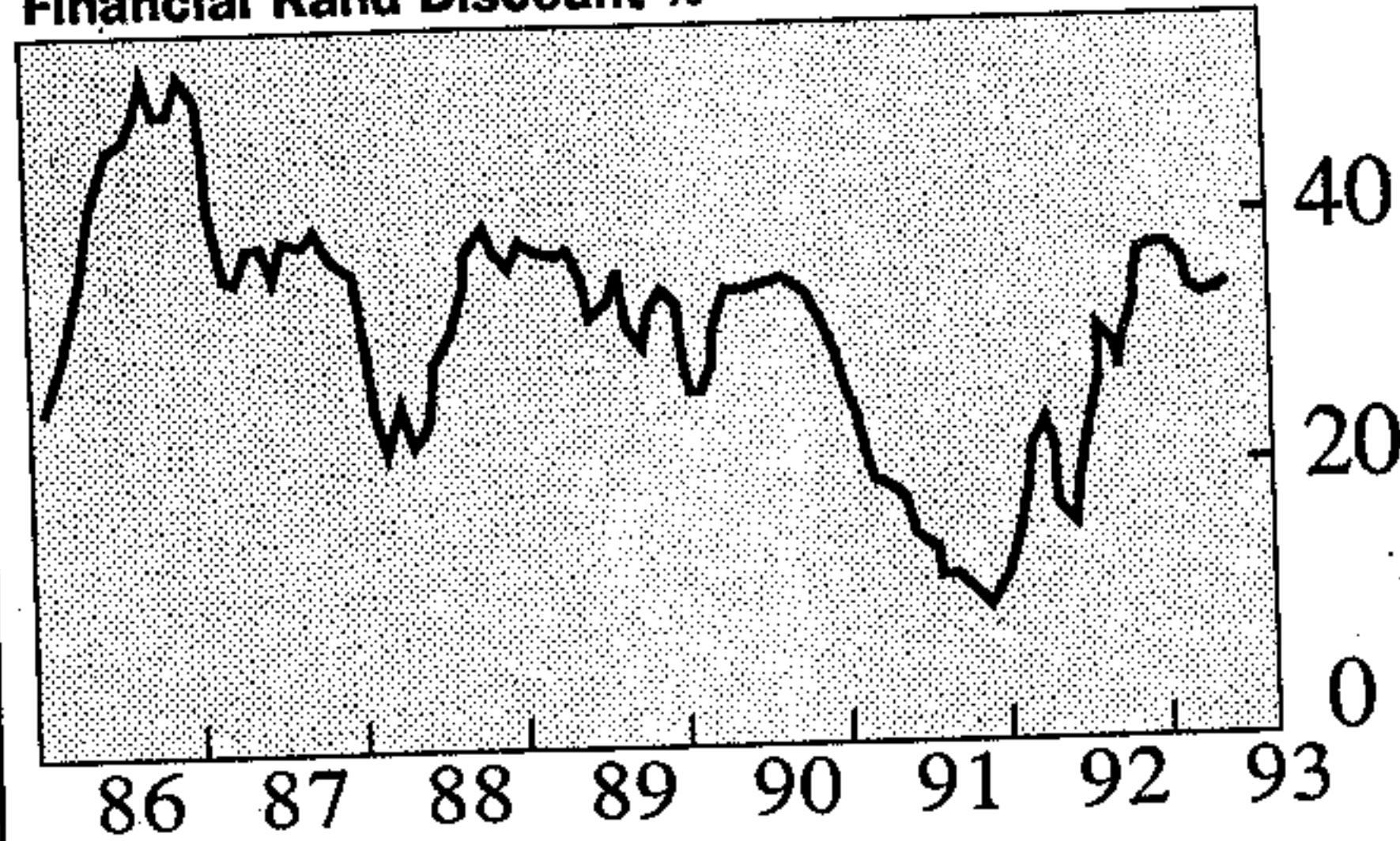
If the investor could take the money out through the commercial rand, he would have to pay only R3,23 for a dollar, giving him 43-percent more dollars for his money.

Economists give several reasons for ending the reign of the financial rand.

One is that the mere existence of a dual currency is a major deterrent to foreign investors because it signals to the world that South Africa has economic woes and balance of payments problems.

A second reason is that the

Financial Rand Discount %



financial rand exchange rate is not a true reflection of the state of South Africa. The financial rand market is a thin one and the price of the currency can be easily manipulated.

Azir Jammie, director of consulting group Econometrix, says the commercial rand is a much better guide to the worth of South Africa's currency, as ten times more capital transactions are made through it than through the financial rand.

Economists say that any improvement in the investment climate could lead to a speedy ending to the financial rand.

An inflow of foreign capital could quickly lead to the financial rand discount dropping.

Once it dropped below, say, 10 percent, the Reserve Bank could abolish the currency overnight.

With this in mind, planners are asking when it could happen.

"It could be within the next 18 months to 24 months," say Jos Gerson and Heather Kenyon, economists with stockbrokers Davis Borkum and Hare.

But Jammie is not quite so optimistic. He believes it could still be 24 to 30 months away.

However, it could be much sooner if the gold price were suddenly to spurt to, say, \$600!

If the Government has learnt anything from the surge in the gold price in 1979 and 1980, it is that exchange controls should be eased immediately, he says.

Planners are also investigating the consequences that could flow from the ending of the financial rand.

Some say that the financial rand rate could become the new commercial rand rate — that is, the rand could drop to more than 4 to the US dollar.

But Jammie does not agree because the commercial rand is the much stronger currency.

Profits

The most the commercial rand rate could drop is about 10 percent.

Foreigners investing in the JSE through the financial rand could make huge profits if the commercial rand held its value.

Any reduction in the 30-percent financial rand discount would similarly increase the value of their investments.

It would be possible for them to show capital gains of 45 percent without any improvement in JSE share prices.

But Jammie points out that South Africa wants not only speculative investment; it also needs people prepared to invest in new factories and industries.

Ailing rand slips to a new low against the dollar

Stur 22/6/93

74

By Derek Tommey

The slide in the rand against the dollar accelerated in heavy trading yesterday.

Reserve Bank intervention aimed at slowing down the slide was seen on at least two occasions.

But that did not stop the rand falling more than 5 SA cents to a new low of 3,2918 to the dollar before closing at 3,2853. It also lost ground against the German mark and British pound.

In the past seven days the rand has fallen almost 10 SA cents against the dollar — equal to a threepercent devaluation.

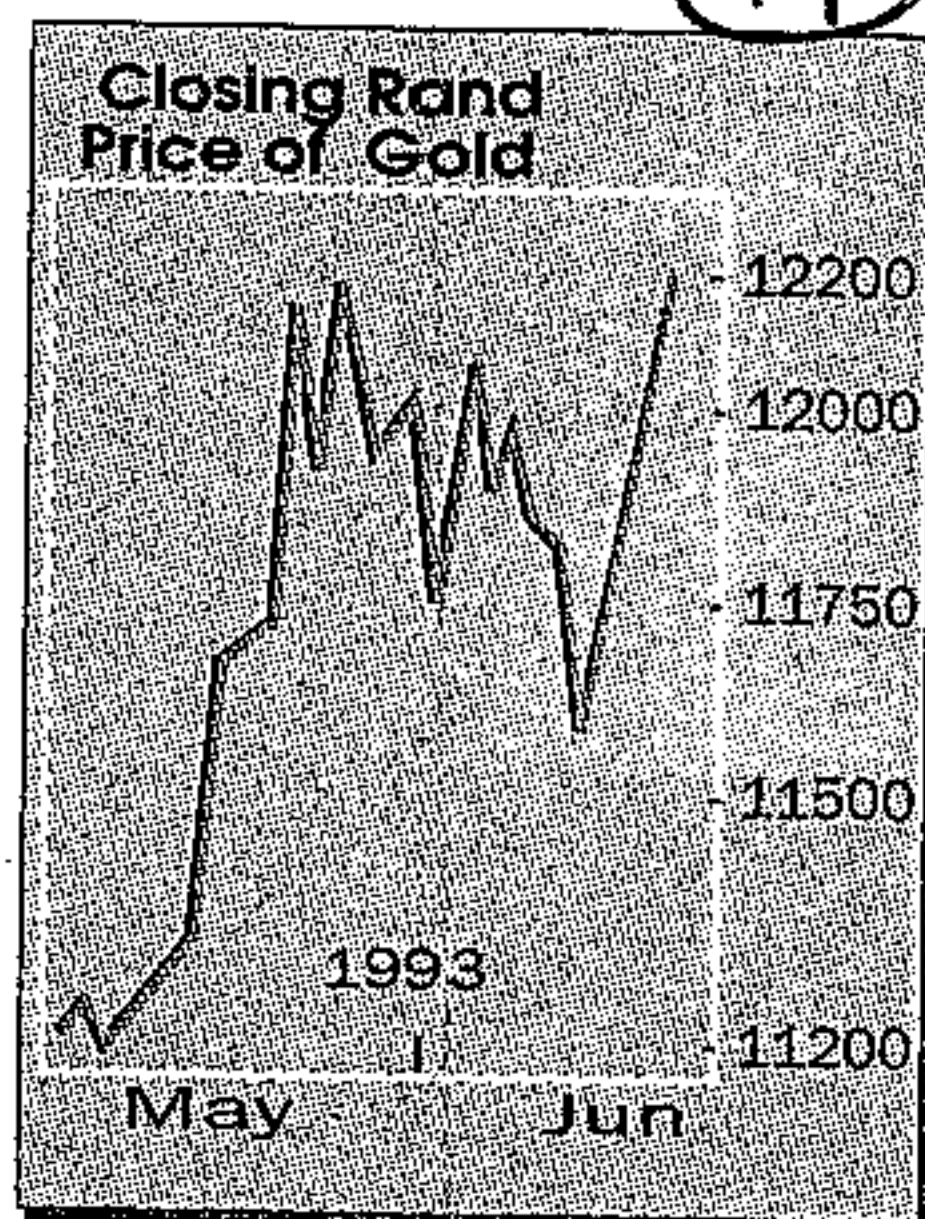
However, one benefit of the lower rand has been a rise in the rand gold price to a record of R1 200 an ounce.

This is R100 higher than it was at the end of April and some R270, or 28 percent, higher than a year ago.

Dealers blamed yesterday's lower rand on large-scale buying of dollars by corporate customers in a weak market.

The rand, already partly depressed by a strong dollar, sank further under the weight of the corporate buying.

This buying appears to be as-



sociated with the heavy interest and loan repayments which many companies have to pay overseas in dollars at the end of each quarter.

As payments in June are exceptionally heavy, it seems that once this buying ceases, a recovery in the exchange rate of the rand is a possibility.

However, there is a suspicion that the monetary authorities may not have been giving their full support to the rand. One reason could be that they don't have the money.

But some dealers believe the authorities may be in favour of continuing the "quiet" devaluation

which started about a year ago and has seen the rand fall almost 14 percent against the dollar.

This "quiet" devaluation must soon start stimulating the economy, if it hasn't done so already.

For a lower dollar rand exchange rate boosts the rand earnings of exporters.

This leads to increased production and more employment. The sharp increase in the gold price in the past year is an example of what sort of benefits exporters get from a devaluation.

However, economists say that a devaluation is not painless because initially it makes everyone poorer.

But if it leads to a more buoyant economy and, in South Africa's case, puts to work this country's under-utilised labour force and machinery without too much inflation, then every one should be better off.

In fact, it should not be long before South Africans start seeing more of the fruits of the weaker rand and the other stimuli at work in the economy.

These would be lower interest rates, lower company tax, continuing heavy deficit-spending and large new investments, such as Columbus, Alusaf, Moab and Namakwa Sands.

Trade surplus still healthy

THE trade surplus remained healthy in May at R1,874bn, setting SA on track for a R5bn surplus on the current account for the year, economists said yesterday.

Customs and Excise reported that imports in May totalled R4,61bn from April's R4,68bn, while exports were R6,49bn in May from R6,87bn in April. The trade surplus was down R314m at R1,874bn from April's R2,188bn.

Rand Merchant Bank chief economist Rudolf Gouws said while there remained some concern about the capital account, the "worst must be over for the foreign exchange reserves". He said there had been almost no surplus on the current account in the first quarter, which had limited potential for a reduction in interest rates. The current account balance is the trade surplus less net payments for trade in services.

Safto economist Bruce Donald said rising export growth in May was largely due

TIM MARSLAND

to an improvement in unclassified exports (up 14% in the first four months this year compared with the same period last year), and a big jump — 21% — in jewellery and precious stones (mainly diamonds).

Donald said growth in unclassified exports reflected the better gold price.

The slight rise in imports was mainly due to increases in machinery imports (up 9%) and transport equipment (30%). This could indicate a bottoming of the recession, he said.

Donald noted exports to the US rose 9% and imports 25%.

Nedcor Bank chief economist Edward Osborn said the trade data were not encouraging when the rand exchange rate was taken into account. A weak rand had an "arithmetic influence" on the current account of the balance of payments.

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BIDMAS 226/93

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Mangope attempts to solve education crisis

STEPHEN COPLAN

STUDENTS from Setlogelo Technikon in Bophuthatswana met President Lucas Mangope yesterday in an attempt to resume lessons, which were disrupted last month and had not been attended since.

In a separate development, it was decided at an emergency council meeting yesterday that the University of Bophuthatswana would be closed indefinitely pending the outcome of a judicial inquiry into student unrest, Sapa reported.

The meeting in Mmabatho between Setlogelo students and Mangope was disrupted by the arrest of an SRC member for alleged possession of an SA Congress of Students (Sasco) publication, Saso spokesman Mokgo-motso Mogodiri said.

Bophuthatswana government spokesman Alwyn Viljoen said the meeting was "a bit of a fiasco" as some students had not brought student cards to get in.

The meeting was intended to reassure students and technikon management that the government would intervene to stabilise education, Viljoen said.

Another meeting was planned for July 7, but it was still unclear whether exams would be held or the academic Bophuthatswana's highest budget allocation was to education, and the government was anxious to get education back on track, Viljoen said.

He claimed there was no education crisis in Bophuthatswana.

Mogodiri said the government was distorting the facts as all tertiary institutions had closed before the current holiday break. Exams had been boycotted.

Mangope had suggested at the meeting that SRC members were responsible for the disruptions on campuses and their terms of office should be restricted to three months, Mogodiri said.

Viljoen denied claims that police were present on campuses. However, Mogodiri said access to campuses was being restricted. There was a low-profile police presence at Setlogelo.

Soweto services at breakdown point

SERVICES in Soweto are likely to come to a halt within two weeks unless the rent and service boycott is ended by the beginning of July.

Yesterday's meeting of the Greater Soweto Crisis Committee failed to reach agreement on ending the rent boycott. It will meet again next week.

Metropolitan Chamber CE Vic Milne said yesterday the meeting had gone "quite well", but a solution had to be found soon.

Soweto's financial position was desperate, he said.

Soweto's service deficit might be as high as R1,2bn, and payment levels were less than 5%.

He said parties were close to reaching consensus on tariffs, the only sticking point.

Another obstacle was the failure of the ANC to appear at the meeting.

The organisation was consulting the civics on how best it could participate in the Metropolitan Chamber and the committee.

The chamber recently voted to allow political parties to take part as full chamber members.

The ANC also wants the issue of boycotts and service provision discussed in merged transitional executive committees — the organs it envisages will replace present

GAVIN DU VENAGE

municipal structures and which it is hoping to have in place this year.

However, Soweto may have less than two weeks to come up with additional revenue to pay contractors and salaried staff, said Milne.

If this did not happen even basic services would break down and that could lead to further unrest in the township, which could spill over into Johannesburg.

Milne said he was expecting the ANC to take part in solving the Soweto issue next week. Its support was crucial to implementing an agreement and encouraging people to resume paying.

Plans to end the seven-year boycott are now in their 12th draft, and talks have been going on for at least a year. On several occasions the committee has come close to a settlement.

Last year settlement was put on hold while the people involved sought wider consultation on how to resolve the issue.

Earlier this year the Johannesburg City Council said it would take over service provision on an agency basis. However, it would do so only once the boycott had ended. The plan was delayed to bring in various political groups to legitimise it.

F W set to lobby Clinton

CAPE TOWN — President F W de Klerk is expected to discuss with US President Bill Clinton the role play in stimulating economic growth and development in southern Africa when they meet in Philadelphia on the eve of the G-7 summit in Tokyo.

De Klerk's visit to the US, from next Wednesday to Sunday, will include talks with World Bank president Lewis Preston and IMF MD Michel Camdessus.

De Klerk will visit Austria on Monday and Tuesday en route to the US where he and ANC president will jointly receive the Philadelphia Liberty Medal.

The Foreign Affairs Department said in a statement yesterday De Klerk would meet Austrian President Thomas Klestil, Chancellor Franz Vranitzky and Foreign Minister Alois Mock during the two-day working visit.

He will also address an Austrian parliamentary group and prominent business leaders.

De Klerk and Mandela were nominated for the Philadelphia Liberty Medal by an international commission for their contribution to political change in SA.

Clinton is expected to present the award to the two leaders in Philadelphia next Sunday, July 4 — Independence Day in the US. — Sapa.

Safex in bid to boost interest from offshore

SAFEX is looking at admitting foreign members within the next few months, in a move designed to boost offshore interest.

Foreigners have been allowed to trade in local futures contracts since December 1991, and options since December last year.

Safex CE Stuart Rees said the plan had been to allow foreign membership once offshore volumes picked up.

About 10% of futures contracts listed on Safex are foreign held.

However, the move was brought forward to try to boost foreign volumes now.

Safex instruments compare favourably with those

elsewhere in the world.

According to a document on Australia's Sydney Futures Exchange, futures were introduced in 1983 and options in 1985.

Total

Foreigners account for about 10% of total trade. For 1992, open interest in the all ordinaries share price index (AOI) averaged 9 950 futures contracts and 600 options contracts a day. Daily trade averaged 1 350 contracts and options 29 500.

The AOI is a capitalisation weighted index and is calculated using the market prices of about 260 of the largest companies list-

ed on the Australian Stock Exchange.

The initial margin on a futures contract is \$6 000, while the fee per contract is \$1,17 a side, according to the document. Reduced margining applies to spread positions.

On Safex, foreigners trade in the futures market through the financial rand investment unit, which in turn trades at about a 30% discount to the commercial rand residents are obliged to use.

This effectively gives foreigners a 30% advantage over local investors.

The Reserve Bank sets the rules for the currency transactions and only authorised banks are allowed

to complete the currency transaction. The Bank recognises two categories of foreigners — non-residents and emigrants with "blocked rands".

Non-residents are simply investors who live outside SA and the common monetary area (the TBVC states as well as Namibia, Lesotho and Swaziland).

Allowed

Emigrants with "blocked rands" are those who have left SA to live in another country but are forced to leave money behind in SA due to the Bank's strict exchange control rules. They are allowed to meet margin payments from their blocked rand accounts.

BiDay 25/6/93

74

Unclassified effect

A dip in exports of unclassified items appears to be responsible for the slight fall in the monthly trade surplus in May, to R1,9bn from R2,1bn in April. Exports in May totalled R6,5bn, down from R6,8bn in April. Total exports for the year so far are 9,3% up on last year at R29,9bn.

Exports in the unclassified category, the largest export category which includes precious metals and other items such as weapons, totalled only R2,1bn in the month from R2,5bn in April and R2,4bn in March.

The change is surprising given the strengthening in precious metal prices during May, and the generally steady physical output of mines in that month compared with previous months. Nevertheless, growth over the year in this category has been strong, at a cumulative R11,3bn, 13,9% more than in the same period last year.

Base metals exports have remained weak, however, due to poor international prices. The cumulative figure of R3,8bn is 0,7% lower than in 1992. Chemical products, at R1,2bn, are down 14,1%.

But there has been steady growth in the categories mineral products and gems & precious stones. The former reached a cumulative R3,5bn, which was 18,2% higher than in the same period the previous year; the latter grew by a massive R1,2bn in May to a cumulative R3,8bn, 21,2% higher than in 1992. The category gems & precious stones consists mainly of diamond transfers by De Beers to the Central Selling Organisation in London.

Imports slipped back slightly in May, to R4,6bn from R4,7bn in April. Yet on a cumulative basis import volumes are 14,1% higher than over the similar period last year, at R22,9bn.

The major import category, machinery, topped R6,6bn over the five months, 9,4% higher than in the first five months of 1992. However, imports in unclassified items, at R2,4bn, are only 2,2% higher than over the same period in 1992.

The strongest growth in imports has been in the category vegetable products, up 55,5% over early 1992, to R912m. Surprisingly, this category did not drop off much in May, as expected, because of the cessation of the maize import programme in April. This is possibly because of delays in paperwork from that month. Imports worth R149m came in May compared with R119m in April.

And the category vehicles and transport equipment showed growth of 30,5% on the first five months in 1992, reaching R3,2bn. Econometrix's Tony Twine says this seems to correspond with figures for new vehicle retail trade revenue, which rose 28% in the first quarter in 1993, compared with the same quarter in 1992. "And figures from the National Association of Automobile Manufacturers, show that unit sales continued to grow strongly." ■

PROFITS PLEDGE

SI TIMEA 27/1/93
By NORMAN WEST

THE ANC has assured foreign investors that, subject to Reserve Bank regulations, they will be able to take their after-tax profits out of the country.

They are also assured of the right to repay the interest and capital on approved foreign loans. They will also be able to repatriate the proceeds from the sale of assets.

These are among the guidelines in the ANC's latest policy document on foreign investment. (14)

The document says that in a democratic SA, the ANC will welcome foreign investment that contributes to the growth and socio-economic development of the country's economy as it regards such foreign investment as an important complement to domestic resources.

Equal investor rights — with ANC curbs

S (Times Cross) 2/16/93

(108) (108)
By NORMAN WEST

FOREIGNERS will have the same rights as domestic investors during the interim government phase, says a new ANC policy document.

It proposes that future policy remove complex incentive packages and prevent the exploitation of labour.

The guidelines propose an open approach to foreign investment.

Safeguards should be provided for foreign investors. But they could be blocked from investing in certain strategic areas, such as land and natural resources. They might be required to enter into joint ventures.

Companies owned or controlled by non-residents or in which they have a large holding could have limits placed on their borrowing.

Restrictions would ensure the proper capitalisation of foreign investments, as well as retain funds for SA borrowers.

Privileges and investment incentives could be granted to previously disadvantaged groups. They would not be

extended to foreign investors.

The document says ANC policy is to secure economic growth in a society that is politically and socio-economically stable and democratic. This is the most favourable environment for both foreign and domestic investors.

The document says that in the event of nationalisation there would be fair compensation in accordance with accepted principles of international law.

The ANC says the apartheid legislative process that governs investment at present is a major obstacle to growth and development.

ANC proposals for the interim stage include:

- Labour practices in accordance with all basic International Labour Organisation conventions.
- Investment to enhance job creation.
- Employment practices

must counter discrimination in the workplace.

● Investment must incorporate environmentally sound and clean practices and technology;

● Investment should, in particular, incorporate affirmative action programmes.

● Investment must contribute to the security of employment of South Africans.

These principles should be incorporated in the policies of a democratic government and should apply to all investors.

The ANC says that in the interim phase "we will campaign for these principles and will support the further development of codes of conduct, along with Cosatu and the SACC".

AK

SABS issues warning on quality of SA products

MZIWAKHE HLANGANI

THE poor quality of SA products would make the country uncompetitive in international markets, SA Bureau of Standards president Jean du Plessis said in his 1992 report.

Du Plessis said the high costs of capital and labour placed limitations on industrial growth.

Growth was further limited by lack of capital investment, frequently outdated capital equipment, illiteracy and a shortage of trained workers and managers.

He expected the decline in growth rate to get worse in the year ahead.

The recession, the longest since the Second World War, had an adverse effect on overall business activity. As a result of SA's economic structural problems there was little prospect of an early turnaround in conditions.

Du Plessis attributed the limitations on industrial production to continuing harsh economic conditions.

He said the nature of SABS's activities had insulated it from the recession. But declining production activity and price resistance among customers would make 1993 more difficult than 1992, he said.

The subdued state of the trading partners' economies would exacerbate the situation, he said.

Investigations, tests and services had remained the backbone of SABS's income.

These had contributed a 16,4% increase to R39m (R33,5m) in income. Self-generated income had risen to R73m (R60,7m).

Other important revenue sources included levies for compulsory specification, permit fees for standardisation marks, listing schemes and assessment services.

Finrand may go in four years — Stals

BIDay 29/6/93

RESERVE Bank Governor Chris Stals yesterday set a time frame of four years for abolishing the financial rand and pledged an early start to dismantling foreign exchange controls once the political situation had stabilised.

(74)
Stals, in Brussels to address a conference on the EC and SA, expressed the hope that SA could start getting rid of controls "in the near future as the political reform process makes further progress".

He told the conference — organised by the SA Foundation and Forum Europe — that it was hoped that further progress in easing political tensions would make it possible at least to begin to phase out some of these controls.

Reuter reports he told a news conference he hoped SA's two-tier currency system would end within about four years. "As soon as we have enough confidence that the political situation has stabilised, we will do our best to get rid of the financial rand system," he said. "I can't see this happening in the next six months, but I can certainly see it happening within the next

GRETA STEYN

three or four years."

Addressing conference delegates, he said for SA financial markets to be reintegrated in a truly competitive international environment "will require an early dismantling of at least some of the existing exchange control restrictions". The step would require an end to the continuous net capital outflows and some replenishment of SA's official foreign reserves.

"It will hopefully be possible to achieve these objectives in the near future as the political reform process makes further progress," Stals said.

A major deficiency of the macroeconomic environment in which SA financial institutions and markets still operated was the remaining rather extensive exchange control system. Stals pointed out that this was introduced mainly to protect the SA balance of payments against the adverse effects of non-economically motivated capital flight.

To Page 2

Finrand

BIDay 29/6/93

He said a gradual approach might be needed to phase out the investment currency, "but the markets will tell us when the time is right to abolish the finrand" (74)

Earlier this year, ANC economics head Trevor Manuel supported the abolition of exchange controls in principle but did not put a time frame implementing a policy

From Page 1
decision. Economists aligned with the ANC are, however, divided over the speed with which government should move.

The finrand weakened yesterday, to R4,7350 from a weekend close of R4,6950 as news of the right-wing disruption of multi-party talks dampened sentiment.

● See Page 5

Move to alter medicine law

JONATHAN DAVIS

PROPOSED changes to the Medicines Control Act could allow pharmacists to prescribe and dispense a range of medicines previously available only through doctors. *29/6/93*

Proposed amendments to the Act, which appeared for comment in last week's Government Gazette, would allow pharmacists with approved training to prescribe drugs above schedule II for conditions including influenza, bacterial infections and inflammations. *(18)*

Pharmaceuticals Society of SA president Gary Köhn said the changes proposed by the National Health Department and the Medicines Control Council were part of an initiative to improve community access to primary, preventative health care. *(183)*

He said his society welcomed the move, which would increase the role of community pharmacists in treating illness.

SA competitiveness rating falls — report

Biday 29/6/93

(25) *(74)*

GRETA STEYN

SA has dropped from eighth to 11th place in the 1993 World Competitiveness Report's survey of 15 non-OECD economies.

SA was featured for the first time last year in the report, a joint venture by the World Economic Forum and a European business school. The 730-page publication is not yet available in SA, but a summary of key findings was released yesterday by ISG subsidiary Business Futures Group.

Factors pushing down SA's competitiveness included "harmful" international trade policies, protectionism, state involvement in the economy, "deterrent" taxation, low productivity growth and very low overall skills levels.

SA's weak spot remained its human resources. It was at or near the bottom of the non-OECD group in worker attitudes, competitive values, educational structures and availability of skilled labour.

Singapore was again the top non-OECD country, winning seven of the report's eight key measurement categories.

It analysed 37 OECD and non-OECD economies in terms of internationalisation, domestic economic strength, role of government, finance, infrastructure, manage-

ment, people and science and technology.

SA scored a lower rating than last year in four of the categories — internationalisation, government, finance and science and technology. It remained stagnant in two (management and people) and registered a slight improvement in two (domestic economic strength and infrastructure).

Singapore's business environment outperformed the others in competitiveness, which was enhanced by socio-political stability, partnerships with foreign firms, education, in-company training, worker attitudes and "competitive values".

Hong Kong was second, followed by Taiwan and Malaysia. Brazil was second-worst and Pakistan last. Japan was the top OECD country, followed by the US.

World Competitiveness Project director Stephane Garelli said a key feature of the 1993 study was the increasing levels of structural blue-collar and white-collar unemployment in world economies.

"The prospect that a future economic recovery may not necessarily regenerate employment produces all the ingredients for a formidable social time-bomb," he said in the preface of the report.

New tariff structure 'can reduce costs'

THE new refuse removal and street sweeping tariff structure could reduce costs to business by as much as 50%, Johannesburg City Council rates and services director Andy van Zyl said yesterday. *Biday 29/6/93*

The council is now charging separate tariffs for street sweeping and bulk waste removal. The entry for street sweeping appeared on this month's statement and has drawn criticism from businessmen who feel the additional charge is unfair.

Van Zyl said the new structure was intended to spread the cost of street sweep-

GAVIN DU VENAGE

ing more equitably and to reduce waste removal charges. *(127)*

Previously, council bulk waste disposal charges were used to subsidise street sweeping. However, as many businesses used private contractors for waste removal, they were getting the street sweeping service free. *(216)*

This also meant that businesses using council waste removal services were subsidising the street sweeping services for those using private contractors.

Rent action 'is still on'

GAVIN DU VENAGE

A REPORT that Soweto's rent and service boycott had ended was not true, Soweto Civic Association publicity secretary Pat Lephunya said yesterday. *Biday 29/6/93*

Lephunya was quoted at the weekend as saying the boycott was over, and that Soweto would soon be administered by Roodepoort and Johannesburg. *(127)*

He said negotiations still taking place were making progress, but agreement had to be reached on tariffs and amalgamation.

The Greater Soweto crisis committee is to meet today, although the ANC will not attend. ANC local government deputy head Matole Motshekga said the organisation had to clarify its position in the chamber.

PEANUTS

By Charles Schulz



Malaysia set to drop sanctions against SA

Star 29/6/93

(74)

Business Staff writer
John Soderlund

reports from
Kuala Lumpur
Malaysian sanctions
against South African are
within weeks of being lifted,
according to a reliable
source in Kuala Lumpur.

The key is the establishment of a transitional executive council.

Malaysia, described by the source as "one of the last hardcore sanction campaigners against SA", is already encouraging its business sector to visit the country to identify potential opportunities so that they are ready when sanctions are officially lifted.

Attitude

This softening attitude was even more obvious when members of a South African Foreign Trade Organisation (Safto) trade mission sat across the table from 10 representatives of the Malaysian Industrial Development Authority (HIDA).

"That alone marks a distinct change of policy," said a Safto spokesman.

Unofficial trade between the two countries has been happening throughout sanc-

tions. But the extent is not clear.

Most trades are through Singapore (a free port), where goods are repacked and forwarded.

South African officials say the level of trade in imports from Malaysia was R496 million last year. Malaysia statistics are considerably lower, putting it at R412 million.

Potential

Nonetheless, the government source says considerable potential for vigorous two-way trade in the future.

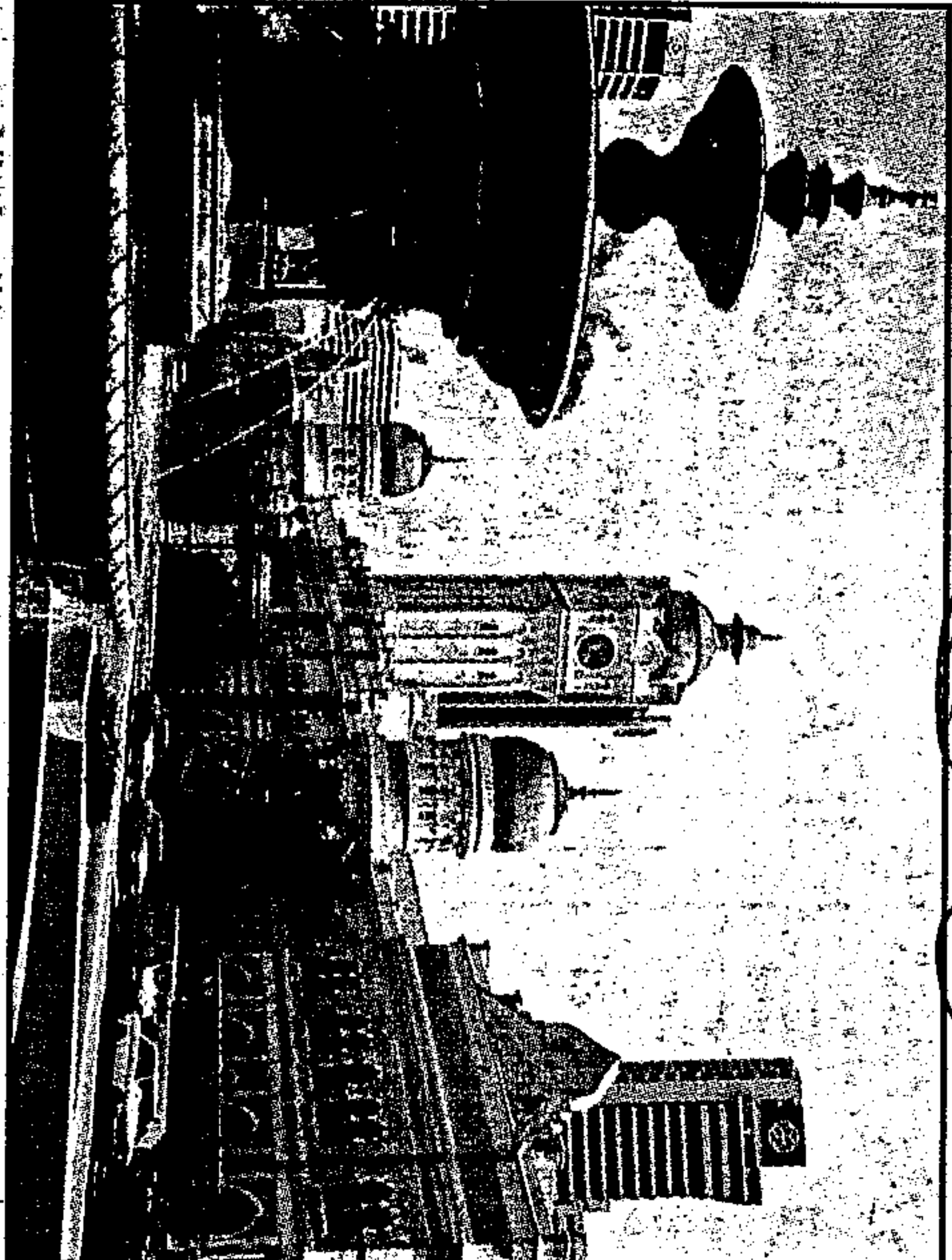
"Already, the re-establishment of air links and tourist trade between the countries has begun."

South African export figures to Malaysia have been boosted to R325 for 1992.

Both economies are very complementary.

"We are looking to increase our exports of manufactured goods and South Africa is the ideal country because of its current economic conditions," he says.

As regards exports from South Africa, vegetables, fruit, tobacco, animal feeds and many commodities would be required by Malaysia.



Malaysia's capital Kuala Lumpur could soon be a target for South African businessmen as trade barriers begin to fall.

Malaysia imposed sanctions against South Africa in 1964 and currently maintains them against only one other country — Israel. Perhaps their hardline attitude has to do with their own vigorous economic re-

structuring which began in earnest in 1970. The National Development Plan (NDP) was designed to eradicate poverty and restructure the imbalance in the economic conditions of the Malays or "Bumiputera"

(55 percent of the population) and the Chinese. The Malays were poorer and less economically active and this affirmative action aimed to bring everybody out of the dire poverty bracket without sacrificing economic

growth in the process.

To all accounts it worked. Under the First Overall Perspective Plan (OPP1), an average growth rate of 6.7 percent a year annum was maintained between 1970 and 1990.

The proportion of people living below the poverty line decreased from 49.3 to 15 percent and average monthly incomes grew by a real 3.1 percent a year.

Growth targets

Share ownership by Bumiputera increased from 2.4 to 20.3 percent.

OPP2 is now under way, spanning the years 1990 to 2000, and already ambitious growth targets (particularly in the manufacturing sector) have been comfortably exceeded.

A model for South Africa? Perhaps the OPP programmes are not that readily transferable given that they are based on the following principles, as described by the OPP mission statement: A belief in God. Loyalty to king and country.

Upholding the constitution. The rule of law. Good behaviour and morality.

Rush to buy dollars

Weak rand, debt servicing pinch reserves

B/Day 30/6/93

SA's foreign exchange reserves are under pressure as negative sentiment on the rand and huge foreign debt payments combine to trigger a rush to buy dollars in the local foreign exchange market.

Dealers said negative sentiment had spurred "leads and lags" — importers rushing to purchase foreign exchange before the rand weakened further and exporters delaying selling dollars in anticipation of the rand losing further ground. The net effect was a shortage of foreign exchange. (14)

In addition, parastatals are in the process of repaying R700m in foreign debt, putting further pressure on the precarious reserves. Transnet repaid R300m earlier this month and Telkom will be repaying R400m within the next few weeks.

Fears that the rand was set to weaken further underpinned demand for dollars and saw the currency fail to follow the usual trend of tracking the US currency's movements on international markets yesterday. As the dollar slipped from its recent highs, the rand weakened across the board instead of following the normal pattern of strengthening against the dollar and weakening against third currencies.

The dollar slipped below DM1,70, held down by a fall in US leading economic indicators and concern that the Bundesbank would not ease monetary policy substantially this week. Despite the dollar's pause for breath, the rand failed to recover, hitting a low of R3,3350 before closing at R3,3328 from a previous close of R3,3273.

The rand weakened against the British

GRETA STEYN and TIM MARSLAND

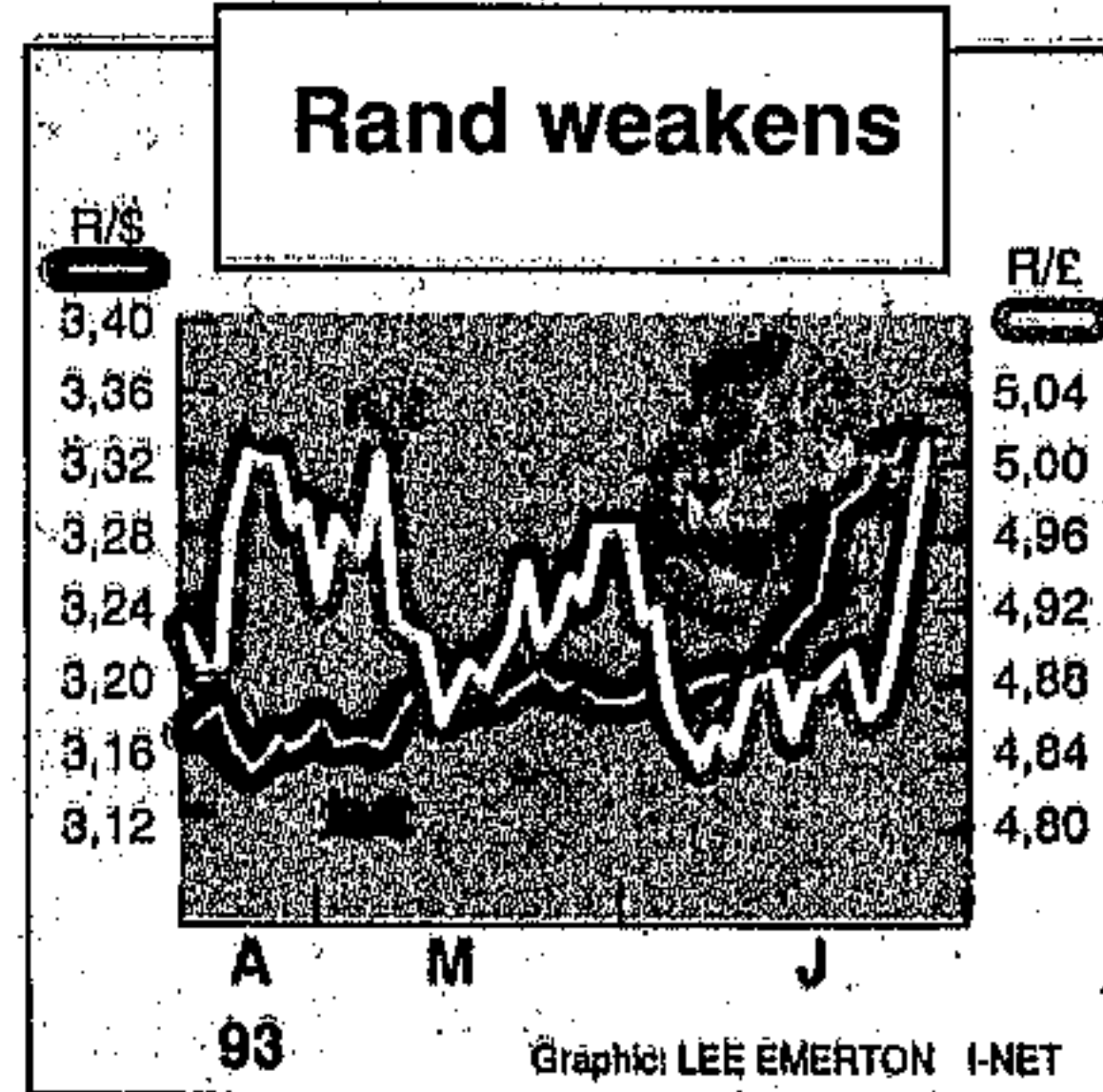
pound, which has been going from strength to strength against most currencies, opening at R4,98 to the pound and closing just a whisker below the R5,00 level. The rand has lost more than 10c against the British currency in little more than a week.

Against the mark, the rand also continued its recent weakness, closing at DM0,5085 from DM0,5105. (14)

The Reserve Bank noted leads and lags triggered by dollar strength as a major factor behind recent pressure on SA's foreign exchange reserves. However, debt payments were adding to the pressure.

Reserve Bank GM: foreign exchange James Cross said debt repayments amounted to an effective capital outflow.

To Page 2



Reserves

B/Day 30/6/93

From Page 1

He said the Bank regarded the repayments as part of normal daily business. It was hard to say what the total effect on the reserves would be, because other flows had to be taken into account. (14)

Telkom has two DM100m loans to repay in July. Telkom treasury manager Willie Landman said Telkom decided to repay the loans as its cash flows were better than expected and it would probably be a net repayer of loans in the current year.

Telkom had been expected to roll over its loans to maintain its presence on international markets. (14)

Transnet's DM150m loan was repaid on June 15 because of pricing considerations. An Eskom spokesman said Eskom had

\$390m loans left to repay this year, including payments made in June, after having repaid a DM200m loan earlier this year.

Reserve Bank Governor Chris Stals this week described the country's gold and foreign exchange reserves at this juncture as "too low for comfort", noting that the present level of \$3bn of gross reserves was not sufficient to cover even two months' imports.

Nedcor Bank chief economist Edward Osborn said 1993 would be the crunch year in terms of balance of payments, predicting that the Bank would not be able to cut Bank rate as a result.

See Page 8

SA needs 'Marshall Plan'

From SIMON BARBER

WASHINGTON. — ANC president Mr Nelson Mandela delivers a powerful appeal for "massive" foreign investment in the latest issue of Fortune magazine and says he will be urging President Bill Clinton to launch a "Marshall Plan" for South Africa when they meet on Friday.

"We should forget the past. Let us concern ourselves with the present and the future. Let us

build a new South Africa," he tells readers of what is one of the country's most influential business publications.

The appeal, made in an interview earlier this month, appears to conflict with Mr Mandela's newly stated intention to delay calling for the removal of remaining sanctions.

This has come as a disappointment to both the Clinton administration and American com-

panies which had counted on the ANC leader using his 12-day US tour to declare South Africa open for business.

Ambassador Mr Harry Schwarz yesterday suggested that the ANC was in danger of being blamed by voters for retarding South Africa's economic reconstruction.

In the interview, Mr Mandela said that all that was needed before he would call off sanctions was a firm election date.

Sowetan 30/12/1993

EC pledge on polls

74

Sowetan Correspondent

THE European Community will continue to take a keen interest in developments in South Africa and will make "a substantial contribution" towards ensuring free and fair elections in the country next year, Danish Development Co-operation Minister Helle Degn announced in Johannesburg.

Speaking shortly after her arrival in South Africa yesterday, Degn — who is also president of the EC Council of Ministers for Development Co-operation — said the EC remained a

strong supporter of the transition process. Degn said the EC, which was already the biggest foreign donor with an annual donation of R350 million, would embark on "a new poverty-orientated development programme" in the country once a Transitional Executive Council was in place.

This programme, she said, would focus on supporting peace structures, fostering democracy, voter-education and preparing for elections as well as "institution-building and support of focal sectors of economic and social development".

She also announced that:

- The EC would "normalise rela-

tions" with South Africa — and encourage bodies such as the World Bank, the International Monetary Fund and "other relevant organisations" to do the same once a TEC was in place;

- Once a TEC is in place, the Danish government will launch a programme of transitional assistance to South Africa to cost R300 million over a five-year period which will focus on rural development and education "and with an emphasis on empowerment and participation of women".

- The Danish government would also make available to South Africa R6 million "for democratisation projects and activities curbing violence".

CONFIRMATION, if any were needed, that the rand is devaluing across the board and not merely against the dollar came in the June Reserve Bank Bulletin published last week.

The commercial rand's slide of nearly 11% against the dollar in the last six months, from R3,01 in mid-December to its new low of R3,34 yesterday, is its visible and obvious depreciation. What was not so apparent, until it was officially confirmed by the Reserve Bank, was the extent of the rand's fall in non-dollar terms.

A wider appreciation of the rand's decline is gained by assessing its fall against a selection of trading partners' currencies, weighted by trade ranking. By this means the trade-weighted, or effective, average rand exchange rate is expressed against the ranked selection of foreign currencies known as "the basket".

The domestic implications of rand exchange rate movement can best be gauged by stripping both SA's and its trading partners' inflation out of the trade-weighted exchange rate, which leaves the rand's real effective exchange rate. There are, therefore, three intensities of rand weakness: the rand can fall bilaterally against the dollar, against its foreign currency basket in nominal terms and against its basket in real terms.

A lower rand in terms of either the dollar or the nominal currency basket is not necessarily a devaluation. Weakness against the dollar — the currency with the highest weighting in the basket, especially since the removal of sanctions made the US leapfrog Germany as SA's top trading partner last year — can still be offset by strength against other currencies. Moreover, nominal effective rand decline can still be a real effective advance. It is the third stage of rand weakness — when the rand is falling against its foreign currency basket even net of inflation — that really means devaluation. And that is occurring now.

A falling real effective rand enhances export competitiveness, and raises import prices irrespective of source. During 1991 and 1992 the rand dropped respectively by 6.7% and 3.3% against the dollar, and by 6% and 4.8% in nominal effective terms. However, during the same

Rand may be weak

but the timing could be worse

R. Deby 30/6/93

SIMON WILLSON



two years it appreciated by 2.7% and 1.3% in real effective terms.

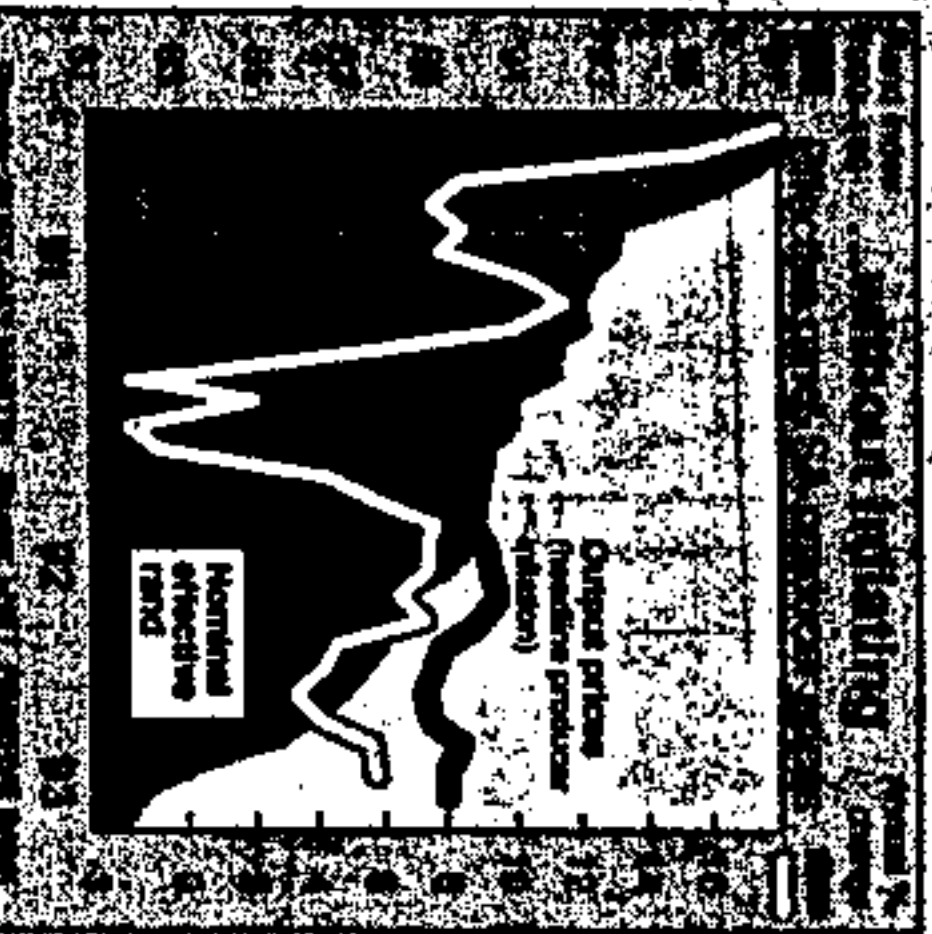
Indeed, last year the average real effective rand was 24.5% stronger than its 1985 level. While a currency shows that kind of real effective advance it can hardly be said formally to be devaluing, whatever its performance on bilateral exchange rates or in nominal effective terms. But that has changed during the last month. As the latest Bank bulletin mentioned, the fall in the rand's value in the second quarter of this year has been sufficiently steep and broad to spread beyond the usual dollar and nominal trade-weighted depreciation. The rand is now also falling in real effective terms. Indeed, whether by involuntary reaction or through deliberate policy, the real effective rand has probably depreciated more rapidly this month than at any time in the last four

years. The official figures that will accurately tell the story will be published only some months hence.

For now, the only available official data show a 6% fall in the nominal effective rand in the first five months of this year, against a 1% drop in the same period last year. Official data cover the real effective rand only to the end of March, and so miss the past few weeks' acceleration of the rand's dollar and nominal effective decline.

Policy questions are among the first to be asked when the exchange rate moves so sharply. The Reserve Bank is vested with nominal control over the exchange rate and is committed by its self-styled "mission statement" to defend the rand's internal and external value. Analysts are already asking whether there has been a conscious decision to let the rand find levels closer to those determined in the market, or whether the authorities cannot intervene in the market to support the rand due to a shortage of foreign exchange. Since the rand is falling at a politically convenient time — when an election campaign is already gearing up and the first signs of economic recovery are being detected — other observers think they detect the hand of government in the management of the exchange rate.

Wherever the truth lies on the policy side, the economic implications of a rand devaluation at this point in the business cycle are easier to perceive. Coinciding with the bullion



pound's nominal effective exchange rate by 15% within two months. Because the UK inflation rate is either similar to, or slightly below the inflation rates of its major trading partners, a real effective exchange rate has less relevance for the UK economy than it has for SA, whose inflation rate is around four times its trading partners' average.

But as the first chart shows the British economy has, to date, escaped inflationary consequences of the fall in the pound. The British experience is analogous to SA's because of the relative openness of the two economies: imports in both countries are equivalent to just over 20% of GDP, which is more than twice the ratio of imports to US GDP. The US economy's comparatively low vulnerability to imported inflation through exchange rate decline helps to explain why Washington is so ready to talk the dollar down at convenient moments.

The UK has resisted inflation from its weaker exchange rate by keeping domestic financial conditions tight, through a mix of deliberate policy and recession. As the chart shows, import prices have risen after sterling's fall, but have not fed through to output producer prices.

This is because UK money supply targets have been set low — the targeted broad money growth range last year was 4%-8% — and because recession has curbed domestic demand by enough to prevent retailers automatically passing higher costs on to prices. Meanwhile, higher unemployment curbed pay increase and prevented inflationary contributions from wage costs.

Almost identical conditions now prevail in the SA economy. Broad money growth is below its 1993 guideline range, and a stagnant real economy is keeping a lid on domestic inflationary pressures. The second chart shows that SA's effective exchange rate and producer inflation indicators are probably about to follow a pattern in the March-December period similar to the UK indicators in the first chart in the nine months from September last year.

But the UK experience suggests that if, for reasons of policy revision or financial stringency, the rand has to be let go, now is probably the best time to do it.

Business Day SURVEY

Although maritime business is depressed, indications based on current local and international trends suggest an improvement in 1995, and Portnet has embarked on a programme to improve ship turnaround times, provide value-added services and make its seven seaports more cost effective. LYNN CARLISLE reports.

IVS expanding in Durban

610 AM 30/6/93
SEEING the need for additional bulk liquid import and export capacity has set Island View Storage (IVS) on the expansion path at Durban Harbour.

IVS MD Rodger Graham says the company is investing R7m in an extension that will meet demand for the foreseeable future.

The new project, to be known as Bay V, will be situated on a 1,6ha site next to Bay IV in the Island View area. It follows a number of expansions in recent years, including a venture to provide the PWV area with rentable storage for bulk liquid chemicals at its 24 000m³ tank farm.

Work on the new bulk liquid facility began last month and is expected to come on stream early next year. Graham says it will comprise 12 low-flash storage tanks for liquid products with above-average volatility. Their total capacity will be 12 000m³, increasing IVS' low flash capacity by about 10%.

UK broker forecasts

SA export-led recovery

By Neil Behrmann

LONDON — S G Warburg Securities, the large UK securities house, is recommending selective purchases of South African equities and bonds.

Following the revival of the gold price and steep depreciation of the rand against the dollar, Warburg predicts that there will be an export-led recovery in the SA economy.

Contraction

After the contraction of 2,3 percent in 1992, the economy will grow by 0,5 percent this year, says Warburg in a lengthy report.

Growth will improve in the fourth quarter and gain momentum to 2,5 percent in 1994, Warburg forecasts.

Prospects for an upturn before the end of 1993 will not be dependent on export growth alone.

Net foreign outflows of capital must be arrested and private

sector capital investment resumed. A further reduction in interest rates would also boost the economy.

Warburg, brokers for Anglo American, "believes firmly that a deal on federalism will be made, even though uncontrolled social unrest poses a serious potential threat to negotiations."

Assuming negotiations remain on course, Warburg forecasts:

- Normalised international commercial relationships.
 - Access to foreign capital from the IMF and possibly the World Bank.
 - Partial relaxation of exchange controls.
 - An increase in overseas demand for SA bonds, mining, industrial and financial equities.
- Warburg says there are fewer than 10 out of more than 100 listed rand bonds with sufficient liquidity for international investors.
- Weakness of the rand, particularly against the dollar, implies that the bonds require a yield of

around 20 percent for the international investor.

The volatile financial rand is a further disincentive, although the discount to the commercial rand might narrow in 1994.

Bonds recommended for the overseas investor are Eskom E158, E168 and E169, Govt RSA 150 and Transnet T004.

Warburg is concerned about the poor marketability of SA equities.

Capitalisation

The total market capitalisation of 70 mining and mining financials is only \$39 billion, and \$55 billion for the 70 leading industrials and financials.

Only Anglo American and De Beers have a market capitalisation over \$5 billion.

Four companies led by Richemont, followed by SA Breweries, Gencor and Liberty Life trade on market capitalisation of \$3 billion or more.

The majority of companies have capitalisations of well under

\$1 billion. These are tiny amounts in the huge international capital market.

Since a large proportion of the shares are tightly held, the market liquidity of these companies is a disincentive for foreign institutions.

The financial rand market, through which the securities must be bought, is also very narrow.

The total firand pool — total value of foreign holdings in South Africa — is estimated at a mere \$15 billion to \$20 billion.

Warburg contends that gold shares are less attractive following the remarkable run this year and that the industrial sector appears fully valued and "remains vulnerable to short term correction".

Financials in the banking and insurance sector, however have the attraction of "solid earnings growth prospects and good relative value".

The brokers recommend purchases of Anglo, Freegold, Vaal Reefs, Randfontein, Barlow Rand, Kersaf and Liberty Life.

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Key Cape

trade ⁽⁷⁴⁾
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mission

to South America

Business Editor

THERE is "abundant evidence that companies committed to exporting are weathering the recession better than those selling only in the domestic market," Colin Boyes, deputy director of the Cape Chamber of Industries (CCI), said yesterday.

He is finalising arrangements for the CCI's second trade mission — to Argentina and Chile, from September 19 to October 3 — following a successful mission to Kenya last year.

Boyes said Argentina and Chile had both enjoyed exceptional growth in recent years.

"In a climate of worldwide recession they have restructured their economies, brought inflation under control and are enjoying a period of economic growth and declining unemployment.

"The prospects of developing two-way trade are enhanced by the stable exchange rate and freedom from exchange control in both Argentina and Chile following the opening up of their economies."

Boyes said the Department of Trade had already granted approval in principle to the mission, which was open to genuine manufacturers registered as exporters.

They will qualify for financial help under the Export Marketing Assistance scheme.

He said there were still some places available. Manufacturers interested in going should contact him at Tel 21 5180.

Future of finrand hangs in balance

Star 11/7/93

By Claire Gebhardt

Is the finrand to be phased out?

That's the question everyone is asking after a report from Brussels that Reserve Bank Governor Dr Chris Stals had set a four-year timetable for its scrapping.

Not generally known is that it was not part of his official speech at the Brussels conference.

Several experts were surprised that he would have committed himself to a four-year timetable.

Reserve Bank officials were equally mystified.

Cause for concern is both the parlous state of foreign exchange reserves and the fact that the finrand is an integral part of the debt standstill arrangements, which have at least another seven years to run.

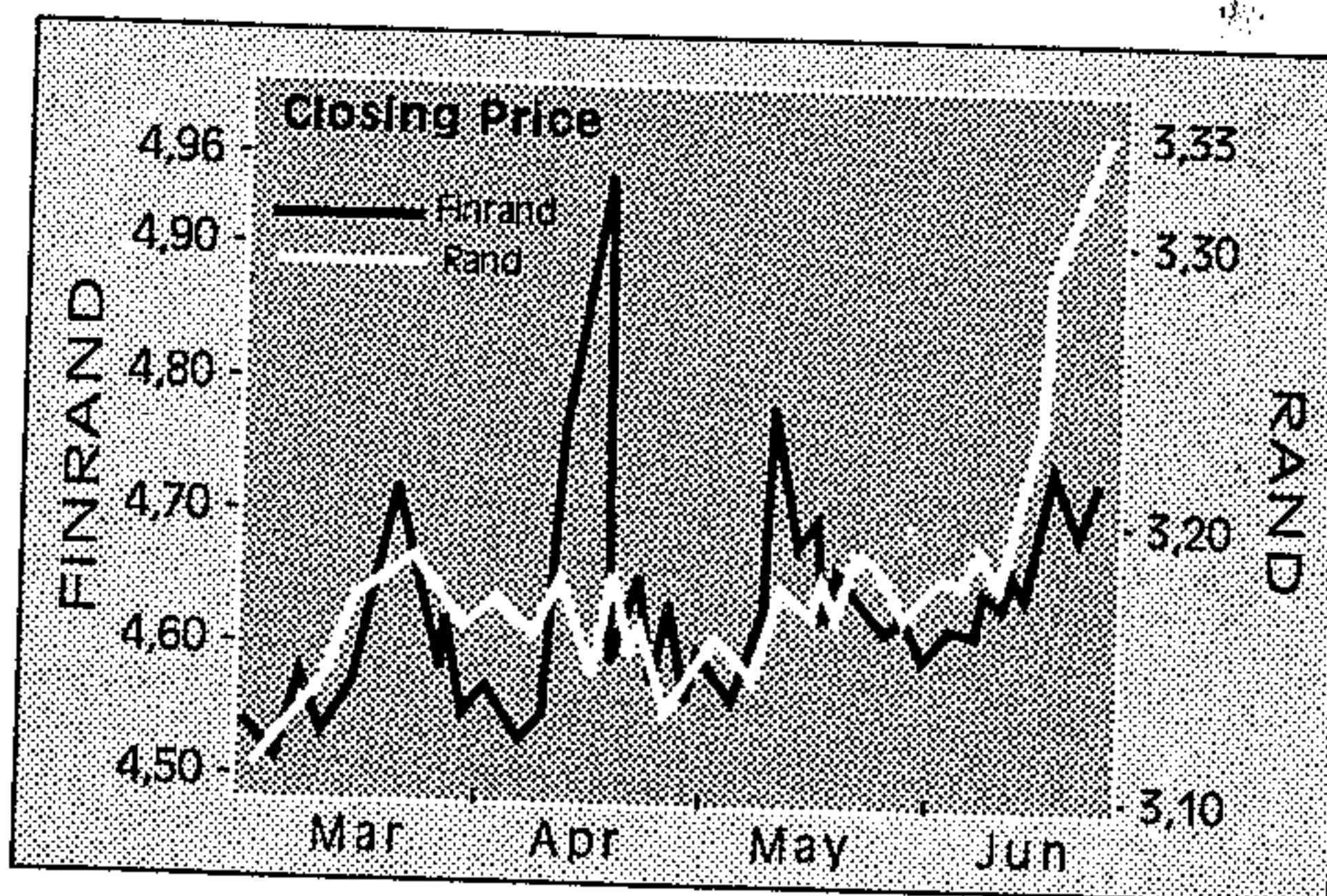
Stals's move presumes a political settlement, an end to substantial net capital outflows, a substantial narrowing of the discount on the financial rand, and better foreign reserves.

At present, the reserves cannot cover even two months of imports.

Doing away with the finrand would still leave intact the debt-equity swop mechanism and money would move out at the prevailing exchange rate.

However, an informed source said yesterday Stals had argued of late that scrapping the finrand system would most probably occur in circumstances where the debt standstill was lifted.

The scrapping of both simultaneously would ensure parity



between foreign creditors on the one hand and foreign investors in bonds on the other.

The interim debt standstill lapses at the end of the year and a final debt accord is expected to be in place at the beginning of next year for the repayment of the remaining \$5,5 billion caught up in the standstill net.

Crucial factor

"In three or four years' time the amount of standstill dollars will have fallen significantly and the importance of the standstill will be diminished.

"In these circumstances, Stals could lift the finrand without prejudicing foreign creditors," the source said.

A crucial factor, however, is the size of the financial rand discount.

Creditors with foreign debt caught inside the standstill net in general have been reluctant to take out their money through the finrand system because of the penalty of a wide discount

on the finrand — now about 30 percent.

Scrapping the finrand would obviously also have an adverse effect on the commercial rand — which could lead to inflationary pressure.

However, economists said this week that Stals appeared to be banking on renewed access to IMF facilities within the next few months, which would improve SA's credit status in international markets, making it easier to raise private finance overseas, and thereby strengthening foreign reserves.

This would not only enable the Reserve Bank to defend the rand, but could also persuade foreign bank creditors to retain their exposure to SA.

The IMF will obviously not fund capital flight, but if SA were running a current account deficit because of pressure on the balance of payments in years to come, it could, in certain circumstances, apply to the IMF for assistance of up to R16 billion.

BUILDING BRIDGES

74 ~~FM~~ ~~FM~~
Published with the *FM* this week is the first edition of a monthly English-language Russian newspaper, *Russian Bridge*. It is published by Moscow's Claudius Publishing and tailored for SA business readers interested in trade and investment in the former Soviet Union.

Russian Bridge features sections on getting into business in Russia: the economy and foreign trade, legal requirements for doing business there, political commentary, tourist information, sport and the arts. *FM* 2/7/93

The 90 000 circulation comprises 34 000 English copies distributed in southern Africa and 56 000 copies in Russian distributed in Russia. Claudius Publishing also has versions of *Russian Bridge* in Australia and Germany.

For more information about the newspaper, including advertising rates, telephone Artum Tetterine (012) 663-6201.

Rand left bruised in rush on dollars

BiDay 21/7/93

Business Day Reporter

DRIVEN by the cut in German interest rates yesterday, foreign exchange markets went on a rollercoaster ride that left the rand bruised despite Reserve Bank efforts to cushion it.

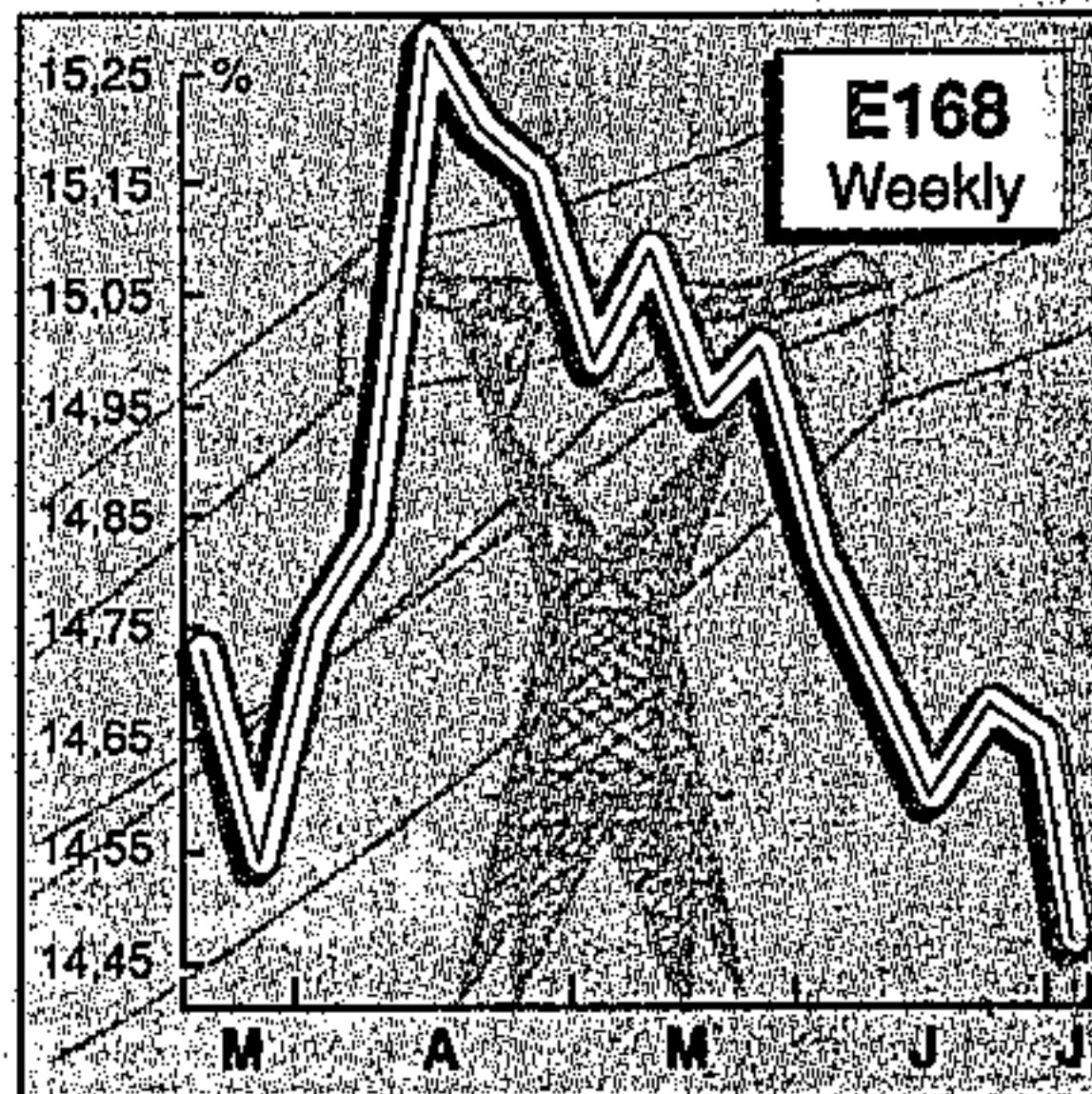
However, the capital market ignored the currency's woes, instead resuming the bullish trend started on Wednesday after the release of positive inflation data.

The rand crashed to a historic low of R3,3868 to the dollar in one of the most volatile trading days as the rush to buy dollars reached fever pitch ahead of the German rates cut.

The Bundesbank cut its key discount lending rate by 0,5 of a percentage point to 6,75% and its Lombard rate by 0,25 of a percentage point to 8,25%.

The dollar surged to a high of DM1,7180 on the news, but once the market had digested the cut profit-taking set in and the US unit fell to below DM1,70. The rand, however, failed at first to benefit noticeably from the dollar's fall from favour, spurring Reserve Bank intervention to prod the currency in the logical direction.

Dealers said the Reserve Bank defended the unit aggressively by pumping a ru-



Graphic: RUBY-GAY MARTIN Source: I-NET

moured \$100m into the spot market. The rand eventually ended the day at R3,3498 to the dollar from R3,3267. Local dealers pointed out the rand had failed to benefit fully from the easier dollar.

Sources in the local rand market said concerted speculative selling from one source early in the day sparked off the panic that took the rand to the R3,3850 level. The Bank, aided by a number of

To Page 2

Rand BiDay 21/7/93

From Page 1

major players, acted at the R3,38 level to force the unit back down to the R3,35 level. Stockbrokers Simpson, McKie said since January the effective exchange rate had declined at an annualised rate of 13%. It said it was unlikely that the decline was a policy decision, but was rather forced by continuing capital outflows because of the increased political uncertainty as SA approached "the democratic showdown". It said the weaker rand would have a longer-term inflationary effect which would

weigh on capital market sentiment.

The capital market maintained Wednesday's strong showing as the euphoria surrounding the unexpectedly low inflation figure continued. Good two-way institutional business was seen. Key long-dated bonds have fallen 30 points since the release of the inflation data on Wednesday.

Eskom's benchmark 168 bond fell below the key resistance level of 14,50% to end the day at 14,46% from 14,54% previously.

Safex cuts trading fees after record volumes

B/Ney 217192

SAFEX has cut trading fees due to record turnover in futures and options contracts. The exchange's decision follows consistently good volume which was given a further boost by the gold bull run.

Futures players will now pay 35% less on the cost of transactions and the clearing fee will drop from R7,00 a trade to R4,50. The cost per contract will drop from R2,00 to R1,30.

One all share futures contract costs about R40 000 at present (this is calculated by the current index level of 4 000 multiplied by R10). One deal

TIM MARSLAND

is normally for 10 contracts.

Put in perspective, buying 10 all share contracts will give an investor exposure to the equity market of R400 000. According to a major merchant bank, the dealing cost (including commission) totals R230. If the investor was to buy, for example, De Beers shares worth R400 000, the dealing costs would be a hefty R6 800.

The total cost of buying and selling the futures contracts would be about R660, while to buy and sell the De

Beers shares would cost R9 500.

Despite the recent surge in volumes, Safex CE Stuart Rees is confident volumes will rise 25% in the exchange's new financial year.

A key reason for this is the expected growth in volumes following the lower dealing costs. (74)

Rees said higher turnover would enable money to be channelled into a reserve fund, which would be used to supplement income should volumes drop in future.

In December, the exchange cut options clearing fees by 75%.

Falling rand makes Msauli an attractive buy

SI Times [Buss] 4/7/93

THE faster the rand drops against the dollar, the more the market seems to love Msauli — the country's biggest producer of white chrysotile asbestos.

Chairman Pat Hart says the company which formed part of the management buyout from Gencor in 1988 exports almost all the 100 000 tons a year produced at its mine about 30km south of Barberton near the Swazi border.

Currency watchers expected the rand to decline by 10% during 1993, but it has fallen by that amount in only the first six months.

Mr Hart says the asbestos market is tightening, however prices have been one or two percent higher than achieved last year in dollar terms.

"We sell on an annual basis without firm contracts, but usually dealing with the same customers. If they initially ask for say, 10 000 tons, then require only 9 000, we are understanding. The market has moved in favour of customers," says Mr Hart.

He was the managing director of Msauli and its blue asbestos-producing sister

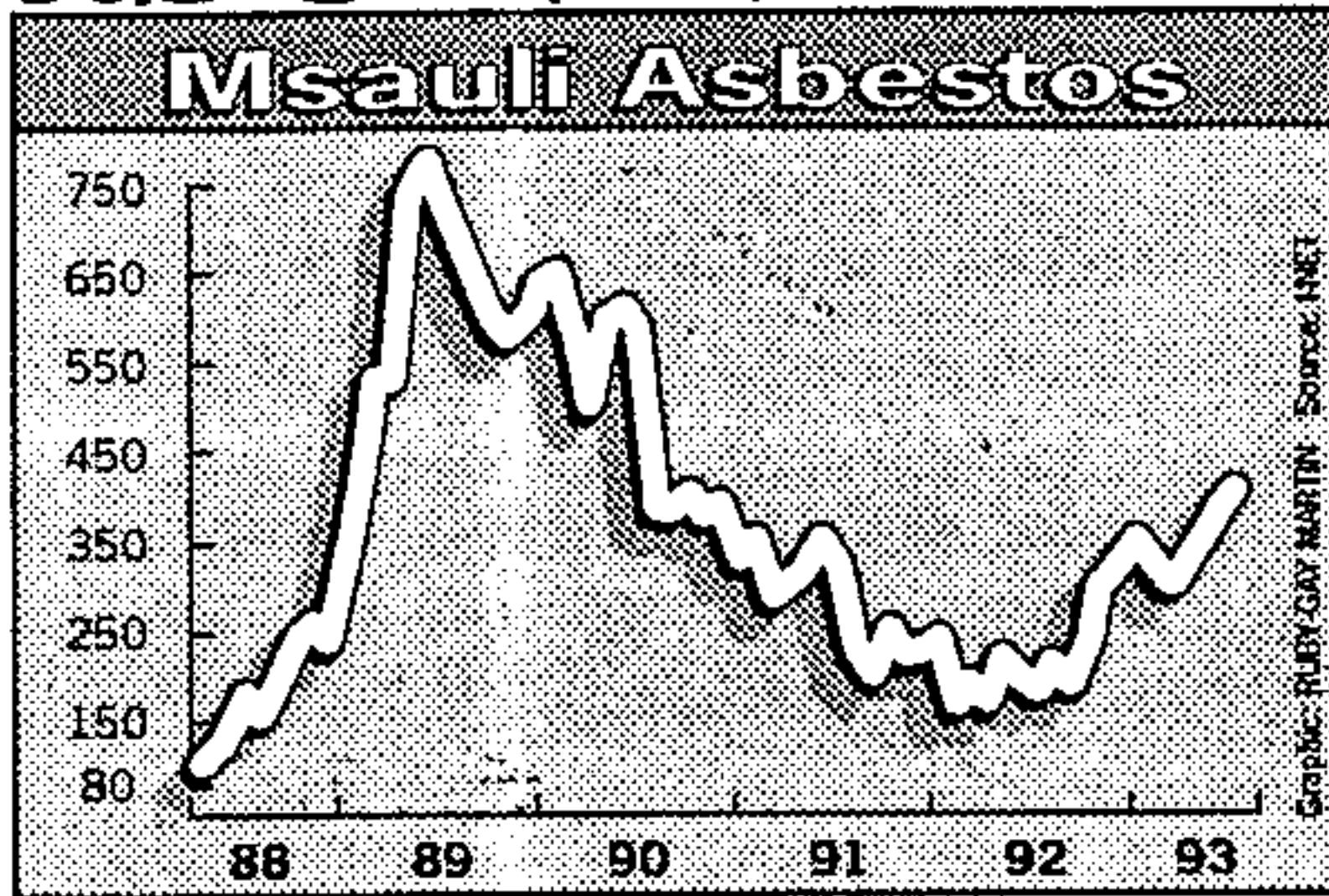
Gefco when the major shareholdings were held by Gencor. Five years ago Mr Hart led a management buy-out in which Gencor sold its one-third interest in Msauli at 120c a share to Gefco, of which Mr Hart's management consortium bought 48,6%.

Since then, Msauli's share price has risen above 700c, retreated to 170c and is now advancing once again — to 385c in only three months.

Not only is Msauli's income climbing, it is reaping the benefits of the new dedicated container depot built to control off-mine costs. Although an underground operation, its unit costs compare favourably to those of the large opencast Canadian mines because of Msauli's high percentage fibre content.

Asbestos demand comes from builders of low-cost constructions, and the Far East has emerged as a most important market — America has almost dried up on asbestos health-risk propaganda. Properly handled, it is not the wicked material some would have us believe.

Mr Hart is mildly surprised that local demand is not greater. However, Msauli would be hard



pressed to lift production levels. Capital expenditure of about R3-million to R4-million a year will be necessary to maintain an underground ore reserve.

About 1 600 work at the mine, which cannot be classed as long life although it maintains a proven ore reserve of at least five years. A tailings retreatment project to boost production has been operating below design capacity — Mr Hart says it is almost on target now.

The other attraction about Msauli is its 30% stake in the Von Brandis gold prospect. At every opportunity, Msauli says a final decision is near, but none has yet been taken.

With such a healthy balance sheet as Msauli's there is no pressure to sell it; on

the other hand, development of a mine would almost certainly detract from cash flow until it was properly established, and the gold price is a fickle factor. Mr Hart seemed to hint at discussions with interested parties; gold would be very small against asbestos in any event.

Mr Hart says last year was a very good one for Msauli. It earned 185c a share, putting the shares on under twice historic earnings at the present price and on a dividend yield of 8,4%. He says there is no reason why 1993 should not bear similar fruit.

Gefco shares have more than trebled to 65c since September last year, but do not look to be a cheap way into Msauli, which theoretically accounts for only 23% of the share price. Msauli is the right choice for rand-hedgers.

JOBS

NOT a sector of South African business has escaped the attention of the General Agreement on Tariffs and Trade (Gatt). Everything from cars to maize is surveyed in a 189-page report produced ahead of SA's trade policy review by Gatt last month in Brussels.

The report, although largely non-judgmental, gives many clues and raises problem areas which Gatt has identified in SA's economy.

The report kicks off by noting SA's dismal economic performance as growth has declined, exports dropped, unemployment risen, the Budget deficit sky-rocketed, machines given preference over people, ownership concentrated and farm debt ballooned.

Control

But SA's importance in the African context is not ignored, the report mentioning a World Bank estimate that it accounts for 40% of the continent's industrial output.

It notes the high disparity of wealth between whites and blacks. It says whites, less than 15% of the population (excluding TVBC states), earn two-thirds of the national income; blacks 25%.

Four-fifths of industrial activity is controlled by four corporations.

In spite of progress in the area of competition policy, deregulation and privatisation, economic concentration,

tion remains high in a number of sectors with consequent strong producer pressure to safeguard vested interests.

The population is expected to double by the year 2010 and the labour force to increase by 400 000 annually. More than 40% of the labour force is estimated to be outside the formal sector.

"Not only will there be additional demands on public spending for social services but also for major investments in job creation and training."

Several reforms have been implemented and the authorities are mindful that the structure of the economy detracts from competitiveness and limits employment opportunities.

Sanctions have limited the pace of economic reform. Their removal should en-

courage the authorities to create the conditions for an internationally competitive economy.

"The evidence from other countries at similar levels of development and trade orientation gives a clear signal that autonomous trade liberalisation, coupled with prudent and progressive social policies, can bring notable and sustained growth and development."

Moved

"Export-led growth, while beneficial to the balance of payments, is unlikely to immediately affect levels of unemployment, given the capital intensity of the export sector unless labour-intensive downstream industries can be developed."

The report uses published studies to show that the Gov-

Gatt gives warts and all verdict on SA's economy

SA Times Business 4/7/93

JOBS will come from growth. Gatt has become the latest in the number of influential bodies to identify SA's economic ills, and suggest cures. By KEVIN DAVIE.

R10-million and in 1992 such firms received loans of R110-million."

The Small Business Development Corporation (SBDC) says that although R1.4-billion has been budgeted for general export incentive scheme (GEIS) beneficiaries, only R77-million was earmarked for small to medium enterprise (SME) development in fiscal 1990-91.

Government funding of SBDC requirements has fallen from about R100-million in 1991-92 to R18-million in 1992-93.

"However, it should be noted, according to the authorities, that the IDC through its own programme, contributes substantial amounts to the development of small industries."

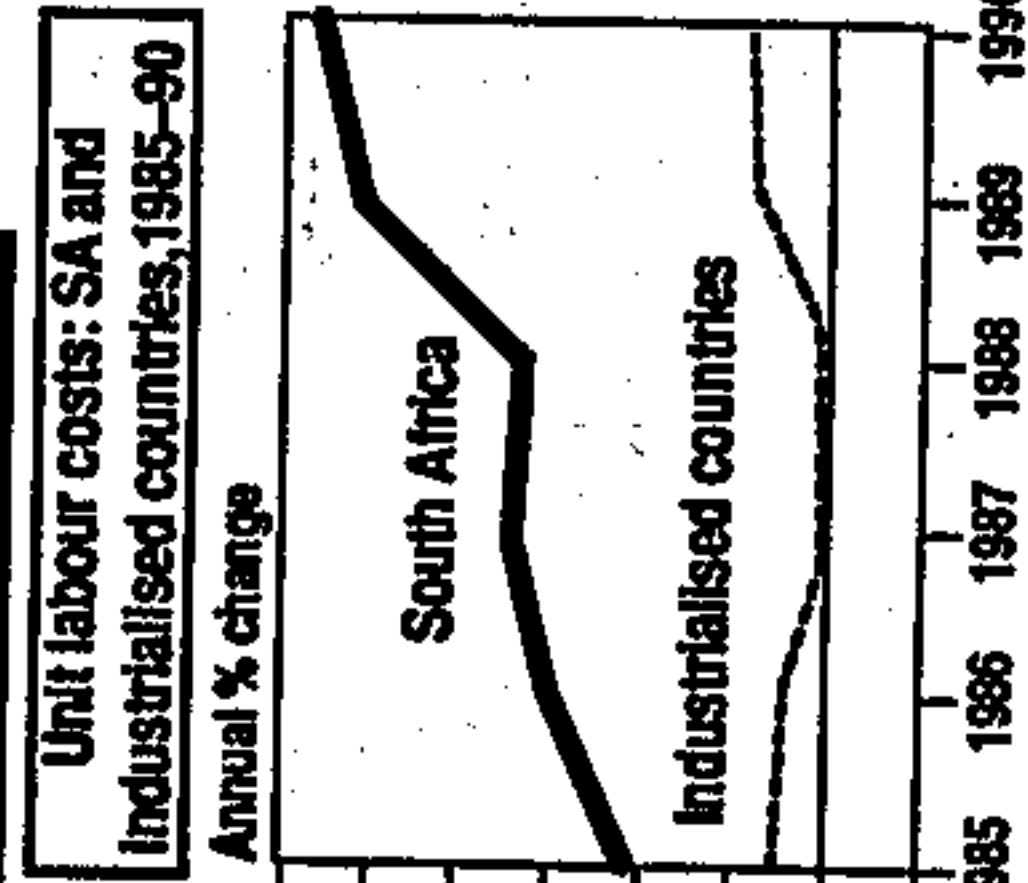
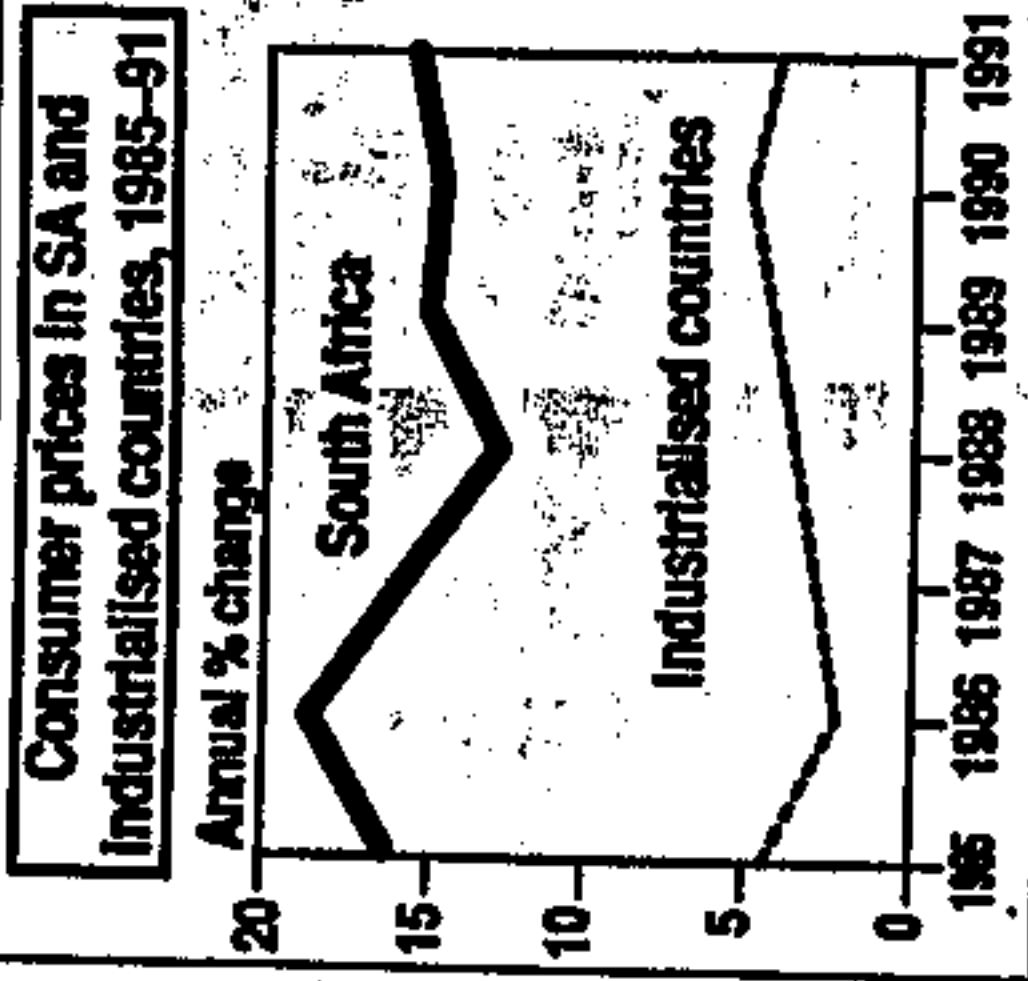
Textiles

Gatt quotes the Development Bank on import taxes or tariffs: "Protection from imports has strained the capacity of the import authorities, seldom being systematically revised; discriminated against exports; contributed to inflationary pressures; introduced inefficiencies in the production structure; and protected upstream industries at the expense of those downstream with larger value-added components."

This has reinforced a high-cost production structure.

"By attempting to attain self-sufficiency, inefficient industries were allowed to survive, with little pressure from domestic of foreign

GATT:
"The authorities have realised that the structure of the economy detracts from competitiveness and limits employment opportunities"



competition to reduce costs."

Some domestic producers enjoy as much as 490% protection from imports, says Gatt. Import control continues to affect 14% of tariff lines in manufacturing.

Particularly high levels of protection were found in textiles, clothing, chemicals, plastics and non-metallic minerals industries.

"The chemicals industry, dominated by the production of petroleum products, worth R34-billion in 1991, is the largest manufacturing sector."

Fuel users pay high retail prices and various industries are supplied directly at wholesale level.

Cars

"Apparently, Sasol operates a two-tier pricing system, under which export prices and prices to exporters of plastic products are 50% below those for domestic users, so that the local economy bears the cost of exports."

Gatt quotes Business Times in the case of Iscor, saying domestic users complain that it cross-subsidises

its exports through a two-tier pricing system. SA users pay up to 50% more than the international steel price.

The iron and steel industry received the largest share of GEIS subsidies in 1991, nearly R400-million, or about 7% of the value of total exports.

The secretariat says the motor industry local content programme, which has lifted car prices, has had no effect on foreign-currency saving. The trade deficit for motor vehicles rose from R1.4-billion in 1985 to R4-billion in 1991.

Tariffs build barriers to jobs

THE good news last year was that South Africa had been included for the first time in the World Competitiveness Report (WCR). The bad news this year is that we have slipped from eighth to 11th place among newly industrialised countries.

On this form, we face relegation the year after next to the lowest-ranked country in the world.

Comparisons have been commonplace since we started moving out of the laager and back into the big competitive world. Our rugby players have changed their horizons from the Currie Cup to international competition.

Some of our sportsmen have done exceedingly well; Willie Mtolo took top spot in the New York marathon and Elana Meyer a silver medal at the Olympic Games.

But our economic performance has been sobering. Last year's WCR ranked us eighth among emerging economies (we did not even make the A list, which includes New Zealand and Australia).

Other comparisons have been even worse. Nepal is the only country, experts say, which has a more complex and unwieldy import duty structure than ours.

From behind this tariff wall we run uncompetitive industries which succeed in the cossetted SA environment, but look as stupid as Naas Botha's Boks seemed in France when exposed to real competition.

In the past year three countries — Mexico, Venezuela and Indonesia — have moved up the WCR rankings ahead of SA, leaving us with former socialist Hungary snapping at our heels. It adds enormously to national pres-

74
HOW we measure up internationally. Comment by KEVIN DAVIE

tige when we win a marathon abroad, do well at the Olympics or beat another country on the rugby or soccer field, but this does little to fix what Reserve Bank Governor Chris Stals describes as our most serious economic problem: unemployment.

Competitiveness really matters. It affects the ability of the economy to grow, to create jobs, to attract investment, generate profits and bring in tax revenue for the fiscus to invest in education, training and other forms of upliftment.

Competitiveness affects our ability to earn foreign exchange. The more foreign exchange we earn, the cheaper it is to borrow money, leading again to more growth and investment.

But unfortunately, as quantified by the WCR, we are not doing too well. Our competitors go forwards while we go backwards.

What can be done?

The problem appears intractable, but solutions have been documented by expert reports produced both here and abroad.

To become more competitive we will need to lower import barriers and get rid of impediments to competition.

These produce inefficiency, waste resources, protect uneconomic industries and favour capital-intensive, upstream industries at the expense of labour-intensive, downstream ones.

This translates into high unemployment and increasing violence and political tension.

Violence chases away investment, we slip further down the competitiveness rankings and the cycle begins again, each time more forcibly than before.

The Government has recognised the problem and tabled the normative economic model to increase competitiveness through the phased lowering of tariff barriers, pushing for more deregulation, outlawing cartels and retail price maintenance and giving increased powers to the Competition Board.

But the Government, which is committed to an election, realises that it cannot implement reforms unilaterally. It therefore wants consensus on economic reform from the National Economic Forum (NEF).

NEF reports tomorrow on the progress of its deliberations. Although inside sources say substantial progress has been made, don't expect a mandate which will soon be translated into policies to shoot us up the competitiveness rankings.

Another way to measure our economic performance is to look at the rand. Although R2,50 bought \$1 when President de Klerk stunned SA and the world in February 1990, this week it took R3,30 to buy a dollar.

But if all seems bleak and foreboding, consider another country in transition, Russia, which has yet to appear on the WCR rankings.

A few years back the rouble was at near parity with the dollar; now a thousand are needed to buy a dollar.



Graphic: RUBY-GAY MARTIN Source: I-NET

Rand at nine-month low against sterling

TIM MARSLAND 6/7/93

THE rand was pounded by sterling yesterday, closing at a nine-month low of R5,06 from R5,01 on Friday.

Dealers said the pound had been performing well against global currencies during the past few weeks (14)

One dealer said sterling seemed to be trading in a broad band against the rand of R4,75 to R5,25, and there was little chance of it breaking out of that range.

Sterling's stability was ensured by lack of interest rate movement in the UK.

Against the dollar, the rand ended weaker at R3,3448 from R3,3218 as a local bank made a major speculative play against the local unit. Biday

Reserve Bank acts to halt rand slide

AGGRESSIVE Reserve Bank intervention forced the rand back yesterday to close at R3,3463 against the dollar from a previous R3,3448 and a morning low of R3,3650.

Dealers said some local players were caught off-guard by the Bank's move, after their speculative plays based on expectations that the rand would weaken further.

Dealers were critical of the method of Bank intervention because it had borrowed dollars in the forward market before selling them in the spot market. They said the Bank had used this method often over the past few months, and they feared heavy losses could be mounting up in its forward cover book. Yesterday's purchase by the Bank was put at about \$100m.

May 11 1983
TIM MARSLAND

Dealers also said the Bank's intervention could be putting reserves under pressure. The Bank is due to release data on reserves this week. (14)

The position on the reserves prompted caution in the capital market, where dealers were said to be "twitchy". The market saw a "poor" reserves figure as the only factor blocking a cut in Bank rate. A dealer said the market expected a poor figure but a good one would see rates resume their bullish trend. (62)

The key Eskom 168 long bond closed at a yield of 14,415% from a previous 14,380% in a largely speculative market.

Star 8/7/93
**SA revises
tariff offer**

South Africa has released a revised tariff offer on industrial products to the General Agreement on Trade and Tariffs following urging from the world trade body to improve the original offer. (14)

The proposed offer was largely in line with the reduction proposed by GATT, a Department of Trade and Industry official told Sapa.

GATT had previously suggested South Africa improve its proposal on lowering tariffs by an average 23 percent on 40 percent of the 12 600 tariff lines.

"I think we are very close to that," the DTI official said.

'Govts will have to fight for benefits'

Blay 8/7/93

14

JOHN DLUDLU

AFRICAN governments would have to put up a fight to benefit from the investment opportunities that had been created on the continent.

Economic Development for Equatorial and Southern Africa CE Hans Blohm told delegates at the Safto conference on Business Opportunities in Africa in Johannesburg yesterday that enormous business opportunities existed on the continent.

It was no longer sufficient to create an "enabling environment", but more important to ensure an "inviting environment". Africa would have to use local resources to uplift the living conditions of its people, which required massive new investment. "Let's release the talents of our entrepreneurs by giving them an environment in which to grow, because if they grow the country, as well as the continent, will grow."

If this was not done, structural adjustments would follow which would be painful to the poor and affluent.

The call for the mobilisation of local industry and resources was echoed by Safto's senior manager for Africa and Europe Paul Runge. He said donor funds had to be used for the purposes recommended by the World Bank.

Referring to SA, Runge said the weaker commercial rand, managerial skills and adapted technology in the country were special positive as-

pects in the local economy.

It would be important to get international finance experience and skills, and to have good knowledge of specialised donor agencies.

Speaking on the theme of private sector development, International Finance Corporation manager for small business development Richard Parry warned that a well-run economy could not be secured by a one-off set of adjustments. Much could be achieved by engaging the private sector in economic development. Governments — especially in Africa — lacked funds to pay for the modernisation of equipment and the private sector was best capable of bringing about these improvements.

Investment in small- and medium-sized business was of great importance in the African context. "There's evidence from the World Bank that small firms are more agile in responding to new opportunities."

Another area that could boost economic growth was the development of the capital market. The International Finance Corporation's role in the capital markets was to advise governments on policy issues.

Only the development of a vibrant private sector would help Africa to break out of the foreign aid dependence cycle, Parry said.

Rising losses on Bank forward cover book

Blay 2/7/93

TIM MARSLAND

THE Reserve Bank is beginning to incur increasingly large losses on its forward cover book due to the continuing decline of the rand against the dollar, market sources said yesterday.

Bank foreign exchange GM James Cross confirmed the Bank had made losses, but would not disclose the amount.

"The Bank unfortunately does make losses whenever the dollar gets stronger," he said.

The Bank provides forward cover — buying currency at a fixed exchange rate ahead of when it is needed — to the local currency market to protect its reserves.

If the Bank did not provide the cover, local banks would have to go offshore for the cover, which would cause an outflow of foreign exchange, draining the country's reserves.

Sources said the rand's fall in five weeks from R3,20 against the dollar to its current R3,35 — a decline of 4,68% — meant an additional R3,8bn would have been added to the negative cash flow on the account.

Based on this, the total loss on the for-

ward book would have increased to about R12bn.

Currency dealers said this loss had been exacerbated by the Bank inflating its forward cover book to support the rand. It had been borrowing dollars in the forward market, which it then sold in the spot market to prop up the rand.

Dealers said the Bank had actively used this tactic over the past few weeks.

Indications were that the Bank had again intervened in the market yesterday, although it was seen only in the spot market, dealers said.

Cross said the gold and foreign exchange contingency account — in which the losses on the forward cover book were included — had shown a net improvement in the past four months. This was due to the better gold price, he said.

Nedcor Bank chief economist Edward Osborn said the losses on the forward book ought to be written off, as they represented an unnecessary claim on the exchequer.

Dorbyl mothballs shipyard as orders dry up

Blay 2/7/93

EDWARD WEST

yard, Dorbyl's statement said.

In the meantime, core shipbuilding skills that had been built up over the years would be retained by placing people in other departments pending shipbuilding-related work in the future.

Dorbyl planned to focus its marketing on traditional repair facilities, major ship conversion and steel repairs.

MD Dawid Mostert said negotiations were also under way to expand ship repair facilities to the West African coast.

prises (MRE)

Stals sticks to monetary policy

Outflows wipe out reserves' gold gains

BlDay 8/7/93

74 ~~81~~

GRETA STEYN

BIG capital outflows wiped out the gains of a surge in the gold price to push the Reserve Bank's holding of gold and foreign exchange reserves down by R389m in June to R7,5bn.

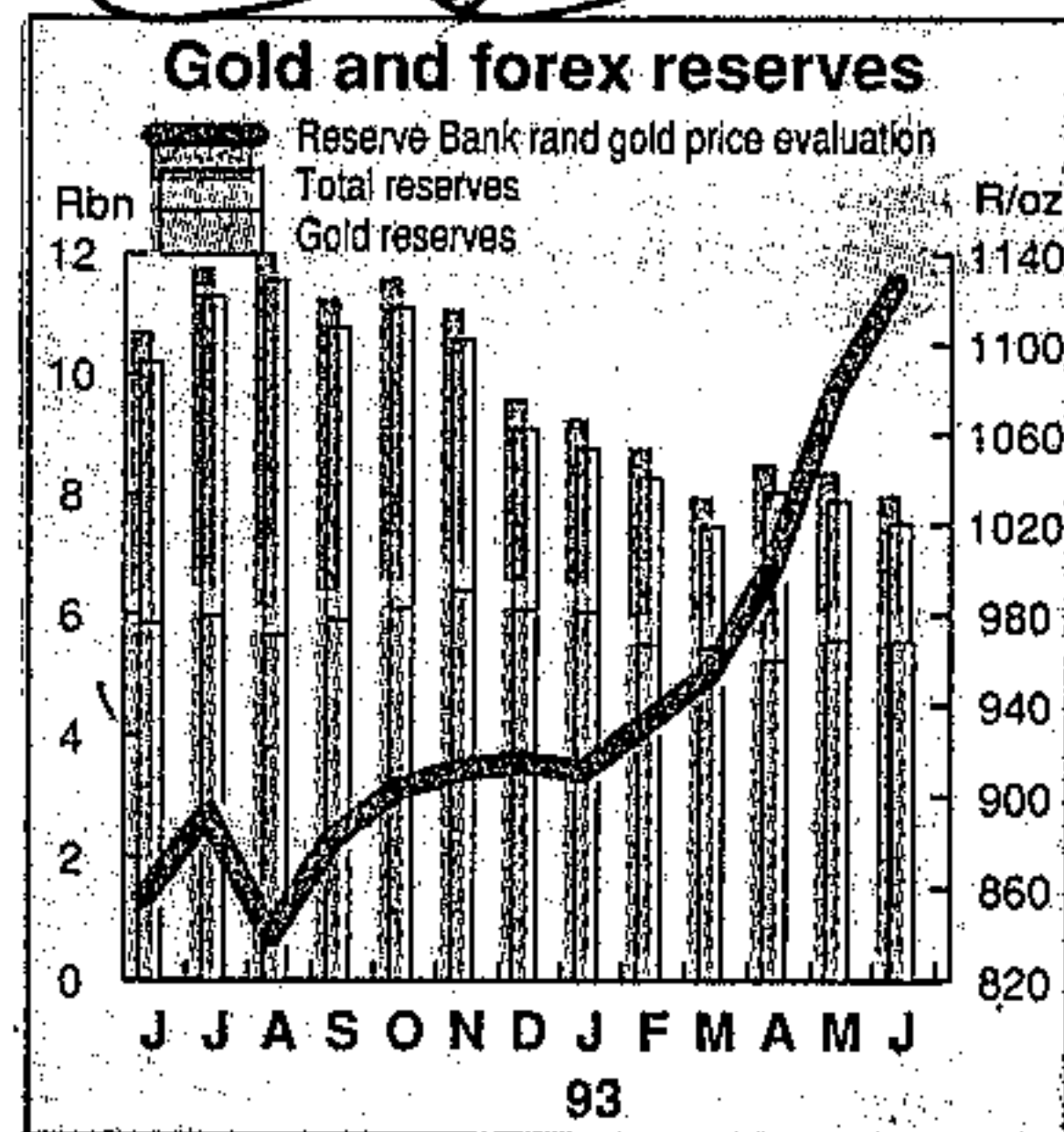
The reserves figure, worsening since the end of August last year, is the only key indicator flashing warning signals for monetary policy. Economists said yesterday's figures suggested a cut in Bank rate would have to be delayed for some months.

Reserve Bank Governor Chris Stals was sanguine about the figures, but said the Bank was not considering slackening its monetary policy stance.

"The outflow of reserves means a tightening in liquidity in the money market, which puts upward pressure on interest rates. The Bank has acted to prevent rates from rising, but we cannot do more than that while the outflow continues."

He said the fall in the reserves reflected large foreign debt payments in June. After further payments in July, pressure from that source would abate as obligations for the rest of the year were small. There were also signs that the current account of the balance of payments was improving, as agricultural imports would fall while prices of gold and other commodities exported by SA were rising. "Once the big debt payments are out of the way, the reserves should begin to stabilise."

Economists noted that valuation factors had disguised the severity of the fall in the reserves in June. The rand figures were boosted by the exchange rate's weakening



Graphic: RUBY-GAY MARTIN Source: SA RESERVE BANK

against the dollar (the main reserve currency). In dollar terms, SA's reserves stood at \$2,25bn in June.

The Bank's statement of assets and liabilities released yesterday indicated massive sales of gold — at a substantially higher price — to generate foreign currency. Physical gold holdings were down by about 249 000 oz to 4,9-million oz. The Bank's holding of gold was last below 5-million oz in June 1991. At R1 125,41, gold was valued R47,94/oz higher than in May. But the higher valuation was neutralised by gold sales, slightly reducing the value of gold held by the Bank to R5,56bn. Currency held by the Bank fell by R358m to R1,96bn.

Bearish sentiment in the capital market ahead of the release dissipated at the close of trade, as dealers began saying a fall in the reserves had already been discounted.

Exchange Star 8/17/93 reserves at 2-year low

By Derek Tommey

The slide in the rand last month from 3,17 to the dollar to 3,33 was a warning that South Africa's gold and foreign exchange reserves were under great pressure.

74
Figures for the end of June issued by the Reserve Bank last night fully confirm this.

The figures show that reserves fell by R389,5 million last month, dropping from R7,9 billion at the end of May to a two-year low of R7,5 billion at the end of June.

However, there is more bad news to come. Firstly, in dollar terms the reserves are closer to a 30-month low.

Secondly, the 4,8 percent devaluation of the rand last month has partly concealed the full extent of the decline in reserves.

But for this devaluation, the figure for reserves at end-June would have been about R7,15 billion. This indicates a net decline in reserves in end-May terms of R750 million.

A further pointer in the Reserve Bank statement to a heavy currency outflow last month was the R1,2 billion jump to R4,4 billion in overnight loans to banks.

Banks have not been on a lending spree. Nor has the Government increased its rate of tax collections.

So one has to assume that much of this increase in Reserve Bank loans to banks was needed to offset the effect of the currency outflow.

THE RAND

Things are not what they seem

No one tracking the recent performance of the rand would think there is anything going for the unit. Last Thursday it fell to a record low of US29,5c. And, after an upward blip on the Friday morning following — to just over US30c — it lost almost all the gains by Monday's close.

Yet, apart from the erosion in value caused by an inflation differential between SA and trading partner countries, the rand's medium-term outlook is encouraging.

On the face of it the domestic currency has seldom, since the early Eighties, been better placed. The price of gold, the country's chief export, has risen dramatically — from \$326/oz early in March, to around \$387 at the start of this week and over \$390 on Tuesday. In the five months to May, the item "other unclassified" which is largely gold, represented about 37% of export income, so an improvement in the prospects for gold would have a substantial effect on the trade balance.

And the price of oil has fallen about \$2 in that period, to under \$17 a barrel on international markets on Friday. This is not a factor that the domestic currency market immediately responds to but it has considerable medium-term importance. In the five months to May, the trade category "other unclassified", which is mainly oil, represent-

ed about 10% of imports.

There are other reasons the unit could be expected to be performing better. Last Friday came news of a potential \$850m IMF loan; at Kempton Park "sufficient consensus" was achieved to finalise the election date, provisionally set for April 27, 1994; and gold breached \$390 for the first time since the Gulf War. The metal price is showing great resilience after a remarkable rise.

Yet, despite a significant improvement in the terms of trade and the announcement that IMF facilities would be available, the rand is about 5% lower against the dollar than it was in the second week in March. This came as the US currency fell from around Y118 on March 15 to Y109 on Monday morning and was little changed against the mark, from about DM1,66 to DM1,69 on those dates.

Against a trade-weighted basket of currencies, the depreciation has been less than against the dollar; but that it has taken place at all is significant. The policy of the Reserve Bank is to keep the domestic currency stable, in real terms, against the basket. This means any fall against the dollar usually brings a compensatory increase against the cross currencies. On this occasion it has not happened (see graph).

This is an indication either that the Reserve Bank has not had the resources to intervene effectively or that Reserve Bank Governor Chris Stals is taking advantage of the lack of inflationary pressure in the economy to allow the rand to depreciate. This will either boost exporters' income in rand terms or give them the opportunity to price competitively in world markets.

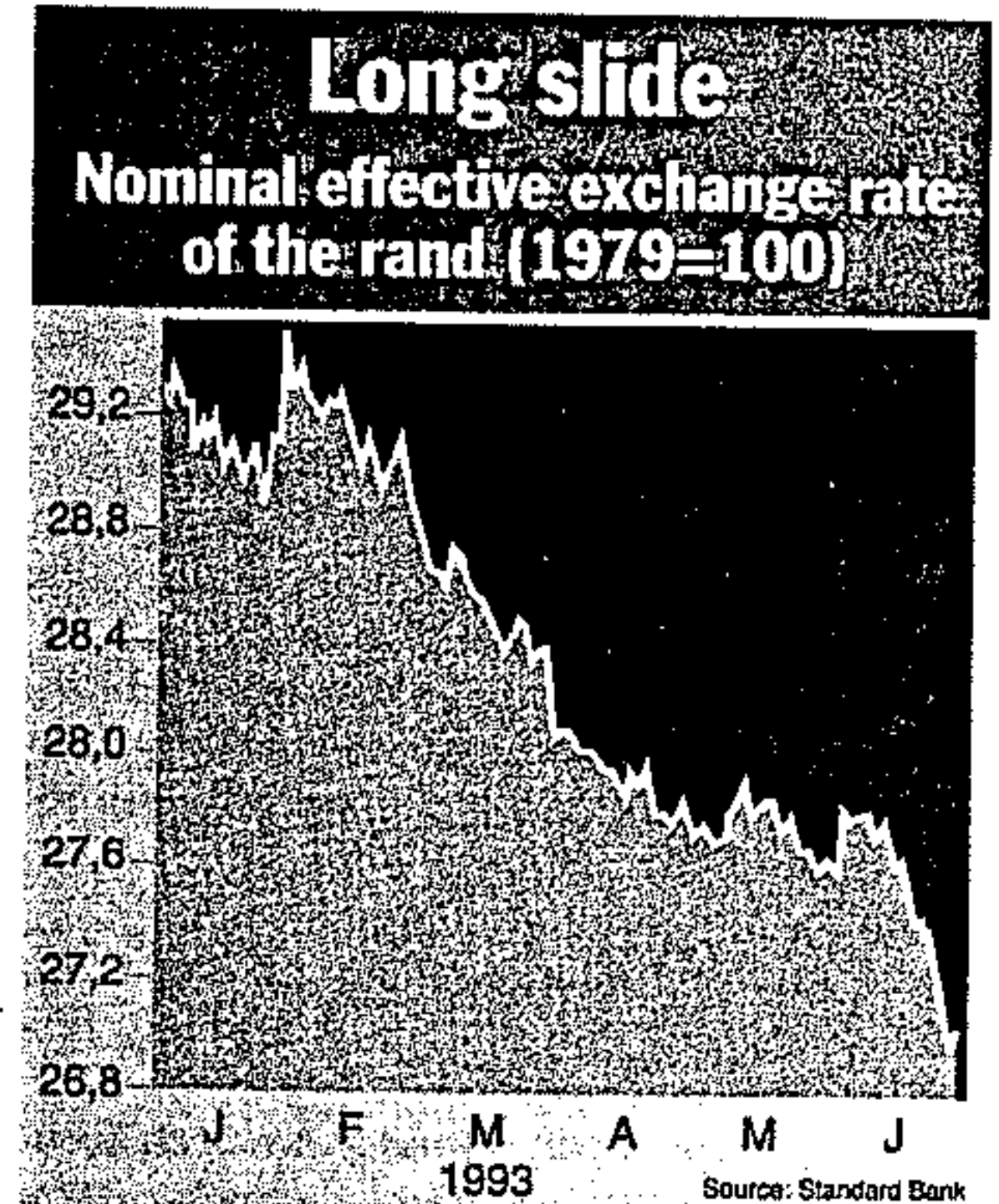
The flip side of this is that a depreciating currency means higher import prices. Which may be why the Bank allowed the currency to rise 2%, in real terms, against the dollar last year. With inflation a priority, Stals may have opted for a stronger rand last year. However, right now could be a better time to reverse that trade off.

This process would help reserves to recover from the recent slide — from R11,5bn in August last year to R7,9bn at the end of May.

Old Mutual's Ursula Maritz says about \$1,6bn in debt in and outside the net is due for repayment this year. She says a significant factor in the outflow has been the repayment of debt outside the net. For instance, the failure of public utilities to roll over foreign loans, because of the high risk premium attached to the cost of borrowing offshore, since Boipatong in June last year.

This was accompanied by some degree of disinvestment. Certainly there were outflows not related to debt repayments.

But an indication that investor sentiment is not unfavourable comes from JSE figures on listed securities. Though the sale and purchase of these assets do not directly affect reserves, because they are conducted through the financial rand, it is an important indication of confidence.



And, despite the assassination of Chris Hani in April and its destabilising aftermath, investment flows over the four months to April were favourable (*Economy* July 2). The Reserve Bank Quarterly Bulletin records that:

□ Net purchases of shares by non-residents rose from R600m in the last four months of 1992 to R1,8bn in the first four months of 1993; and

□ Net purchases of public sector stock amounted to R300m in the first four months, after net selling of a similar amount in the last four months of 1992 (*Economy* July 2).

JSE figures show, in May, there were:

□ Net equity purchases by non-residents of R570,4m; and

□ Net gilt purchases of R106,7m.

Damage was done in June, when a R199m net purchase of gilts was wiped out by a R203,8m net sale of equity to produce a net outflow of R4,8m.

Instead of countering debt repayments, investment flows through the JSE moved in the same direction — out.

A factor which is not sufficiently recognised, says Nedcor Bank's Mark Parker, is the growing role of hedging transactions in the forex market. Though, over a longer term, these would move in the same direction as underlying transactions, they may cause huge one-off distortions in a thin market, on settlement dates, says Parker.

AFRICAN BANKING

As trade and financial doors are opened to SA in other African countries, businesses and institutions will need to learn more about banking in the rest of the continent.

The African Banking Conference, organised by AIC Conferences and sponsored by Meridien Biao, will provide the insights needed. The conference, at the Sandton Holiday Inn on August 18-19, is presented in association with the *FM*. Keynote speakers are: Paul Popiel, senior financial economist for the Africa region at the World Bank, and Babacar N'diaye, president of the African Development Bank in the Ivory Coast.

Other speakers include representatives of the Reserve Bank, the SA Foreign Trade Organisation and commercial and central banks in Africa.

The fee is R2 154,60 a delegate, including Vat, and a discount of 10% is available to organisations sending three or more people.

For more information phone (011) 803-9680 or fax (011) 803-9684.

Expert sees rand's role as regional currency

Business Day 9/11/93

THE rand could become the common currency for southern Africa by the turn of the century, says Eastern and Southern African Trade and Development Bank president Martin Ogang. (14)

In an interview with Business Day yesterday, Ogang said the "dominance attached" to the rand strengthened the possibility of a full monetary union in the region, and the Development Bank would support efforts by the sub-region's governments to achieve monetary union.

A single capital market for the region, similar to the EC, should be introduced. This would be positive and beneficial, despite the recession and the unemployment crisis, he said.

The Development Bank promoted "harmonious" trade and financial policies in the region, through the facilitation of tourism and trade.

SA had the strongest economy and was regarded as the locomotive for economic growth in southern Africa.

Ogang added that promoting trade with-

MZIWAKHE HLANGANI

in regional states would create substantial growth for the region.

He said the regional governments had started "liberalising monetary policies and restrictions", which he said would benefit trade and economic growth for the region.

A recent example was the Zimbabwean change in currency regulations to allow citizens to hold bank accounts in foreign exchange.

The sub-regional states shared high unemployment and poverty, unlike the industrialised European countries, but trade and investment between SA and neighbouring countries would flourish because of the emerging political stability.

This made a monetary union more realistic for co-operation in shaping the regional economy, Ogang said.

He said the regional economy was poised for improvement, which would make it possible for regional states to co-operate in building an economically viable region because of its natural resources.

SA envoy calls for new trade ties with Europe

S Times 11/7/93

By JOHN FRASER: Brussels

SOUTH African ambassador to Brussels Neil Peter van Heerden, has called for negotiations on a new trade relationship between Pretoria and the European Community.

He made his call on Friday in an address to the Brussels-based Centre for European Policy Studies.

The ambassador said that now the process of reform in South Africa was advancing, the climate was ripe for trade talks with the EC.

Choices

"In spite of substantial trade links, the community has no formalised relationship with South Africa," he said.

He said there were several choices for improving links, including membership of the Lome Convention, which links the EC with most African countries.

However, observers in Brussels believe

this route may be blocked by some African countries worried that extra help for South Africa would mean less for them.

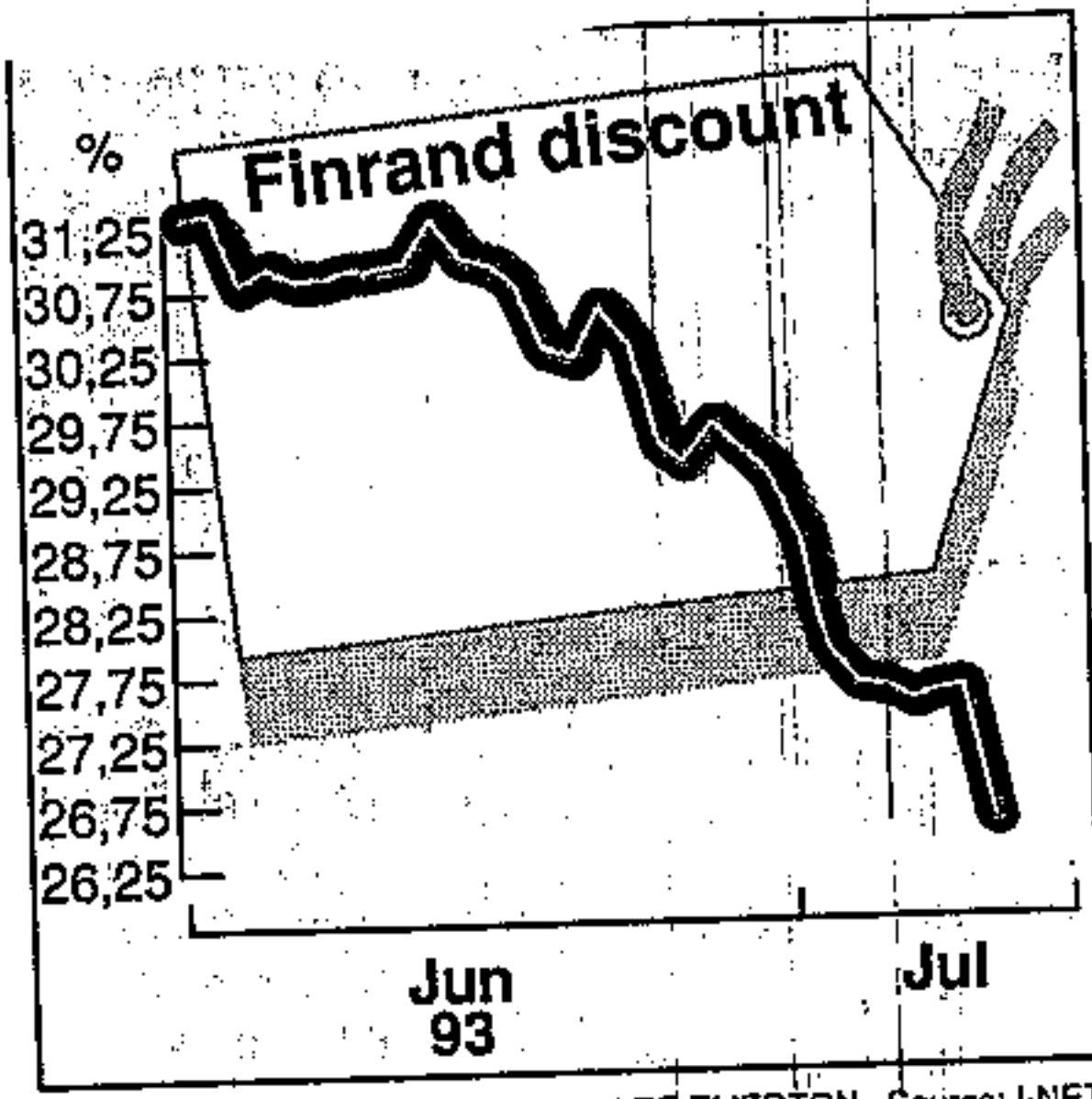
As a first goal, the ambassador appeared to favour a so-called "framework" trade agreement of the kind the EC has with Brazil, Mexico and India.

"These framework agreements have the advantage that they establish a formal link without involving time-consuming details such as tariff and sensitive product negotiations," he said.

"They also establish a structured dialogue and open the way for technical, scientific and cultural exchanges.

"I believe the time is opportune to start exploring a future relationship, given the advanced stage of the constitutional process."

Mr van Heerden noted the EC accounted for about 25 percent of South Africa's exports and more than 48 percent of its imports.



Graphic: LEE EMERTON Source: I-NET

Discount narrows to 10-month low

BiDay 12/7/93
TIM MARSLAND

THE discount between the financial and commercial rands narrowed to a 10-month low yesterday as the local unit bottomed at R3,3583 against the dollar from Friday's R3,3458.

The financial rand closed at R4,6250 from Friday's R4,6220.

The discount, which is traditionally seen as an indicator of foreign confidence in SA, was at 26,6% compared with the recent steady 32%.

Dealers said the narrowing was due to commercial rand weakness rather than financial rand strength.

Despite the commercial rand's low yesterday, dealers said the unit had held up well against the surging dollar.

Concerted Reserve Bank intervention over the past few weeks to support the rand had made the market nervous, and dealers were wary about undue bearish speculation towards the unit.

The Bank kept a watchful eye on proceedings. Other than a few phone calls to banks to remind them of its presence, it did not actively intervene, one dealer said.

Exporters, who sell dollars to buy rands, were also seen in the market, providing additional support.

Internationally, the dollar went on a bull run on renewed talk that the German central bank was considering a further reduction in interest rates.

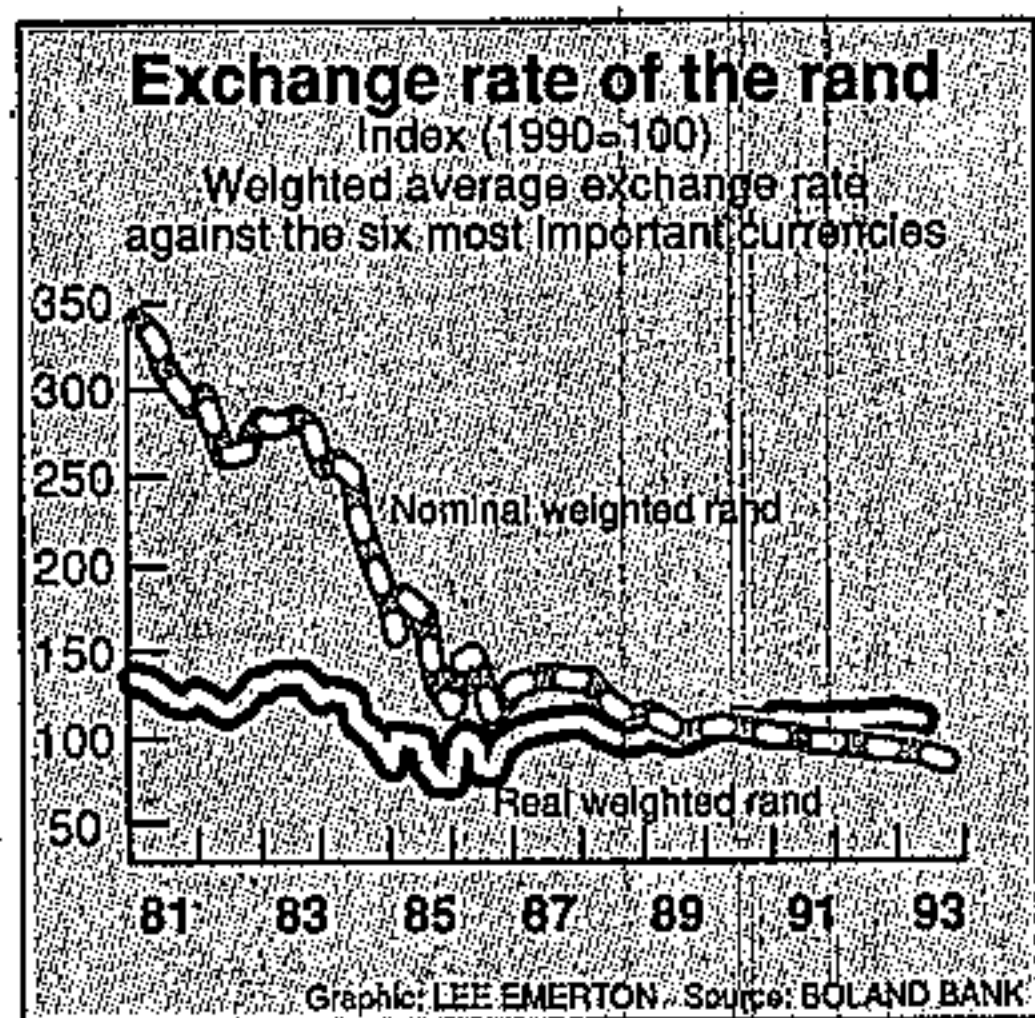
Against the Deutschmark, the dollar soared to close in London at DM1,7315 from Friday's New York finish of DM1,7220.

Economist forecasts comeback for rand

Biz Day 13/7/93

CAPE TOWN — The weakening in the rand's value in recent months did not mean the currency was on a slide, Boland Bank group economist Louis Fourie emphasised in the bank's latest Economic Review.

Compared with June's rand/dollar exchange rate of R3,32, he predicted a rate of R3,30 in December, R3,32 in June next year, and R3,45 by December 1994. Relative to the pound, the rand would trade at R5, R5,15 and R5,20 respectively, Fourie believed, while the yen/rand exchange rate was forecast at 33,33, 34,04 and 31,88 respectively.



LINDA ENSOR

"Fundamental policy measures to bring about exchange rate stability remain in place with the result that the rand should show recovery in real terms in the forthcoming year," Fourie said. He did not foresee the Reserve Bank easing policy on money supply growth in the short term.

The Bank's conservative policy would perpetuate the "scarcity" of the rand and protect the currency against a continued depreciation in real terms.

"There is good reason to believe that the policy trend will be maintained in the months to come, in view of SA's shaky balance of payments position and a fiscal budget deficit that threatens to be greater than initially foreseen."

Fourie estimated that the budget deficit would be between R28bn and R30bn, or about 8% of GDP.

"The fact that the rand exchange rate showed a marked natural depreciation in recent months also relieves the "non-official" pressure on the Reserve Bank to help create a weaker, or "export friendlier", exchange rate," Fourie said.

and cajoling, the long-awaited plans for the formation of the much-vaunted Bond Market Exchange have still not been finalised. ~~74~~ ~~74~~ ~~74~~

The rejection this week by the Bond Market Association of the proposed rules governing the operation of the exchange, by a vote of 32-20, set the seal on a long fermenting institutional hostility to government interference in the marketplace.

Objections to the imposition of a compulsory, formal market for the trading of bonds, muted at first, have been growing for some months. The rejection of the proposed rules — themselves the subject of much agonising and redrafting — is merely symbolic of opposition.

The *FM* reported (*Economy* May 28) that the exchange would not receive a full licence to operate in terms of the Financial Markets

H. Court

BOND MARKET EXCHANGE

Another round ~~74~~ ~~74~~ ~~74~~

Do we really need a formalised gilts trading market? Twelve years since the idea was first floated, and after five years of consultation, discussion, negotiation, arm twisting

Control Act until it complies with all the requirements — and that includes getting its rules in place. Financial Services Board CE Piet Badenhorst, endowed with wide discretionary powers by Section 40.2 of the Act, can authorise the exchange to operate under an exemption. ~~74~~ ~~74~~ ~~74~~

What's more, he can oblige the association to operate the exchange under the rules it has just thrown out. The new exchange is scheduled to begin operations, taking over from the JSE's gilt market, today. So the question is: will he introduce the rules under fiat?

Badenhorst responds: "I've had further discussions today with important players in the Bond Market Association and with senior officials of the Reserve Bank. We hope to have made a firm decision by later this week. Meanwhile, I must emphasise we've taken note of the feelings of the association; we don't intend to ignore the perceived uncertainties giving rise to their resolution and we'll do our best to accommodate them."

Badenhorst says the development of the formal bond market has already been subject to unusually long delays. "Further development of the market needs to proceed in a structured manner to ensure government's decision (to formalise the market) is brought to a final conclusion."

Nor is Badenhorst happy with the prospect of further procrastination. The market, he says, is important and carries inherent risks because of the huge volumes traded and the consequences of a default in the absence of supporting capital are considerable.

"The relevant authorities," says Badenhorst, "are convinced the formalisation of the market on a phased approach should now commence without further delay."

The argument between institutions and the authorities centres on whether the trading of bonds should be handled compulsorily through a regulated, theoretically secure market, guaranteed by its members against all manner of speculation. The major institutions take the view that they should be allowed, if they deem it appropriate, to deal informally — off the market. They argue they've done it for years and can see no good reason why they should now be forced to put every trade through a market which will require that commissions must be paid.

However, to be fair to the authorities, they've gone some way down the line to accommodate the institutions. The Financial Markets Advisory Board, chaired by Reserve Bank Deputy Governor Chris de Swardt, has already recommended that an informal market should be permitted once capital adequacy provisions have been introduced. That means institutions will be allowed to deal informally provided they meet the capital adequacy ratios set down in law. Until that is done, the advisory board suggests the establishment of the formal market should proceed.

And, as with any formalised institution, there are many vested interests. The JSE and its members, for long the sole providers of a national secondary gilts market — by value, the seventh-biggest bond market in the world — have never been enthusiastic about sharing an important, lucrative operation with other members. Their position, in effect, is that the JSE already provides an adequate, efficient, guaranteed market. *David Gleason*



FSB's Badenhorst ... discretionary powers *H. Court*

his successor, Norman Lamont, was unable to maintain sterling's ERM parity.

Cutting base rates would be more popular, especially among Tory backbenchers, worried about the rising tide of unpopularity which has dangerously eroded support levels and is threatening to sweep the party to a humiliating defeat at the July 29 Christchurch by-election. A lower short-term return for international investors would cause some to sell sterling and have the additional benefit of stimulating consumer spending and the housing market.

But the move could backfire and boost the pound further, because foreign exchange dealers sometimes put a higher premium on economic growth than short-term gain.

"If interest rates are cut in a country where growth already exists, the tendency is for the currency to rise further," an analyst observes.

The government could decide to do nothing. Though sterling is enjoying a rise at the moment, the size of the public sector borrowing requirement, at £50bn this financial year, has raised serious concerns about the state of the public finances, which could undermine investors' sentiment towards the end of the year.

But a strong view in City dealing rooms is that present Chancellor Kenneth Clarke will cut interest rates by the end of the year — perhaps by one percentage point — because of the likelihood that the domestic economic recovery will falter.

Then sterling could go where it may. ■

Sheet 1617193

Indonesia easing its sanctions stance

For years South Africans have been persona non grata in Indonesia, with the vast collection of islands still maintaining official sanctions.

But there are strong signs that all is about to change very soon, if it has not already done so on an unofficial level.

The relationship between government and business in Indonesia is claustrophobically close. In short, business is gov-

By Business Staff writer John Soderlund, who travelled with a Safto mission to Thailand, Malaysia and Indonesia.

ernment, Indonesians admit.

The republic, comprising some 200 million people scattered over 3 000 inhabited islands (of a total of 16 000 islands) is effectively run by 150 families. Most of these families have fingers in complex networks of political, business and social pies.

So when a top businessman tells visiting South Africans he believes sanctions have been all but lifted, it means something. Talk of inter-government co-operation is not on the cards for a while though, most agree.

At a recent meeting between members of the non-governmental South African Foreign Trade Organisation (Safto) trade mission and representatives from Indonesia's largest private group of companies, the PT group, indications were given that the government had encouraged the development of business links between the two countries.

PT Prima Comexindo, the largest trading company operating on the archipelago, has the closest of government links and it is being punted as one of the first companies to get into the South African market after the official lifting of sanctions.

President Suharto's daughter is married to the brother of the company's chief executive officer, Hashim Djojohadikusumo.

Another senior PT Prima Comexindo director says he has received encouragement from sources in the central intelligence agency to begin developing links with South Africa.

Other meetings between the Indonesian Chamber of Commerce and Industry, the Importers Association of Indonesia, the Investment Co-ordinating Board and several businessmen served to confirm the more friendly intentions of Indonesia to South African trade relations.

Potential areas where South Africans might be well placed to corner a slice of the huge Indonesian market include power generation and transmission, chemicals, specialised and industrial machinery, motor vehicles and parts and in a wide range of infrastructural developments.

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Gatt's escape clause is the best way to halt dumping

Star 16/7/93
By Claire Gebhard (74)

South Africa should use the "escape clause" in Article 19 of Gatt (the General Agreement on Trade and Tariffs) rather than an anti-dumping investigation when local industries are threatened, a US trade attorney, advised yesterday.

John Rehm of Washington law firm Dorsey & Whitney said this would involve less expense, be less time-consuming and was also less complicated.

He was responding to a question from Alan Hirsch, adviser to the ANC on trade policy and a director of the Trade Policy Research Unit at the University of Cape Town during a Worldnet TV link-up between Washington, Johannesburg, Pretoria and Cape Town arranged by the United States Information Service on US Anti-Dumping Laws.

Panellists

Other panellists included Joseph Spetrini, Assistant Secretary for Import Administration for the US Department of Commerce in Washington and South African academics, agricultural experts, and Webber Wentzel trade attorney Leora Blumberg.

Hirsch said anti-dumping procedures were in the interests of US companies and the international community but were inappropriate for a developing country.

"For a small country like South Africa the urgency of responding to anti-dumping is much greater than in the US."

Hirsch questioned whether South Africa should not use alternative mechanisms.

Statute

In response, Rehm suggested that South Africa should not rely on an anti-dumping statute at all because it was not in the national interest.

"A country like your own might be better served by a single measure, looking only at the injury to your industries and disregarding whether a product is dumped or otherwise.

"Article 19 of Gatt deals with serious disruptive or injurious imports which would allow you to impose tariffs or even quotas to stop the imports.

"South Africa should use the escape clause which can be invoked to deal with injurious imports without going through the highly complex procedure involved in an anti-dumping case."

PROTECTION

FM 16/7/93

Prosperity after the pain 74

The proposed reduction in protectionist measures currently being circulated by Stef Naudé's Trade & Industry Department will no doubt cause great anguish among some industrialists. In addition, some of those who support free trade will dismiss them as inadequate half measures — too little, too late.

No doubt these proposals will be modified to some extent before being submitted to those with whom they will need to be negotiated, in terms of the General Agreement on Trade and Tariffs (Gatt). But Naudé should not give way substantially to either brand of his critics. This is a time when prosperity will most likely best be served by moderation, disagreeable though it may be to those of vigorous opinion.

The *FM's* natural inclination is for rapid abolition of all restraints on trade. But when it comes to the removal of trade barriers, especially those around industries that have an anti-export bias, emphasis should be placed more on a practical plan of gradual reduction over a specific period.

In that way, the disruption that would result from some protected industries going bust could be avoided or at least mitigated, for they would have time to adjust. It is simply not practical to believe that a factory built in an effort to foster import substitution could easily and quickly adapt to supplying export markets. Such an enterprise should be given a reasonable chance to demonstrate that, in a new economic order, it could survive and prosper.

It is very different in the financial sector. Deregulating banks instantly might prejudice their margins and create other problems of competition, but a productive industrial unit — even an inefficient one — would not immediately be placed in jeopardy. In the manufacturing sector, too often that might be the case.

The whole essence of the Gatt agreement is adjustment and not instant destruction. It is based on periodic renegotiation for that purpose. But what is important is that any planned reduction or removal of protection should be monitored, preferably by the Gatt secretariat. There must be a reasonable and transparent limit to the adjustment process.

In many fragile economies, especially where unemployment is of substantial concern, the short term needs to be treated with moderation and the long term with unmitigated ruthlessness.

But that protection must be reduced, at least to the levels acceptable to our Gatt partners, goes without saying. It is far more important to renewed economic growth and rising prosperity that this country — and indeed any country in Africa — have the access that a Gatt deal will allow to the four major trading blocs, than it is to have an inflow of foreign capital or indeed substantial

amounts of aid.

As Africa to the north has shown, it is also important for the preservation of democracy that this be so. Governments dependent on tax revenues are far more responsive to democratic issues than those who have the comfort of aid flows that carry little or no accountability.

The need to account to its taxpayers, and to create an efficient industrial base to meet their aspirations, places a responsibility and discipline on government that knows no match.

The argument for as short an adjustment period as possible is also a compelling one. For just as experience elsewhere has shown that inflation cannot be managed but only reduced, so too is it impossible to manage what protectionists euphemistically call fair trade. Both the national economy and the world economy are too complex for that aspiration to be applied with any hope of success. That has to be left to the marketplace.

Where social or environmental issues are pressing, managed fair trade is the imagined answer. It is not. Not only are public servants incapable of that sort of management, but the doors are opened to special interest lobbies, the curse both of good government and economic efficiency.

There is going to be a cost to the removal of protectionist measures, many of which were applied without much thought in the vain attempt at self-sufficiency that apartheid demanded. They did not work for apartheid and they will not work for other social objectives, no matter how noble the motive — for they entrench inefficiencies and waste resources.

It is quite possible that by even countenancing the gradual removal of trade barriers, the ultimate cost in waste and reduced efficiencies may be higher than the cost of avoiding economic discontinuity. Because it is distant, it is difficult to calculate. The more immediate cost of a gradual phasing out is far more evident and probably easier to live with over the short run.

Stef Naudé's task now is going to be to demonstrate his commitment both to those who have to face up to lower protection, and to those sceptical of gradual adjustment and dismayed that his department has taken so long to act with decisiveness.

There are, of course, reasons for the delays. He inherited the world's most complex system of tariffs and local content programme. Indeed, complexity has made tariffs difficult for Customs & Excise to administer and to detect sharp practice. Now that movement has begun, Naudé's credibility will depend on how much momentum is created and sustained.



la duties which apply to around one-sixth of all lines."

It points out that SA tariffs display "a fairly substantial degree of escalation" and "the import surcharge further increases such escalation."

At present, less than 20% of SA's existing tariffs are bound in Gatt. SA's offer in the Uruguay Round would raise this to just over 50%. The new offer comprises a five-year phasing-in period for the required tariff reductions and longer periods "for sensitive industries such as the motor and the clothing and textile industries," says Naudé.

However controversial these proposals may be within SA, the country cannot afford to abandon its membership. "There is no way," says Naudé, "that we can reintegrate with the global economy outside Gatt. There is a clear appreciation of that."

But to continue will mean drastic steps to liberalise trade practices. We will have to start to dismantle the elaborate protective structures which have flourished for decades as SA pursued a policy of import substitution.

The Department of Trade & Industry last week circulated details of the latest tariff proposals (on industrial goods only) to the local business community and other interested parties, such as the National Economic Forum, for comment before August 11. Says Naudé: "Obviously we will not go to Gatt with an offer we know to be unacceptable. The industries concerned understand this very well. We have had many meetings with people in these

industries."

Once SA accedes to the final act of the Uruguay Round, it will be bound by all the Gatt codes (with a few minor exceptions). Ultimately this will involve the revision of anti-dumping legislation and the phasing out of the General Export Incentive Subsidy. "These subsidies were the only practical way in the short run to compensate for the anti-export bias," says Naudé. "But you can't continue it indefinitely, because it is fundamentally unsound to tackle an anti-export bias with subsidies."

Domestic policy may go even further than the Gatt proposals suggest in order to encourage export orientation, says Naudé. Some tariffs, for instance, may be below the ceilings negotiated with Gatt. Other aspects are training and retraining of labour to meet industry's new needs; technological innovation; and co-ordination of research.

The truth is that the cost of import substitution has long been evident. The report from the Gatt secretariat points out that, during the Seventies, quantitative restrictions were gradually eased, partly under pressure from external trading partners. But the process came to a halt in the early Eighties in response to a deterioration in the external payments situation. Now the rules of international trade are being rewritten and SA's own position is drastically altered, with the phasing out of sanctions; so the process will have to be resumed and accelerated.

In a recent speech, David Hartridge, a senior

Gatt official, pointed out that, while SA has some highly competitive sectors in finance and infrastructure, it also "has many of the characteristics of a developing economy, with its heavy dependence on exports of primary products and imports of capital goods, uneven distribution of income and high levels of unemployment."

Claims for preferential treatment should have a "sympathetic reception," especially if SA's case is couched in the context of a wider regional trade area. In addition, the Generalised System of Preferences (GSP) embodied in Gatt, along with provisions for exemptions, allow for a full range of special treatments where economies are having to adjust and restructure.

But the overall long-term benefits of developing country status are open to question. The view at the Gatt secretariat, expressed by Hartridge, is that if economic prosperity depends on exporting, the only way to go is to compete. "It would not necessarily be in the country's best interests if recognition as a developing country encouraged it to go on shielding the manufacturing sector from the facts of life," he said.

The positive impact of the Uruguay round is that it will create an environment of certainty and rules — but the real improvements will come "only when it has altered its export structure greatly." The problem for SA is that the cost of restructuring protected industries will have to be met before the benefits of a stronger export industry flow through.

Meanwhile, of course, the international agreement is not in the bag. Post-summit briefings in Tokyo made it clear that the agreement was simply a framework for negotiations among all of Gatt's 111 contracting economies. A deal must still be concluded to meet the mid-December deadline (the fourth to date) for conclusion of the Uruguay Round, over 80% of which is now in place. ■



Sutherland

Rand on track for recovery next year

Star 17/1/93

(14)

THE weakening in the value of the rand in recent months does not mean that the currency is on a sliding track.

Fundamental policy measures to bring about exchange rate stability remain in place, with the result that the rand should show recovery in real terms in the forthcoming year.

This is the view of Louis Fourie, chief economist of Boland Bank.

The pressure on South Africa's foreign reserve position since the fourth quarter of 1992 restricted the Reserve Bank's ability to apply short-term exchange rate management. This reserve problem, combined with strong performances by the US dollar and Japanese yen, caused the average weighted monthly value

FINANCE STAFF

of the rand to weaken by almost 6 percent in the first six months of 1993.

During this period, however, the Reserve Bank continued its policy of managing the country's money supply growth within conservative guidelines. This policy implies a sustained "scarcity" of rands, thereby protecting the currency against a continued depreciation in real terms.

Protecting

There is good reason to believe this policy trend will be maintained in the months to come, in view of SA's shaky balance of payments position and a fiscal budget deficit that threatens to be greater than initially foreseen. The fact that

the rand exchange rate showed a marked natural depreciation in recent months also relieves the "non-official" pressure on the Reserve Bank to help create a weaker, or "export friendlier", exchange rate.

Regarding the somewhat longer-term prospects for the rand, two vital factors come into play. First, there is the possible removal of the financial rand, which should result in considerable short-term pressure on the rand exchange rate and, second, there is the possible "re-politicising" of monetary policy, which could also result in a weaker performance of the rand than in the present circumstances. However, it is unlikely these developments will take root as early as 1994.

JOBS

By comparison, SA lags behind on most counts

SI Times [Buss] 18/7/93

THE latest World Competitiveness Report ranks South Africa second last in the categories People and Government. Pakistan is last.

Overall, SA slipped from eighth to 11th in comparison with 15 newly developed countries.

The comparison is based on performance in eight areas: infrastructure, SA's highest score (fifth), domestic economic strength (11th), internationalisation (13th), government (14th), finance (sixth), management (seventh), science and technology (seventh) and people (14th).

SA's low "government" rating is attributed to interference in the economy, the need for political restructuring and high personal income tax which discourages the work initiative.

Personal income taxes in SA form 8,7% of gross domestic product, the most uncompetitive in the 15-nation comparison. SA ranks seventh for improper practices in the public sector. Pakistan scores least in the category and Singapore the most.

SA is 14th in the "people" category, scoring lowest points for worker motivation, alcohol and drug abuse, the brain drain, lack of equal opportunities and population growth. It has the second-worst dependency ratio, edu-

Competitiveness means growth and jobs. But, as **CIARAN RYAN** finds in reviewing the latest World Competitiveness Report, South Africa ranks dismally on these and most other measures of economic effectiveness.

India, Brazil and Pakistan. Denmark is head and shoulders above the rest in comparison with 22 developed countries, followed by New Zealand, which zoomed up the ratings from 10th last year, displacing Germany and Japan, which slipped into third and fourth overall.

Publisher of the report and a professor at Europe's International Management Development Institute, Stephane Garelli, says the most competitive countries are those which add value and export.

"Cheapness of labour has very little to do with competitiveness," he says. "Singapore, Hong Kong and Taiwan have been very successful at internationalising their economies."

"Interestingly, very few of the most competitive economies are rich in natural resources. An abundance of natural resources tends to invite complacency. The fact that the gold price is going up is good for SA in the short term, but it could be dangerous in the long term."

Nearly half of Singapore's exports are produced by US-

owned companies. Professor Garelli says a hospitable investment climate is a major contributor to competitiveness.

SA's "trade policies hinder the international activities of companies in the long term" says the report, which ranks SA second last in this category. Singapore has the most stimulatory trade policies and Brazil the worst.

Exports account for 26% of SA's gross domestic product, placing it 11th, way behind Singapore which exports 20,2% of GDP, but ahead of India with 6,7%.

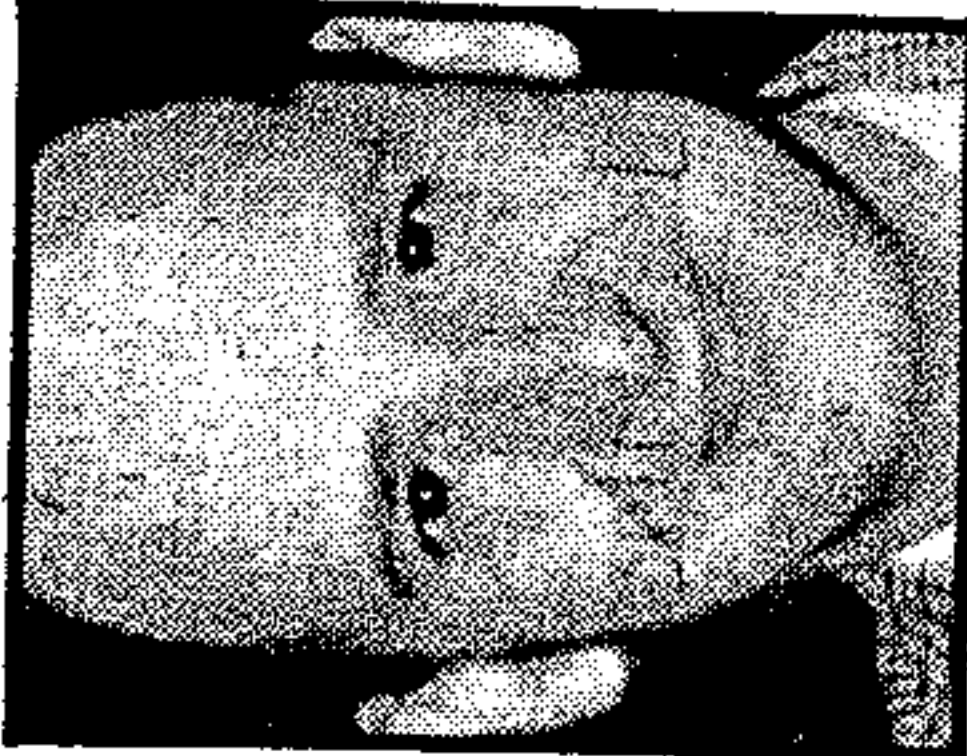
SA ranks first in coal production, but poorly in terms of hydro-electric and thermal energy output. SA has the highest CFC emissions of the 15 countries.

SA's cost of capital is "too high for competitive development".

SA ranks fourth in the stock-market sub-category, reflecting the degree to which the JSE reflects the real value of companies. It is ranked fourth for insider trading, behind Singapore, Chile and Hong Kong. Most insider trading occurs in Pakistan.

SA's financial risk rating is 36, says the guide, placing it third last. The banking and financial services sector is sixth overall.

Professor Garelli says: "Literacy and education are



STEPHANE GARELLI

national system and employment growth of the 15 countries.

SA managers are ranked 13th, but entrepreneurs are second.

Singapore tops seven categories. The exception is management, where it relinquishes top spot to Hong Kong, the second-most competitive country.

Taiwan is third overall, followed by Malaysia, Chile (included for the first time), Korea, Thailand, Mexico, Venezuela and Indonesia. SA does better than Hungary,

World Competitiveness Report rankings

Newly-industrialised countries	Domestic economic strength	Internationalisation	Government	Finance	Infrastructure	Management	Science and technology	People
Brazil	15	14	15	13	11	11	14	10
Chile	8	3	6	5	9	4	6	5
Hong Kong	6	2	2	2	2	1	4	3
Hungary	14	10	12	12	10	14	8	9
India	9	15	10	15	14	12	12	13
Indonesia	7	9	8	9	12	13	9	12
Korea	2	11	9	10	7	6	3	4
Malaysia	3	5	4	3	6	5	5	6
Mexico	10	7	7	8	8	9	11	11
Pakistan	12	12	13	14	15	15	15	15
Singapore	1	1	1	1	1	2	1	1
South Africa	11	13	14	6	5	7	7	14
Taiwan	5	4	3	4	3	3	2	2
Thailand	4	6	5	7	13	8	10	7
Venezuela	13	8	11	11	4	10	13	8

Graphic: FIONA KRISCH Source: THE WORLD COMPETITIVENESS REPORT 1993

critical to the long-term success of countries. The report looks at which countries are investing in education and the type of skills being generated by the educational system.

"Although SA slipped down the ratings this year, this is not a static list. Parts of SA are First World, others are very poor. We do not prescribe to any country what it should do, but by looking at some of the more successful economies, you can see

where they are channeling their energies."

SA corporations do not care enough about customers, says the report, placing it 11th on the list. Chile scores most for customer satisfaction and Pakistan least.

SA has the seventh-largest economy of the 15, but a GDP growth of only 1,35% between 1987 and 1991 places it 13th. Surprisingly, SA ranks fourth for inflation. Mexico has the lowest inflation and Brazil the highest.

"Successful economies maintain tight control over the manufacturing process," says Professor Garelli. "The biggest mistake the US made was to lose control of its manufacturing basis."

"The small-business sector played a huge role in the success of Korea, Japan and Taiwan. Although the large Japanese companies are household names, they are supported by a massive small and medium-business sector."

A year's gold at R1 500 means higher payout for many mines

STimes (Buss) 18/7/93

AT a sustained real gold price of R1 500 an ounce, beginning in the next six months and continuing for a year, 29 mining companies would be able to at least double their dividends, three would increase them and nine could start to pay them.

Ed Hern, Rudolph gold analyst Grahame Graham-Parker says that although the bull run is fundamentally and technically intact, the questions are how far shares can rise and what will be the effect on dividends.

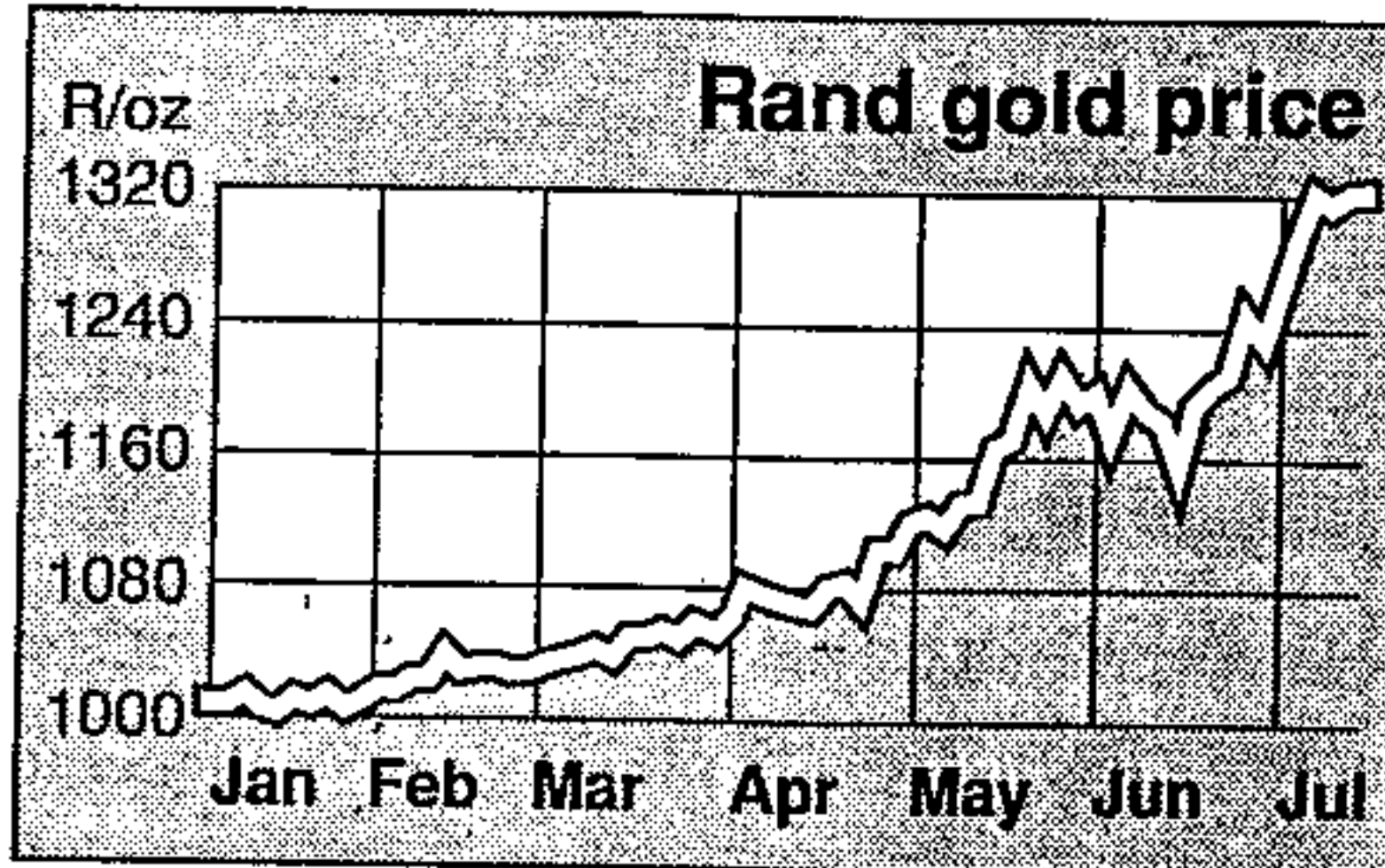
Mr Graham-Parker says: "Although we do not forecast gold at R1 500 in two months' time, it is nevertheless an achievable scenario. Few would have forecast the rand gold price to have climbed by R200 to R1 300 in the past two months, which it has done."

Benoni, Western Areas and West Wits would be able to lift their dividends by more than 500% if gold held at R1 500 for 12 months.

Another 10 companies — AF Leases, Deelkraal, Elandsrand, Kloof, Knights, St Helena, Unisel, Western Deep, Winkelhaak and Unisel could pay between 250% and 500% more than at present.

Sixteen other companies could lift payouts by 100% to 250%.

Mr Graham-Parker says such a gold price would not help companies such as ERPM, Primrose and South Roodepoort to restore dividends in the short term. In-



Graphic: FIONA KRISCH Source: I-NET

investors who believe that further rand weakness and higher dollar prices for gold can be expected should take note of other opportunities in the gold market.

The average historical dividend yield of the all-gold index since 1971 is 6,7%, and the current yield is 2,7%.

Mr Graham-Parker says: "Based on our higher real

rand gold price of R1 500/oz, the one-year forward dividend yield, weighting the constituent yields accordingly, would be 6,8%.

"As with individual shares, the dividend yield of the index is not likely to rise that high; rather share prices would climb, increasing the index and decreasing the yield."

If that one-year yield were to fall to 6%, the all-gold index would gain 13% to 2 370 points.

"We would view this as a minimum increase. We see fair value at 3 384 points, yielding 4,2%. But a really bullish market, assuming today's 2,7% yield a year's hence, would push the index to beyond 5 000 points."

Leading earners exceed 20%

THERE were three contenders for the top general equity unit trust performer in the year to June — Board of Executors Growth, Guardbank and Norwich — all exceeded 20% returns.

This is according to figures compiled by the University of Pretoria's Hugo Lamprechts. They assume a lump-sum investment on a repurchase-to-repurchase basis.

Worst general performer over a year was Old Mutual Investors, which returned only 4,7%. But Old Mutual scored with its gold fund, which gave an all-in return of 85,9% — by far the best over the year.

Syfrets Growth remained tops over three and five years, during which annual compound returns were respectively 20,7% and 28,6%.

In the longer run, all funds in existence for 20 years have run closely either side of the

20,6% rise in the JSE all-share index and well ahead of inflation.

In the past quarter, seven funds which provided me with information about portfolio changes bought Amgold. There were no sellers of the gold leader.

Unit trust fund managers were unanimous in selling Rusplats and buying Dalys and Suncrush. They were divided on Potgietersrust Platinums, where Sage and UAL were buyers and IGI a seller, and on Genbel, sought by Norwich, Southern and Sage.

Only the Old Mutual mentioned Barlows, of which it was a buyer. As a major shareholder, Old Mutual is believed to be partly behind Barlows' unbundling restructure and could be putting its money where its mouth is.

Old Mutual also sold Richemont in spite of claiming a 50% rand-hedge portfolio component.

DADV

SA's unit trust funds are big in size but small on influence

SI Times CBussJ 18/7/93

SOUTH Africa's unit trusts are by no means in the Mickey Mouse class when compared with those in other countries.

The United Kingdom's 1500 funds have 4.5-million savers. SA's 50 funds have 1.2-million holders and America's 4000 have 77-million investors — 27% of all households.

SA differs in the range of funds available and in the movement's importance as a JSE player.

Association of Unit Trusts chairman Bernard Nackan, recently returned from abroad where he surveyed developments in the business, and says money-market funds have proliferated in countries with a less restrictive regulatory environment and lower barriers to entry than SA. Fund managers abroad invest either in domestic or foreign currency to secure higher rates than individual deposits would earn at a bank.

SA law prohibits this. Investors' money has to be committed to the equity market or long-term Government stock in the case of gilt or income funds.

The money market mostly deals in short-term money of up to a year's maturity. The main players in the market

By JULIE WALKER

are banks, stock and insurance brokers, law firms, estate agents and others who hold money in trust on behalf of clients.

The market works along these lines: a company needs money for a short time to finance trade. A bank lends it the money at, say, 12% interest, in return for an acknowledgement of debt. In doing so, it underwrites the debt.

The bank itself has to fund the money lent out, so offers the debt paper to cash-flush parties, such as money brokers, corporate treasuries, institutional fund managers and so on, who do not want to tie up cash for a long time.

The rate of interest will be up to 1% below that at which the bank has lent the money to allow it to take a turn for bearing a credit risk. The debt becomes a negotiable instrument that can be traded as interest rates move.

Broadly speaking, there is no capital risk on a very short-term investment — wait until maturity and the capital is returned. The larger risk lies in trusting a broker to manage somebody else's

money properly.

South Africans can invest in unit trusts, gilt and income funds, which bear a fluctuating capital risk, although if held to maturity (up to 20 years), the capital is repaid.

Mr Nackan says that in America, boosted by the money-market funds, the unit-trust movement's worth of almost \$2-trillion exceeds the assets of life insurers. More pertinently, it is expected to exceed the total retail deposits held by banks this year.

Mr Nackan says: "America's unit trusts are a pre-eminent part of the financial world. There is a capital inflow of \$1-billion a day to unit trusts. They have grown at three times the rate of US GDP and have been instrumental in channelling the savings of private investors into the economy."

Gad Ariovich of the Financial Services Board says that although the board is keen on money funds, it could be up to a year before there was an opportunity to change regulatory policy to permit them. Part of the delay would be caused by the desire to reach consensus among all parties.

Stronger rand could see gold bulls penned in

Star 19/7/93

74

By Derek Tommey

Gold's failure to rise above \$400 an ounce last week has resulted in considerable uncertainty about gold's next move, say dealers in the futures market.

They add that it might not be just the future of the dollar gold price that is worrying traders but also the prospects for an improvement in the rand-dollar exchange rate.

The rand gold price has risen about 27 percent since February from around R1031 an ounce to R1314. Part of the cause of the rise was a 20 percent increase in the dollar gold price from \$327 to \$392.

But the six percent devaluation in the rand against the dollar from R3,14 to R3,34 was also an important factor.

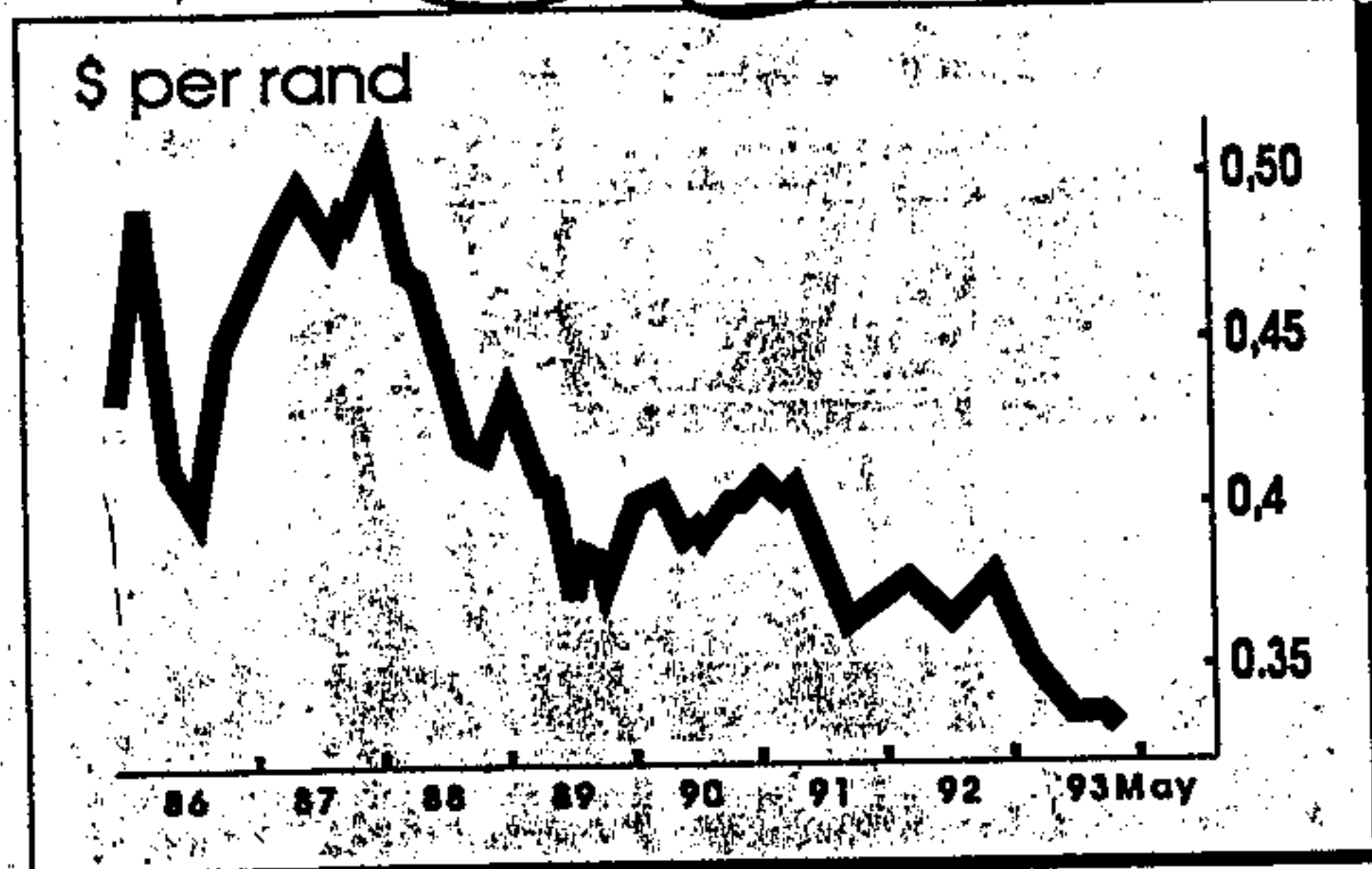
Economists warn that investors should be cautious about expecting a further drop in the rand to boost the local gold price.

There are a number of developments, they say, that could lead to the slide in the rand against the dollar being reversed. One is that the huge outflow of funds on capital account (which depressed the rand's exchange rate in June) is expected to slow down significantly from the end of this month.

Exports

A second reason is that the higher precious metal prices overseas, together with the effects of the rand's devaluation on other exports, should soon lead to an improvement in export earnings and also in the balance of payments.

In a statement accompanying the latest foreign exchange reserve figures, the Governor of the Reserve Bank, Dr Chris Stals, indicated that much of



the latest drop was the result of foreign debt repayments falling due in June. But he indicated that while there will be more significant debt repayments this month, repayments for the rest of the year will be small.

Dr Azar Jammie of Econometrix, commenting on Dr Stals's statement, says it seems that much of this year's \$1,5 billion foreign debt repayment has already taken place or is taking place right now.

"The implication is that from August onwards the level of gold and foreign exchange reserves should begin to rise and could rise appreciably, especially in view of the tailing off of food imports and the higher gold price," he says.

The higher gold and platinum prices could make a significant contribution to South Africa's balance of payments. Gold exports should be bringing in \$100 million a month more than at the beginning of the year and platinum an additional \$130 million a month.

In addition, some of the stimulatory effects of the slide in the rand in the past year on other exports should soon start coming through.

This overall improvement in exports can be expected in spite of the continued world-wide recession. And one result of the better trade figures is likely to be a firmer rand.

It is this possibility that is believed to be taking some of the steam out of the domestic gold share market and the futures market.

The reserves need not show a marked improvement before the rand's exchange rate could firm.

Leads and lags

Because the rand has been falling quite fast against the dollar, it is suspected that many South African importers have been expediting payments before any further weakening takes place. Conversely, many exporters are believed to be delaying foreign payments for as long as possible in order to get the lower exchange rate.

But any sign that the rand might firm could lead a reversal of these leads and lags resulting in the rand rising strongly.

This could completely change the situation for speculators in gold shares. It might even lead to their changing from being bulls to bears.

Nigerian pair on trade mission

JOHN DLUDLU

THE political crisis in Nigeria was the main obstacle to trade between SA and Nigerian companies, two visiting Nigerian lawyers said at the weekend.

Ademola Akinrele, managing partner in legal firm O Akinrele, said the Nigerian private sector was keen to do business with SA. "The problem is that the official government policy of not dealing with SA has not changed. But the private sector attitude towards SA is very positive."

Akinrele and his colleague, Oluwatoyin Olashoju, who is a tax specialist, were in the country on what they called a "credibility building mission".

Akinrele said they had found SA business keen to trade, but they were "naturally cautious" about the political situation in Nigeria because of recent events.

The two lawyers are involved in networking commercial law firms through-

out Africa to facilitate trade links, and have made contacts with a Johannesburg company.

Olashoju said the Nigerian manufacturing sector, which was still at an embryonic stage, was a potential area of interest for SA exporters. "SA can reap rewards through its advanced technology, while we can provide raw materials."

The transport and agricultural sectors were also potential areas of investment by local suppliers.

Meanwhile, another networking organisation, Lex Africa, said it was making progress in linking law firms throughout the continent. The aim was to provide clients in member countries with legal and business advice on expanding Africa-based business.

An official, Sean Larkan, said Lex Africa was involved in swapping professionals from member countries, which included SA, Namibia, Lesotho. Bo-

swana and Kenya. It had good links with non-member countries such as Madagascar, Malawi, Zaire and Angola. (74)

□ Sapa reports that South and East Africa's trade and investment promotion body is progressing in its efforts to enhance trade liberalisation programmes and boost foreign investment.

A report on the rules of origin commissioned by the 19-nation Preferential Trade Area for eastern and southern African states was finalising technical details, a Preferential Trade Area official said in Bulawayo.

GATT gives SA trade (74) CT 20/7/93 reform breather

From GRETA STEYN

JOHANNESBURG. — GATT has given SA a breather on trade reform by allowing a delay in the scrapping of import surcharges after being told SA faced serious balance of payments (BoP) problems.

Finance director-general Gerhard Croeser said in an interview yesterday that he had put SA's case at a meeting of the GATT BoP committee in Geneva this month. The committee had placed no obligation on SA to phase out the surcharges for the time being and had given SA until mid-1994 to report back on the feasibility of abolition.

It is understood that the IMF helped sway the GATT committee by throwing its weight behind SA's request for lenience. The fund, which usually takes a hard line on trade interventions such as surcharges, is understood to have noted that SA faced a problem in generating enough foreign exchange to repay huge foreign debts without depressing economic activity too much.

Balance

The IMF agreed with SA's argument that managing the foreign exchange reserves would require a delicate balance of all available policy instruments — including import surcharges.

Croeser told the GATT committee that the BoP problems, which led in 1988 to the imposition of surcharges on goods bound under GATT rules, were not yet over. Not only were SA's foreign exchange reserves seriously depleted but SA faced a possible net capital outflow of R5bn this year and another difficult year in 1994.

● Revenue raised from the surcharges amounted to R1,5bn in the 1992/93 fiscal year and the income from goods bound under GATT was R435m.

BoP difficulties acknowledged

GATT eases terms for SA trade reform

BiDay 20/7/93

74 ~~14~~

GRETA STEYN

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Croeser told the GATT committee that the BoP problems, which led in 1988 to the imposition of surcharges on goods bound under GATT rules, were not yet over. SA's foreign exchange reserves had recently been depleted by factors ranging from the drought to the adverse effect of political uncertainty on capital movements.

SA faced a possible net capital outflow of R5bn this year and another difficult year in 1994. Repayment of debt in the absence of any significant capital inflow would con-

tinue to represent "a particularly harsh BoP constraint". Of the debt in the standstill net falling due, about R2bn would have to be repaid in 1994 alone.

"The process of political transition and constitutional negotiations entails a regrettable degree of instability which, together with the occurrence of violence and very high unemployment, creates uncertainty that enhances the risk of capital outflows and delays the normalisation of the country's international financial relations, which is a prerequisite for new foreign loans," he said.

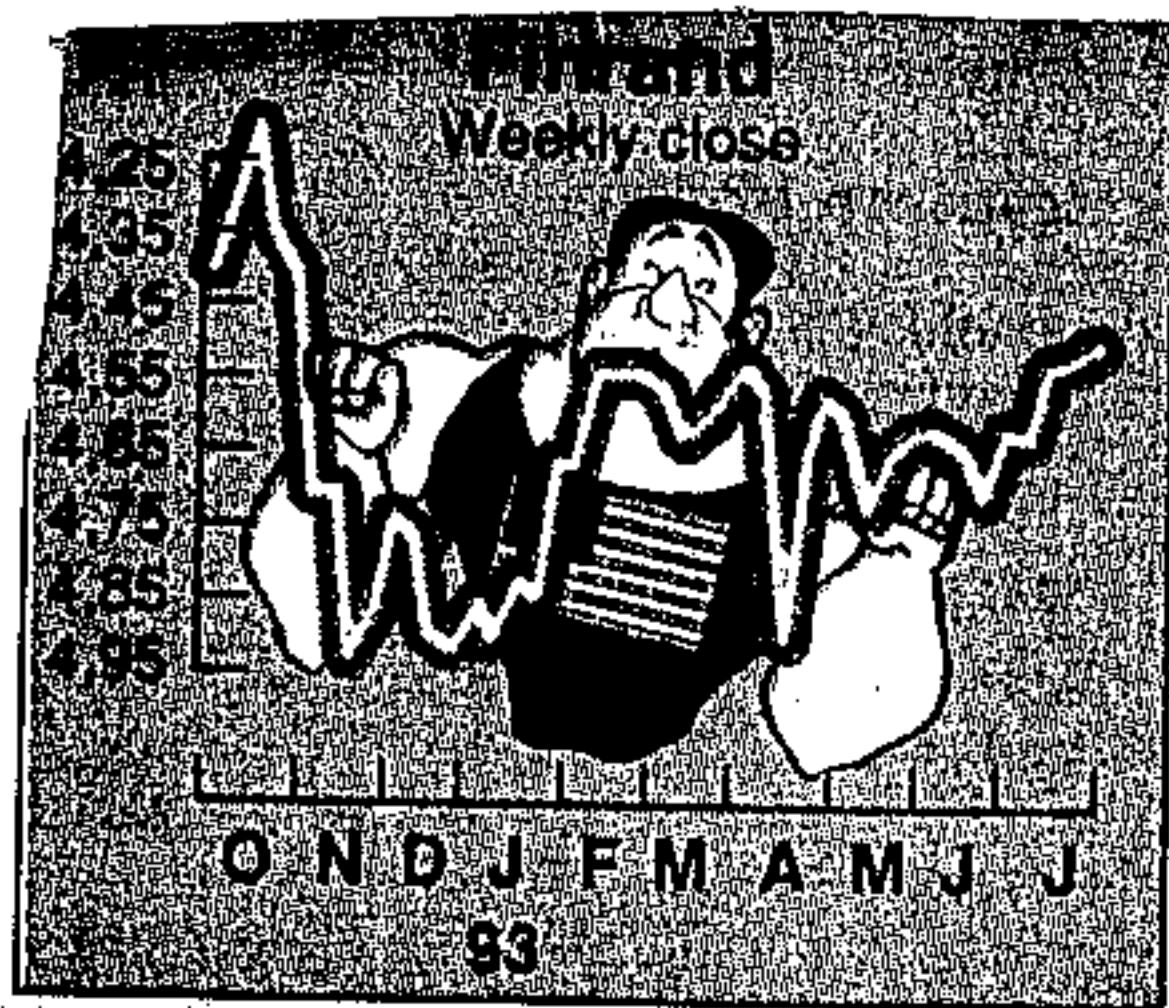
He added that an economic upswing that led to an early rise in imports would add to the vulnerability of the BoP.

Croeser, while acknowledging the need for economic restructuring, noted it was of "crucial importance" that it was done on a consensus basis.

The general provisions of GATT allow exemptions for countries in the grips of BoP crises.

Three factors relating to SA's surcharge concerned GATT: it is levied on some items bound under GATT rules; it has lasted longer than originally envisaged; and is charged at differential rates. But Croeser argued for the retention of the status quo for the time being in all three respects. He noted, however, that SA had often committed itself to the eventual abolition of the surcharges that range from 5% (on intermediary goods) to 40% (on luxury goods).

Revenue raised from the surcharges amounted to R1,5bn in the 1992/93 fiscal year and the income from goods bound under GATT was R435m.



Graphic: LEE EMERTON Source: I-NET

Finrand pushed to nine-month high

TIM MARSLAND

THE financial rand continued to gain strength yesterday to end at R4,5100 to the dollar from a previous R4,5150 after toying with nine-month highs earlier in the day.

Dealers said offshore buying of gilts was behind the strength of the unit.

However, one dealer said it was still unclear whether any finrand sales by local firms wishing to invest offshore remained in the pipeline.

In the past, local firms wishing to invest offshore had to purchase foreign currency through the finrand, effectively creating new units which increased the available pool of finrands.

If this source had dried up, the dealer

To Page 2

Finrand

BiDay 22/7/93

From Page 1

said, the finrand would improve to around R4,30 this year. (-14)

This would help narrow the discount between the financial and commercial rands — a key step towards scrapping the unit. The discount was at 26% yesterday.

He said the current spate of foreign investment could be just the frontrunner of larger, more significant amounts.

If the gold price held at levels around \$400, this would also help encourage buying. He said the buying of SA gold shares by US fund managers had initially sparked off the finrand rally, breaking the unit out of the R4,60/R4,70 range it had languished in since early in the year.

Unfavourable political developments could also tie down the unit, he said.

Declining rand soaks up oil price benefits

Monday 22/7/93

EDWARD WEST

THE effect of lower international oil prices on local fuel prices was being offset by the declining rand/dollar exchange rate, a National Energy Council (NEC) spokesman said yesterday.

International oil prices have fallen since March. Yesterday the forward Brent crude spot price was quoted at \$16,60 a barrel for September and \$16,76 for October compared with \$18,82 a barrel on March 1 for April and \$18,88 for May.

The NEC attributed declining oil prices to Iraq's possible readmittance to the oil market, Opec countries producing above quota and Kuwait's production facilities coming back on stream after being destroyed during the Gulf war.

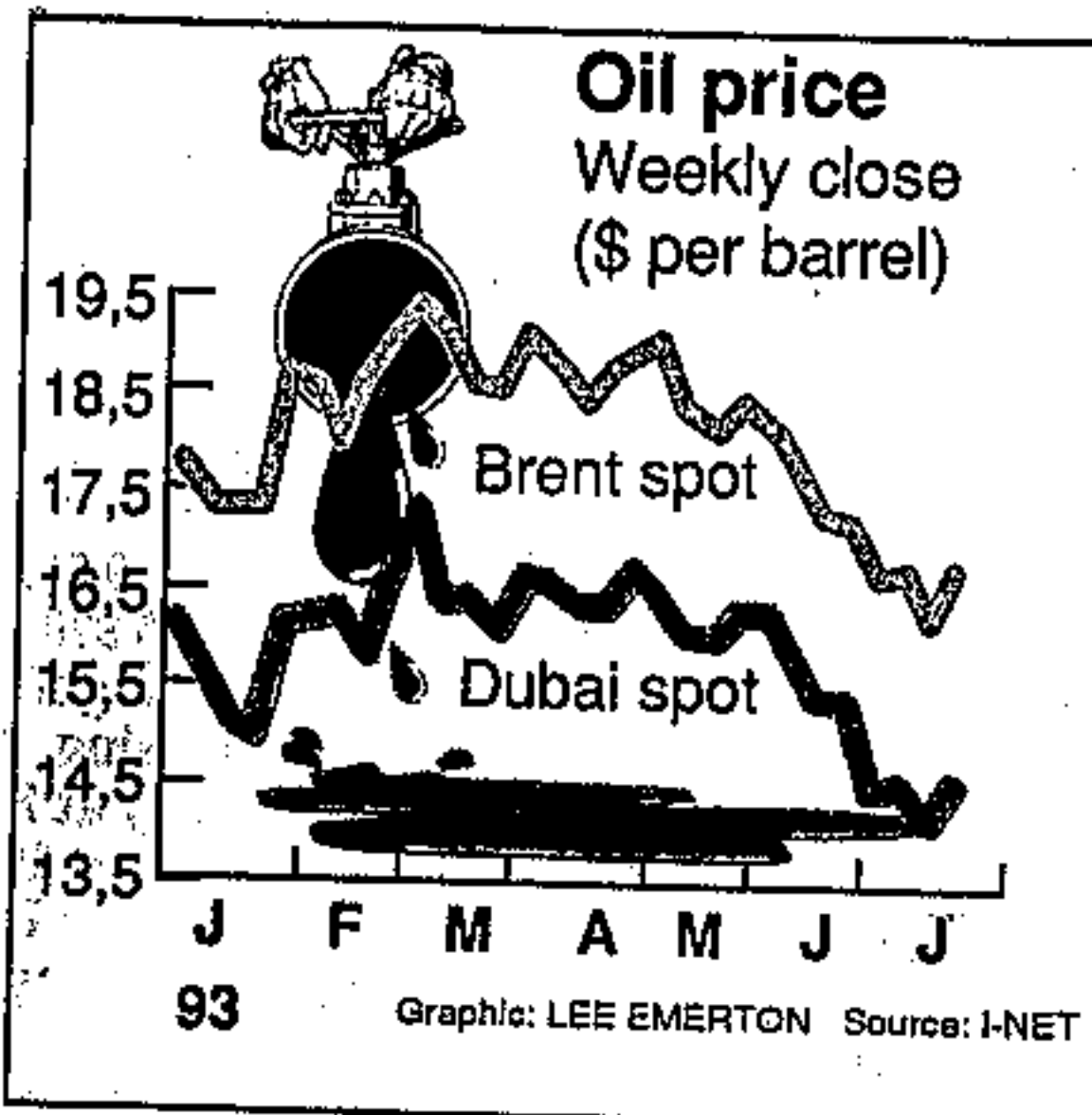
SA crude oil import prices were based on the prices of refined product postings at Bahrain and Singapore refineries.

The NEC said there were leads and lags between these postings and international oil price movements.

Furthermore, the declining value of the rand against the dollar was working against benefits accruing from lower international oil prices, the NEC said.

Sanlam economics spokesman Eric Coetzee said estimates in trade statistics showed SA bought less crude oil — at lower prices — in the first six months of 1993 compared with the same period in 1992.

Sanlam estimates showed SA imported 44,16-million litres of oil in the first six months of 1993 at an average price of



\$18,67 a barrel compared with 49,16-million litres bought in the first six months of 1992 at \$18,97 a barrel.

Mineral and Energy Affairs Minister George Bartlett recently warned of a fuel price increase due to the depletion of the fuel equalisation fund.

The NEC said yesterday lower international fuel prices, which eventually would reduce the local fuel underrecovery and strengthen the equalisation fund, had not yet offset currency depreciation.

SA motorists were estimated to have paid between 5,5c/l and 6,5c/l too little during June for petrol compared with 3,8c/l in April, 8,5c/l in March and between 6c/l and 10c/l over the previous six months. The last time petrol was sold above cost in SA was in March 1992.

(74)

higher than in the first six months of 1992. The figure mirrors better than expected CSO sales, which were 42% higher in the first half of the year than in the same period in 1992. These higher sales figures followed supply problems at non-CSO sources — Angola and Russia. As a result, demand was met by mines in southern Africa, notably from Debswana and the newly opened Venetia mine.

The increase may also be a result of the change in the way diamonds are sold to local sight-holders (local users of diamonds). Stocks are now all exported and re-routed through London. Says Frankel Pollak Vinderine analyst Kevin Kartun: "Local sight-holders used to buy only from SA production. But they complained they were not getting a wide enough selection of stones."

It's difficult to predict performance for the full year on the basis of first-half figures. Diamond transfers have traditionally been larger in the first half of any year. And supplies from Angola and Russia are likely to increase for the rest of the year, say analysts.

An improvement also came in the unclassified category — largely precious metals — to R7,1bn in the second quarter from R6,7bn in the first quarter. However, at 6%, this move was not as dramatic as the 11,8% rand gold price rise in the period. This implies that gold mines had sold a large proportion of

(cont'd)

FOREIGN TRADE

FM 23/7/93

Strong quarter

(74)

Exports in the trade category, gems and precious stones, almost doubled in the second quarter to R3,1bn, from R1,6bn in the first. This is made up almost entirely of diamond stocks transferred by southern African mines to De Beers' Central Selling Organisation (CSO).

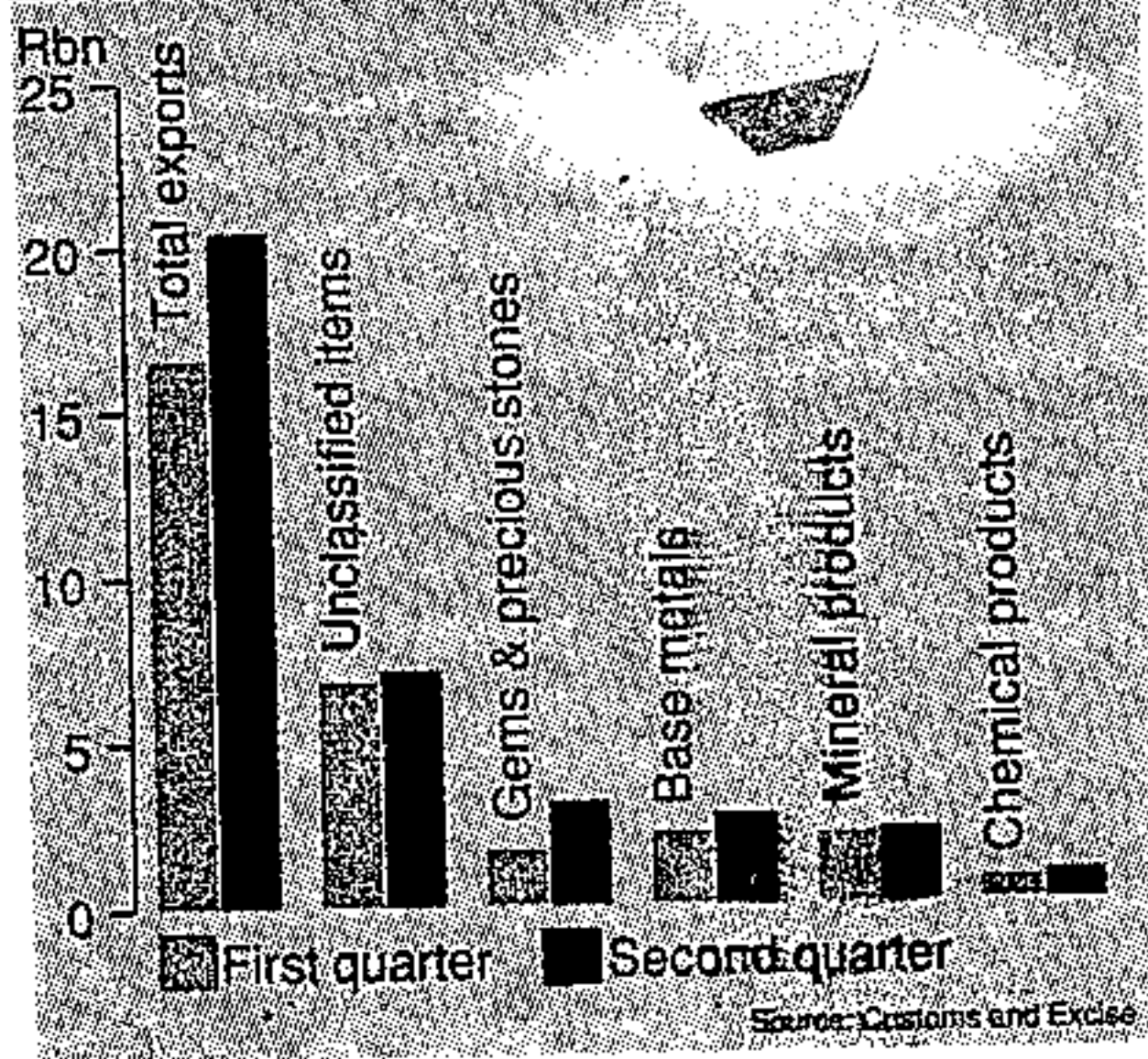
In the first six months, the cumulative figure for the category was R4,8bn — 40,2%

ECONOMY & FINANCE

FM 23/7/93

(74)

Getting back the sparkle
First quarter exports vs second quarter exports



R2,9bn, at the end of the first quarter, to R9,4bn.

Imports were slightly higher in the second quarter than in the first — R14bn compared with R13,6bn. The cumulative total for the year to June was 14,4% higher than in the first six months of 1992.

The strongest growth in the second quarter has been in the categories for high value-added goods, which are affected by currency depreciation, such as:

- Machinery, at R4,3bn against R3,8bn in the first quarter;
- Vehicles and transport equipment, R2,1bn from R1,7bn; and
- Optical and photographic equipment, R641m from R580m.

However the unclassified category, which includes oil, seems to have benefited from lower oil prices (see page 34). Imports dipped from R1,6bn in the first quarter to R1bn in the second.

their output forward, before the second quarter price rise.

Exports totalled R20,4bn in the second quarter compared with R16,5bn in the first. Exports for the year, at R37bn, were 11,5% higher than in the first half of last year, whereas, in the first quarter, they were only 0,4% higher.

And the cumulative surplus for the year has grown more than three times from

Awakening the Chinese dragon

74

FM
23/7/93.

Shaul Eisenberg is a billionaire Israeli businessman in SA to promote a major trade fair being organised in Beijing next March by Times Media Exhibitions. He spoke to the FM's Roy Isacowitz

For a man who has made a fortune in areas of political and economic turmoil, Shaul Eisenberg is an unlikely believer in stability. "For any country to succeed, it must have a stable government," he says, adding that's as true of China, where he has investments worth billions of dollars, as it is of SA today.

Eisenberg's doctrine of stability is perhaps not as unlikely as it seems. True, he is involved in Kazakhstan, Tajikistan and other fractious fragments of the former Soviet Union, where investment is not for the faint-hearted. But he is also a veteran of Japan, Korea and Taiwan — icons of economic stability if not exactly islands of liberty.

If his name doesn't immediately come to mind in that context, it's because he has gone about his business quietly. A self-acknowledged media-phobe (he rarely grants interviews), Eisenberg is little known to the world at large. Yet his activities and his personal wealth belie his modest reputation. Earlier this year, *Fortune* magazine included him for the first time in its list of billionaires, estimating his holdings in public companies at US\$1,3bn. *Forbes* magazine put his personal wealth at around \$2bn.

Eisenberg himself prefers not to take sides. "No-one knows how much he is worth," he chuckles.

A refugee from Hitler's Germany in the Thirties, the young Eisenberg made his way to Shanghai and then, right after the war, to Japan. It was there that he made his first million, selling war scrap in the Forties. His activities have been credited with helping Japan to recover after the war.

In the early Fifties, he expanded into South Korea. There, too, the activities of his company, United Development Inc (UDI),

were credited with assisting the modernisation and growth of the South Korean economy — a contribution for which he received a decoration from the Korean government. His companies were once the largest independent land owners on the peninsula.

Korea was followed by Taiwan, the Philippines, Vietnam and, ultimately, China. Eisenberg is by now an old China hand, having begun investing there in 1978.

And as befits the largest non-Chinese investor on the mainland, he is well-connected. As we speak, his ubiquitous secretary slips a small, red photo album into his hand. In it is a picture of himself with Jiang Zemin, the real power in China now that Deng Xiaoping has virtually disappeared from view, as well as with the Minister of Agriculture and the Deputy Minister of Economic Development — a trove of "yiches" as his Austro-Jewish mother might have said.

Along with its wide geographic distribution, the Eisenberg group incorporates a di-

ship between SA and China can be important for both — and for our company."

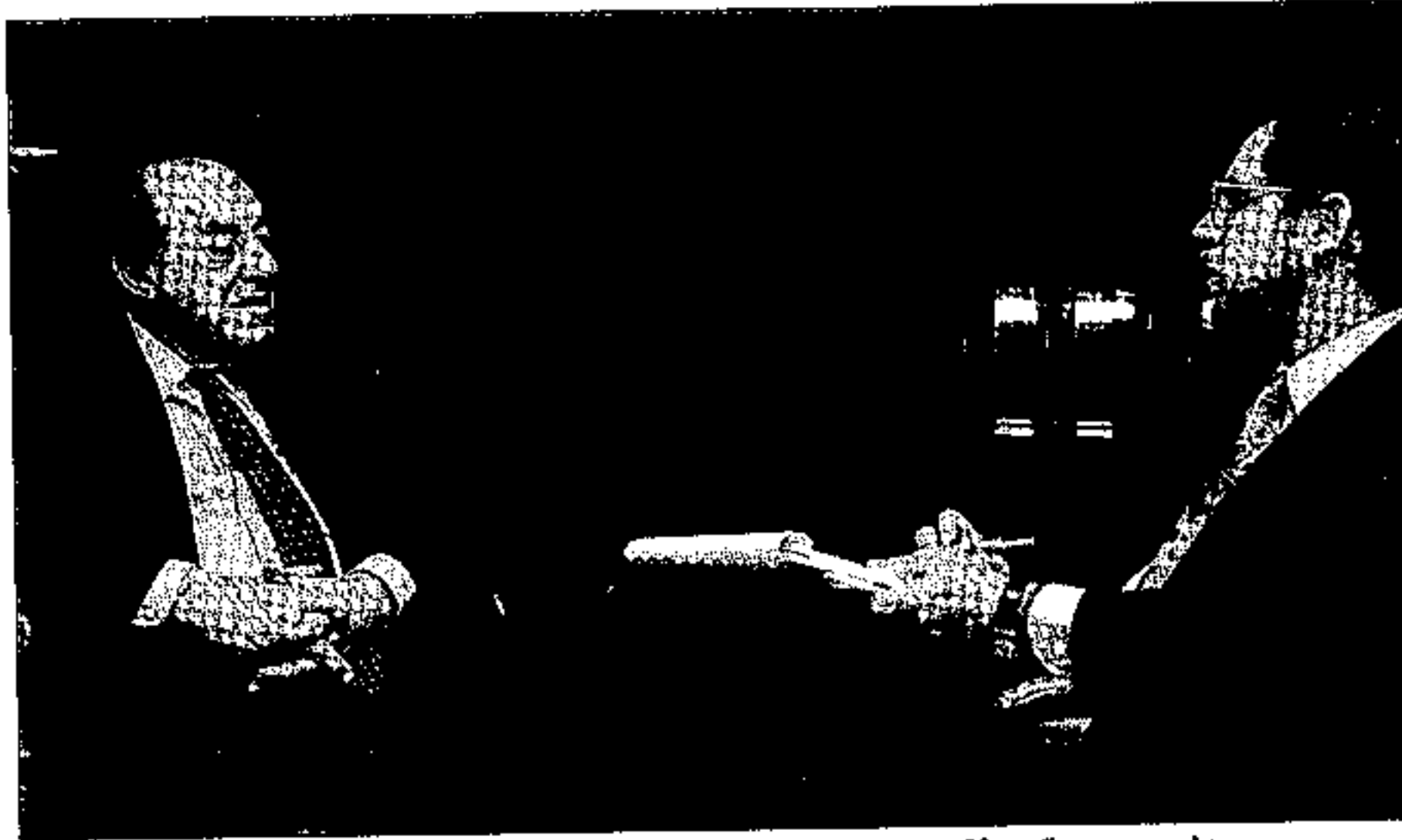
When Eisenberg talks of "our company," he is not only talking about UDI, his main vehicle in China. He is also talking about his SA operations, Sukhulu, in which he bought a stake in 1990, and the listed KNJ group, in which he is currently acquiring a stake. KNJ executive chairman Lou Ichikowitz is hoping local companies will use the group as "a conduit to the Eisenberg empire in China and around the world."

That emphasis on business, rather than politics, is the message that Eisenberg brings to SA. His criticism is mildly expressed but clear. Chinese law strongly protects foreign investment; the same cannot be said for SA. China has gone to extreme measures — including Tiananmen Square — to ensure stability; SA has a government in transition and no decisions are being made. While he doesn't agree with what was done at Tiananmen Square, he believes it was "the price of stability."

He compares the poverty and the violence of Shanghai in 1940 with the China he saw when he returned to the mainland in 1978 and concludes that the country has come a long way. Now an Eisenberg float glass plant is being listed on the Shanghai stock exchange, something he "never believed possible," he says. "I wondered how communists and capitalists could work together and now I know: All want to make a profit."

For local companies, China offers vast potential markets, especially for raw materials, fertilisers, mining know-how and construction. Even consumer goods could make inroads. But there are certain things businessmen should know about doing business with China. For one thing, they will have to give credit — "the whole world gives China credit." Another suggestion is for them to embark on joint ventures. The Eisenberg empire signed \$2bn in joint venture deals in China last year.

The Chinese are the world's largest builders of infrastructure, such as roads and telecommunications networks. Those are areas in which local companies are strong, but they will have to supplement their know-how with financing and with respect for the Chinese way of life. Getting to know the Chinese will be worthwhile, Eisenberg predicts. By the end of the decade, China is likely to be one of the strongest economies in the world.



Eisenberg ... talking to the FM's Isacowitz

versity of activities, from shipping to oil refining, pharmaceuticals, telecommunications and bio-medicine. It even publishes Disney comics in China.

It is China that brought Eisenberg to SA. Next March, 250 SA companies will have the opportunity of exhibiting their wares and expertise to thousands of Chinese decision-makers in Beijing. Eisenberg was in Johannesburg to launch the exhibition.

The show, known as Sacex, is being organised by Times Media Exhibitions. But why would a man as busy as he is fly all the way to SA to launch a project with which he is not even connected? The reply: "I believe friend-

Screw turns on SA trade

SI Times [Buss] 25/1/93

THE General Agreement on Tariffs and Trade, the world's most powerful trade authority, has put the screws on South Africa, exacting a tough new programme of tariff reform.

SA's trading partners rejected its proposed tariff reforms in the June Gatt talks in Switzerland. The offer was hurriedly revised and increased.

The original offer included only 40% of tariff "headings", or import categories, but the new one binds 99% of industrial headings.

Although the earlier proposal envisaged reducing duties by an average 23% over five years, the new offer suggests up to 33%.

Import quotas would be phased out and variable rate formula duties scrapped. Tariffs in some sectors would be slashed by more than half, but many would be unchanged.

"Our previous offer was timid," says Seifsa trade expert Michael McDonald. "This is a much simpler

By CIARAN RYAN

package, but it will be tough for certain industries."

The Government is putting a brave face on the new deal, claiming the lower tariffs demanded by Gatt will improve competitiveness and ensure exporters access to markets.

SA's tariff system would be simpler under the new offer, reducing the number of industrial headings from 10 400 to about 4 000.

Bound by Gatt, the Government would not be able to lift these duties.

Motors would become SA's most protected industry in terms of the revised offer, due to be presented to Gatt in August.

Imported vehicles would be bound to maximum duties of 60% by 1999 — twice the level of the next most-protected item. (14)

The current duty on motor vehicles is 100% plus 15% surcharge. (44)

Most tariff headings would be bound to maximums of between

15% and 20%, to be phased in over five years from 1995.

Under the revised offer, most iron and steel headings would be bound to tariffs of between 5% and 15%, replacing formula duties which raise the price of imports to above the domestic price, no matter how cheaply they are landed. Tariffs of 30% would apply to galvanised steel, now protected by formula duties deemed illegal by Gatt.

Duties of 30% would apply to clothing, well above tariffs in other countries.

Tariffs on hi-fi equipment, currently up to 100%, would fall to between 15% and 20%.

Gatt highlights the impact of import surcharges on prices, saying: "There is significant tariff escalation in SA. The weighted tariff for primary products in 1990 was 2.5% while for manufacturers the rate was 26.9%."

Including the surcharge over 25% of the value added in the manufacturing sector receives effective protection of more than 50%, says Gatt.

Business to benefit from African nod

Sowetan 20/7/93

■ **TRADE LINKS** South Africa on verge

of being accepted by the continent:

By Mzimkulu Malunga

AS SOUTH AFRICA stands on the threshold of being accepted back into the community of African nations, business looks to be one of the main beneficiaries.

Numerous conferences are being held in this country to inform local business about opportunities on the continent.

Indications are that since February 2 1990 some South African businessmen are learning quickly how business is done in Africa.

Despite the fact that South Africa is not a member of institutions like the Southern African Development Community, the African Development Bank and other relevant economic groupings in Africa, individual businessmen have been making contacts with their counterparts on the rest of the continent.

Additional to regular trips made by officials of the SADC and the Preferential Trade Area, the president of ADB made a low key visit to this country last year.

Officially, these organisations are waiting for a go ahead from the Organisation of African Unity, but individual and company deals are being struck under the table and South Africa's trade volumes with the continent are also increasing.

Increased trade

The South African Foreign Trade Organisation's senior manager for Africa, Mr Paul Runge, says trade with Africa increased By R1 billion last year on the 1991 figure.

What he terms "invisible commerce" has been taking place between local companies and Africa's private sector. Addressing a conference in Johan-

Early in September, the biggest business exhibition ever to be held on the African continent, The African Initiative, will take place at Nasrec in Johannesburg

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nesburg early this month, the president of Eastern and Southern African Trade and Development Bank, commonly known as the PTA Bank, Mr Martin Ogang, recognised the fact that they have a lot of transactions between South African business people and those in the PTA region.

He even said the bank had no problem in financing joint venture projects in which South African companies were involved.

Early in September, the biggest business exhibition ever to be held on the African continent, the African Initiative, will take place at Nasrec in Johannesburg.

High-powered delegations from Egypt, Nigeria, Cote d'Ivoire, Kenya, Zimbabwe and Mozambique will be present.

The exhibition will run concurrently with numerous conferences on business opportunities in Africa. One of the highlights of these conferences will be a symposium on business opportunities in war battered Mozambique as it stumbles back to tranquillity.

Senior Mozambican government officials will be there to market their country to South African business.

Indian Ocean Rim trade ^{CT29/7/93} bloc mooted ₍₇₄₎

Own Correspondent

JOHANNESBURG. — The formation of the Indian Ocean Rim trade bloc, potentially the largest market in the world, has been mooted by SA and Indian trade officials.

The Department of Trade and Industry (DTI) said the possible systematic development of an economic cooperation agreement between countries in the Indian Ocean region, which could develop into an Indian Ocean Rim trading bloc, was mooted during a recent visit to India by DTI officials.

The agreement was first broached between SA and Indian officials more than a year ago. There was widespread interest in India and potential member countries in the region which did not belong to any of the world's major trading blocs, the DTI said.

SA still had to attend to the technical implications of a possible regional economic arrangement.

Indian trade officials said the possible trade bloc could comprise SA, Mozambique, Madagascar, Reunion Islands, Comores, Mauritius, Seychelles, India, Maldives and Sri Lanka, it was reported in India.

With a total trade turnover of more than \$250bn and a population of 1,4bn, the Indian Ocean Rim trade bloc would be the largest market in the world.

India still maintained trade sanctions against SA, but during a visit to India in May DTI director-general Stef Naude predicted a quick lifting of sanctions depending on political developments.

Taiwan to fund training centre

Star 218/93

By Esther Waugh
Political Correspondent

TAIPEI — The Republic of China (Taiwan) government has agreed in principle to fund a R33 million vocational training centre in South Africa once an interim government of national unity is established. (74)

In a joint statement issued last night, the Taiwanese Department of Foreign Affairs spokesman, Ouyang Jui-hsiung, and ANC director of publicity and information Dr Pallo Jordan denied reports that the ANC had asked the Taiwanese government for R33 million.

However, the statement said ANC president Nelson Mandela had requested the government, after a visit on Saturday to a vocational training centre in Taichung, to donate a similar centre and to train its personnel.

Mandela also said yesterday that the first visit by an ANC delegation to Taiwan had laid a firm basis for developing closer relations.

The ANC president was clarifying the status of future relations between an

ANC government and Taiwan after a furore had erupted at the weekend in the Taiwanese press over remarks he had made on his arrival on Friday.

His remarks were carried as lead articles and one newspaper published a cartoon suggesting the ANC was "freeloading friends".

On his arrival, Mandela explained that a new South African government would be a member of the United Nations and the Organisation of African Unity, which did not recognise Taiwan.

But, if the ANC had a contribution to make in solving the matter, it would do so.

He said an ANC-led government would review South Africa's international relations, but the country's foreign policy would be dictated by its national interests.

Asked whether his hosts had contributed to the ANC's election campaign, Mandela said: "We have found a readiness to assist which has made the mission successful from all aspects."

● African treat for Taipei admirers — Page 3

Safex volumes surge with gold

Monday 3/8/93

TIM MARSLAND

VOLUMES surged on the SA Futures Exchange (Safex) in July to almost 500 000 futures and options contracts owing to extensive hedging activity related to the volatile gold price.

Yesterday's Safex figures show July's turnover of futures and options contracts was up significantly on June's 480 000. Turnover in options for the first time nearly matched that in futures. Options were first traded on Safex in October last year.

Open interest (sum of all short or long positions cleared by Safex) also hit a record, with a total of 280 000 contracts. But the options component dwarfed futures at about 200 000 to 80 000.

Safex CE Stuart Rees said the surging volume was largely the result of gold volatility and the resultant strong showing of equities.

"It seems as though when the JSE catches fire, we have an inferno here," he said.

Private investors were largely absent from the market, he said.

"The absence of private investors is disappointing. Most of the current activity comes from professional players."

Rees said much of July's turnover was concentrated in the March 1994 all share contract. He said this was due to Transnet's equity-linked fixed interest instrument, which was due for expiry at the same time.

SA invited ⁷⁴ to Uganda trade fair

JOHANNESBURG. — South Africa has received its first invitation to participate in Uganda's annual International Trade Fair to be held in Kampala from October 29 to November 9.

The invitation was received by South African Foreign Trade Organisation.

Ann Mathews, Safto marketing executive, said: "We see it as great potential as all the Preferential Trade Area (PTA) countries will be there."

The fair coincides with the PTA summit conference with heads of states and governments and PTA business leaders also in Kampala for the duration of the show.

Almost 200 000 visitors are expected to view exhibits drawn from the agriculture, manufacturing and service industries.

South African exhibitors, who must sign up by mid-August, may qualify for the Department of Trade and Industry's export marketing assistance incentive scheme, which provides financial assistance up to R15 000 per exhibitor. — Sapa

Heavens, they think SA is fully developed

Star 6/8/93

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With apartheid now wiped off the political agenda, South Africa has begun the search for overseas economic assistance. The hunt has revealed hurdles which had not occurred to this country, reports MICHAEL CHESTER.

CONFIRMATION that Japan is prepared to plough more than R1.2 billion in loans and grants into South Africa over the next five years — primarily aimed at breaking the syndrome of poverty in most black communities — has kindled renewed optimism about the socio-economic outlook. It has also forced South Africa to begin the search for new foundations on which to plan its economic future in global terms.

Japan is by no means alone in dangling the chance of financial assistance to remedy the damage caused by apartheid and provide South Africa with springboards into a new, democratic era. But the offer from Japan brings into focus the dilemma of technical hurdles to South Africa's access to overseas assistance in trade and direct aid packages.

The rub is that in most world forums South Africa is classified as a "developed nation" in the company of all the leading global economies — an overhang of the schism between First World and Third World sectors of society that has little regard for the huge gaps in black/white living standards. As such, it is not entitled to any special privileges normally extended to poorer countries by such powerful bodies as the Organisation for Economic Co-operation and Development (OECD) and the General Agreement on Tariffs and Trade (GATT), the world policemen who between them shape international trade pacts and government-to-government loan agreements. South Africa now wants to change its status to join scores

of other weaker economies that enjoy important benefits under the classification of "developing nations".

This would give South Africa the chance to try to join the majority of its sub-Saharan African neighbours in the club of poorer economies under the Lomé Convention, which would bring an assortment of benefits for trade with the vast European Community.

The change in status is strongly favoured by both Finance Minister Derek Keys and SA Reserve Bank Governor Dr Chris Stals.

However, reclassification requires international agreement and was found to be knottier than expected when Stef Naude, director-general of the Department of Trade and Industry, broached the idea at recent discussions with Gatt in Switzerland.

The pockets of opposition came as no surprise to the SA Chamber of Business.

Says Sabob foreign trade executive Bess Robertson: "We are (likely) to run into difficulties caused by a number of overseas trade rivals that can be expected to oppose any moves that promise special benefits to South Africa in world trade."

"Reclassification is hardly likely to be welcomed by such countries as Australia, Canada and New Zealand, strong competitors in several sectors, including agricultural produce, raw materials and manufactured goods.

"Sanctions and boycotts allowed them to jump into lots of export markets when South Africa was locked out, and they want to keep their footholds."

One obstacle they could put in the way is the World Bank



Ambassador Sezaki... Japan is already planning to lobby support inside the OECD to reclassify South Africa as a "developing nation".

rule book, which brackets all countries with a gross domestic product per capita of more than \$2,500 a year as "developed nations".

That includes South Africa, thanks to the affluence of its First World sector, even though it may be a minority.

"South Africa must lay heavy stress on the dramatic size of the layer of poverty that must be tackled," says Robertson.

"We face enormous challenges with socio-economic upliftment programmes. And we need help.

"The best option would be to plead the case with the outside world that the current situation in South Africa deserves special consideration.

"Even if Gatt is unwilling to alter our status from 'developed' to 'developing' on a permanent basis, it could at least slacken the rules and agree to regard South Africa as 'an economy in transition' with temporary concessions."

Naude remains optimistic about an ultimate solution.

"In terms of existing criteria, South Africa should experience little difficulty with reclassification of its economic status.

"These include aspects such as population growth, life expectancy, infant mortality and literacy.

"SA also has many trading characteristics of a developing country, especially its heavy dependence on the export of primary commodities.

"New trading blocs are being formed in the Americas and elsewhere, while in Europe a single market is already a reality. Reclassification as a developing country could assist South Africa in obtaining access to those markets on a preferential basis. This would assist economic growth and release similar concessions to its developing trading partners."

While Gatt mulls over trade issues, Japanese ambassador Katsumi Sezaki believes the OECD holds the key to South African access to inter-government overseas aid packages.

He has revealed that Japan is already planning to lobby support inside the OECD to reclassify South Africa as a "developing nation", or, as an alternative, "in economic transition".

so that loans and grants can start to flow.

Sezaki said Japan would hold a special conference in Tokyo in October to discuss a new five-year programme of aid packages for sub-Saharan Africa from its huge Official Development Assistance Fund.

If, as assumed, the proposed transitional executive council has been launched by then, clearing the political decks, a formal invitation will be extended to South Africa to join the talks and to widen discussions to embrace regional development affairs.

Among the issues that could be explored is the possibility of tripartite aid packages in which Japanese development assistance could involve South Africa in partnerships with neighbours on the subcontinent.

While Japan awaits the green light on direct aid proposals, Sezaki pointed out, it is already exploring new trade links and joint industrial ventures with South Africa.

Japan's powerful Ministry of International Trade and Industry had opened an agency office in Johannesburg to examine investment opportunities, increases in two-way trade and exchanges of high-technology know-how. The Japanese Chamber of Commerce and Industry has also created a base here.

In addition, Tokyo is anxious to assist South Africa with the establishment of special industrial training centres aimed at filling skilled labour shortages.

The bustle of activity is causing a wave of new optimism about closer links. It was Japan, with even worse head-aches than South Africa nurses at the moment, that in the '50s began a series of economic miracles that have multiplied among neighbours around the Pacific Rim and astonished the rest of the world.

Can the lessons inspire South Africa to try to emulate the exercise — the catalyst for similar economic miracles in down-at-heel Africa? □

ANC threat to Gatt offer

SI Times (Buss)

8/8/93

By CIARAN RYAN

SOUTH Africa's proposed tariff reform package has hit a last-minute snag.

ANC objections to the offer to cut tariffs in terms of the General Agreement on Tariffs and Trade (Gatt) Uruguay Round threaten to scupper the deal weeks ahead of the deadline.

Senior ANC officials are worried about the package's effect on jobs and the fact that the Government is making the offer in the absence of a coherent industrial policy.

In terms of the offer, 12 000 tariff headings would be reduced to about 1 000 and ceilings pegged at a maximum rate of 30% after a five-year phase-in.

An exception is the motor industry which would retain its most-protected status with a tariff ceiling of 60%.

Some ANC officials say the Government has no right to commit a future administration to an offer to Gatt which could limit its ability to implement an industrial policy.

ANC economics spokesman Tito Mboweni says the offer is onerous and premature. He implies that the ANC might block it.

But other ANC officials are more hopeful that an agreement will be reached.

One says: "The worst thing that could happen now is that there appears to be a clash among the various parties in SA."

The trade task force of the National Economic Forum (NEF) is trying to reach consensus ahead of the deadline.

ANC representative at the NEF Alan Hirsh says: "We are unclear what the consequences of extending the August 30 deadline are, but we would like more time to consider some of the issues. However, it appears that we may not have that much time. One area we would like to explore is Gatt's flexibility in terms of SA's status as an economy in transition."

Mr Hirsh says agreement may be reached on a broad industrial policy framework in the next few weeks. The ANC insists that tariff reform be linked to a coherent industrial policy. There is a feeling among some ANC members that the proposed GATT offer was unnecessarily severe and would have serious implications for employment.

Finance Minister Derek Keys and the Department of Trade and Industry are confident that the deadline will be met.

Mr Hirsh says: "There is no deadlock. We are not saying the offer is incorrect, but we are not convinced that it is totally correct. There needs to be a clear industrial policy before a commitment to tariff reform."

Deputy Director-General at the Department of Trade and Industry Gerrie Breyl says the offer may have to be revised "here and there" to reflect representations about the proposed offer.

"We are pushing hard to meet the August 30 deadline," he says.

The Independent Wire Converters Association has slammed the proposed tariff on wire rod.

Spokesman Robin Bosomworth says:

"They have grouped wire rod together with many other products and raised the tariff from 5% to 15%. This is how the steel cartel operates.

"It makes deals with the Government behind closed doors and then presents this package in the name of reform.

"If it goes through, this tariff will wipe out independent wire converters, leaving only the large steel companies. This trebling in the tariff is worth R200-million to R300-million in profits to steel companies."

Mr Breyl replies that the 15% tariff on wire rod is a maximum and the figure will probably be lower.

Other industrial sectors are thought to have lobbied for a relaxation of the proposed import tariffs. Another concern is that further delays will be caused by special pleading by affected industries.

Safto seeks a higher profile

SI Times (Buss)

By ZILLA EFRAT

THE South African Foreign Trade Organisation (Safto) celebrates its 30th anniversary this year with a major restructuring.

It hopes to improve its service to members and customers and to be better equipped to face the new challenges as SA returns to the international community.

Chief executive Len van Zyl says Safto, a non-profit organisation, had to maintain a low profile when marketing SA in the sanctions years.

Safto's new mission is to facilitate SA's return to world markets, often in a highly visible way, and to help entrepreneurs in international trading.

Mr van Zyl says: "During sanctions many world markets became dominated by our competitors, who are now fairly well entrenched."

"To recapture these lucrative markets the SA effort must be better streamlined and geared to a sharper marketing thrust."

After taking the helm at Safto last year, Mr van Zyl was not "comfortable" with its focus and structure.

He says that instead of dealing with exporters' specific needs, Safto's focus was on selling services and products it had evolved over the years to meet perceived needs.

"It was also possible for a member or client to receive calls from five different people in Safto in a week, each selling another divergent service," says Mr van Zyl.

"This concerned me. Safto had good products and committed and talented people, but it lacked a client service focus."

A customer service team has been formed to act as the main channel of communication between Safto and its 2 000 members. Each member will be

8/8/93
allocated an executive who will assess his needs and eliminate duplication.

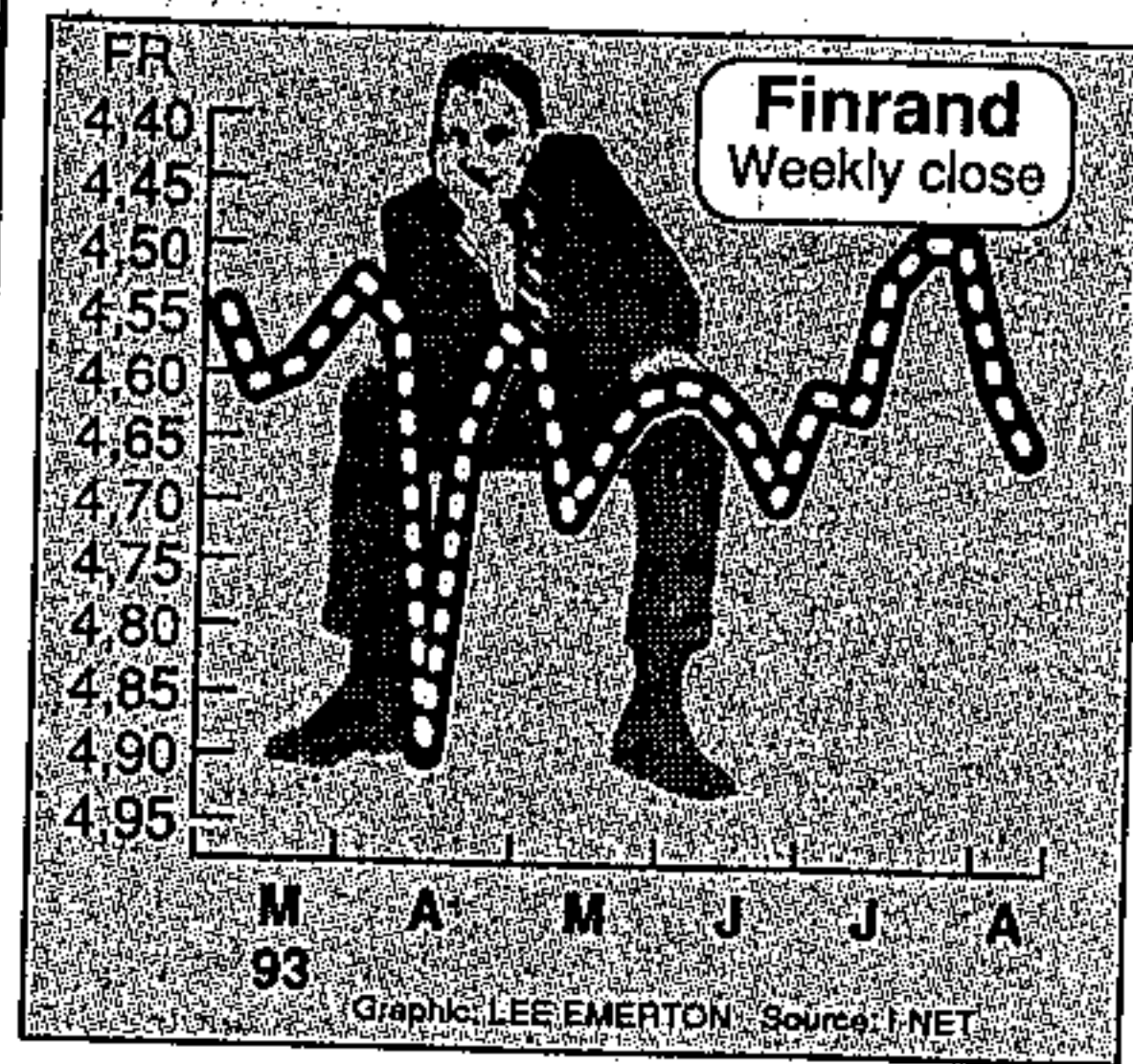
Products and services have also been redesigned and placed in departments which will support the customer service division. There are now only one sales department and one consolidated research unit.

Safto's membership has also been streamlined from 15 different categories, each with their own subscription rates and service variations, to five. This has been accompanied by a rationalised fee structure.

Each member will have access to a full range of products and services without having to take out membership of different divisions, "clubs" or consortiums, says Mr van Zyl.

To meet the need for export-related skills, Safto and international donor organisations will train black graduates.

The project involves a year of in-house training at Safto. There are four trainees, but the target is 20.



Sharp weakening of bond market

B/Day 9/8/93

TIM MARSLAND

THE bond market weakened sharply across the board on Friday and the financial rand also fell against the dollar in negative sentiment linked to the fall in the gold price, dealers said.

Bond market dealers said gold's fall had brought SA's reserves problem sharply into focus.

"With the declining gold price, the chances of a quick cut in interest rates have receded," a dealer said.

Another dealer said the market had been looking for an excuse to correct upwards after the recent strong bull run.

He said it was unlikely the current reversal pointed to a bear market and expected key long bonds to consolidate again around the 14% level.

Among long bonds, the popular Eskom 168 closed at 14,17% from an overnight 14,04%, while government's R150 ended at 14,185% from 14,05%. Medium-dated bond rates showed similar rises.

The finrand continued Thursday's losing streak to close on Friday at R4,660 to the dollar from R4,5950. It hit a low of R4,69 in early trade, but some US demand filtered through, lifting the unit.

A dealer said the fall was due to the unit being sold down in local interbank dealings. While the finrand was designed for foreign investment only, local banks have been allowed to hold limited finrand balances to help their trading of the unit.

The dealer said Friday's volumes were thin, and foreign activity limited.

The commercial rand ended at R3,3670 from R3,3683.

The Far East comes knocking on the door

Star 10/8/93

(74)

■ BY THABO LESHILO

South Africa's pariah status in world economic affairs appears to be fast becoming a thing of the past — if trade fairs are anything to go by.

Companies across the world, especially from the East, now see South Africa as an important market and a "gateway to Africa".

At the same time, changes in South Africa are opening up new markets for local goods around the world, ac-

ording to Safto CE Len Van Zyl.

● Tomorrow, Thailand opens its first ever trade fair in Africa at the World Trade Centre in Kempton Park. More than 50 Thai exhibitors will take part in the show.

Already, Thailand is planning to open a trade office in South Africa, according to Chamni Buchasuk, of Thailand's Ministry of Commerce.

● Zhan Ting Zhao, director of the Hebei foreign trade committees of

China, will lead a delegation of Chinese businessmen and officials to attend a Chinese trade fair at the Flora Centre, Florida from August 25.

The delegation's mission is to promote bilateral trade between South Africa and China.

The Chinese, he said, also intend setting up factories in the country.

● More than 80 South African companies will take part in the South African trade fair to be held in Singapore at the end of the month.

Safto unveils major revamp programme

JOHN DLUDLU

THE SA Foreign Trade Organisation (Safto) yesterday announced a major restructuring programme to make the organisation a market-driven operation.

CE Len van Zyl said the move was prompted by a need to better serve business and the country's trading future in the expanding international arena.

He said the changes would make Safto a client-driven organisation. About 25% of the 170 people employed in the organisation's four offices nationwide would operate as client service executives. *Biday 11/8/93*

With the lifting of sanctions, a need had arisen to develop the country's potential, he said.

Following the restructuring four new divisions would be created. These were client service, publishing, information and trade development. These would offer a wide range of services to clients, van Zyl said.

"Our product and service mix will include traditional and some new services to accommodate customers' needs," he added. *(74)*

Membership categories have been streamlined to only five. However, basic benefits would still be available to all members across the board.

Access to specialised trade services would be provided at "a market-related" hourly rate. This would be a tailor-made service to suit the companies' individual needs in their priority trading areas.

Van Zyl added that the organisation would still be accessible to non-members and individuals.

A Safto official stressed that only the orientation of the organisation would be changed at no extra cost. No staff members would be laid off as a result of this exercise.

Star 11/8/93
**Pakistan lifts all
sanctions on SA**

Pakistan has lifted trade and other sanctions that have been imposed on South Africa for years, it has been disclosed.

The possibility of exchanging diplomatic representatives is under discussion. (S)

The trade decision follows a ground-breaking visit to Islamabad, which ended yesterday, by Foreign Affairs director-general Rusty Evans. (14)

He said it had been indicated to him that the Pakistanis were "keen to promote trade with South Africa and that all remaining sanctions had been lifted".

Import/export permits were being issued to businessmen — and it was expected that this move would pave the way for "substantial" trade. — Pretoria Bureau.

Forum fears SA's revised GATT tariff offer too hasty

EDWARD WEST

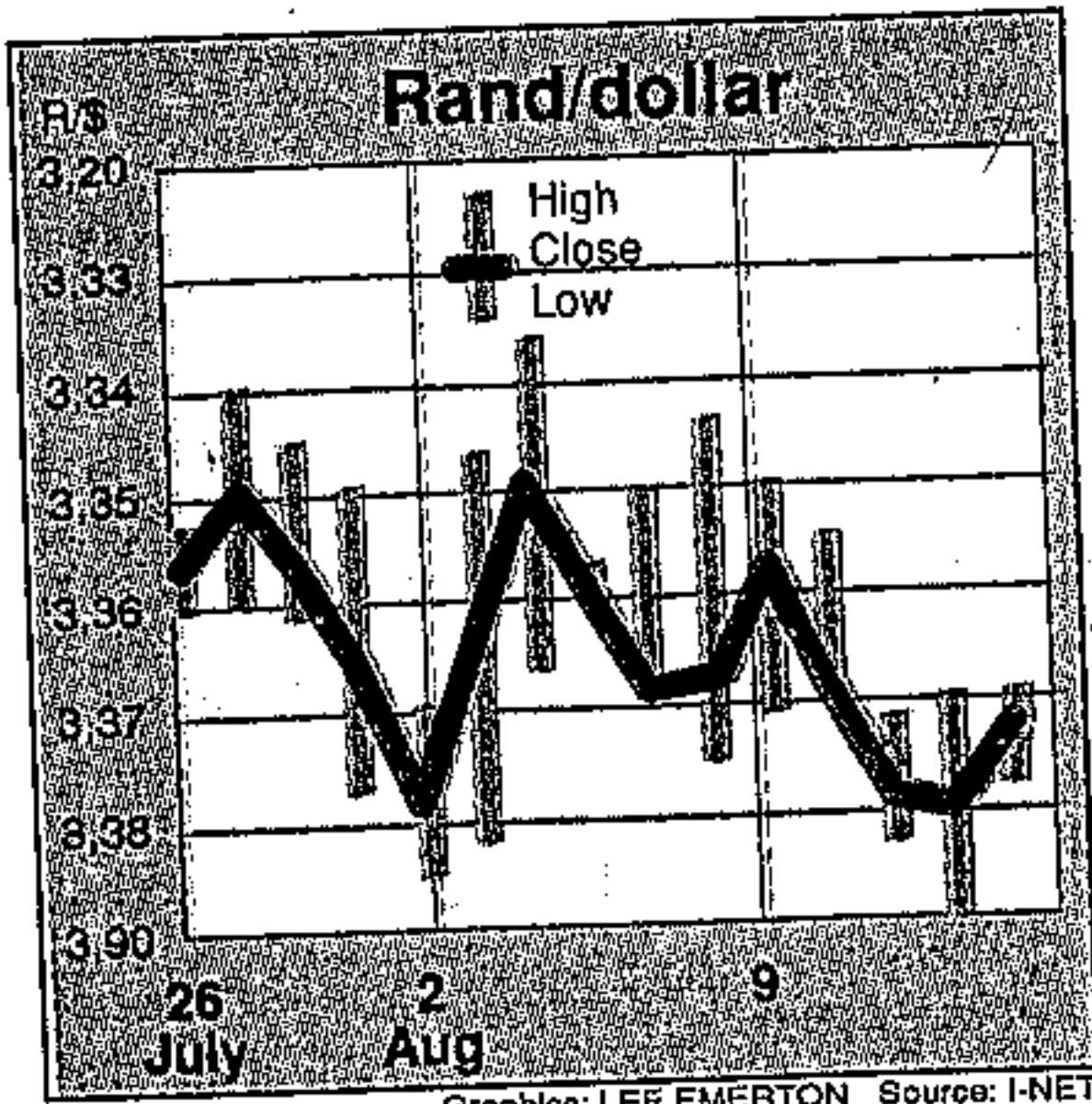
CONCERNS that government was rushing ahead with import tariff reform for GATT purposes without a coherent industrial policy were raised at a National Economic Forum meeting this week, sources said. **BIDay**

The forum's trade task force discussed SA's revised offer on tariff reform, which has to be handed to the world trade watchdog at the end of the month. However, no agreements were reached. **13/8/93**

It is understood that members of the trade task force expressed concern over whether SA should have allowed its trading partners to push it into accepting a GATT agreement on the reduction of tariffs, which a new government might reject. **(74)**

Another meeting of the working group was proposed for next Thursday, when government was expected to answer questions relating to the flexibility of the offer, possible compromises, and whether the deadline given for the submission of the offer could be extended.

There remained some uncertainty as to whether the Uruguay round of GATT would end this year. A GATT secretariat official was expected to clarify this question when he visited SA at the end of the month, a source said.



Graphics: LEE EMERTON Source: I-NET

Rand hits new low against the yen

TIM MARSLAND

THE rand closed at a new low against the yen on Friday as the Japanese currency continued to set new highs against the dollar.

The rand closed at 30,27 yen from Thursday's 30,55 yen. Against the dollar, the rand continued to toy with record lows, ending at R3,3758 from a previous R3,3785. It rose against sterling to R4,9249 from R4,9618.

The dollar hit a new post-Second World War low of 101,80 yen early on Friday before recovering to trade inside the 102-103 yen range.

Johannesburg dealers said the local market had been long on dollars at the start of trading, but the supply dried up towards the close. According to market rumours, a large player was buying the dollars on behalf of the Reserve Bank.

The Bank tends to be a net seller of dollars in the local market as part of its mission to support the value of the rand. No comment was available from the Bank.

AP-DJ reports the Deutschmark is again emerging as flavour of the month, threatening renewed volatility in the European exchange rate mechanism (ERM) and undermining the strength of the dollar and the pound.

Analysts attribute new investor interest in the German currency to a variety of factors: fresh worries that the Bundesbank will not cut its interest rates this month; reassessment of the ERM's future; reminders that European central banks have to buy a vast amount of Deutschmarks to repay the Bundesbank for intervention; and new Deutschmark purchases by the Bank of Japan to halt the yen's rise.

Dollar strength hits rand

Star 16/8/93

BY NEIL BEHRMANN

London — The weakness of the gold price and strength of the dollar are putting pressure on both the commercial and financial rands, although the former has risen slightly against European currencies.

While Reserve Bank Governor Chris Stals has said the Bank will not lower interest rates, London bankers believe South Africa will have to follow the European trend.

Like those of Europe, the SA economy is depressed and, despite fears of inflation, lower interest rates would help spur growth.

Although gold and foreign reserves have fallen, the depreciation of the rand and a higher value of gold and other exports should increase cash flows to the local money market.

As cash inflows encounter a

low demand for money in the depressed economy, money markets are likely to be flush and rates should fall.

The Reserve Bank would then be forced to follow the market and cut rates.

Assuming capital outflows dry up in the fourth quarter and there are some inflows, higher rand exports should bring about an increase in the gold and foreign exchange reserves later in the year.

Willingness

This would help the rand.

On the other hand, falling interest rates and the apparent willingness of the authorities to accept a lower rate would be a negative influence on the currency.

Falling interest rates would place pressure on the commercial rand because it becomes less expensive for exporters and importers to borrow locally and buy foreign

currencies.

At present rates, it is exceedingly expensive to hedge against the rand by selling it forward.

The spot rate is 3,375 to the dollar. But the six-month forward rate is 3,489, giving an annualised premium of 6,8 percent.

Falling interest rates, for example, caused the Canadian dollar to tumble last Wednesday.

Weakness of the financial rand is not surprising, considering the amount of money invested in gold shares.

The discount to the commercial rand has widened to 28 percent from 24 percent as foreign investors have sold into this small volatile market.

German, Swiss, French, UK and Far Eastern investors are stale bulls of the currency.

Many bought rand bonds and financial rand deposits when the currency was trad-

ing between 3,12 to 3,57 to the dollar.

With the commercial rand now trading at 3,375 and the financial rand at 4,73, the prospect of financial rand recovery to previous ranges is remote.

Remarkably, despite these huge currency losses, investors who sold dollars and bought rand bonds scraped home with a small profit in the past year, while British investors made gains of 20 percent to 30 percent.

High income of around 20 percent and the appreciation of bonds in the domestic market offset currency losses, while UK investors benefited from the pound's devaluation.

(Since foreigners buy rand bonds at a discount through the financial rand, yields on the bonds overseas are currently 19,3 percent, compared with local returns of 13,9 percent).

Rand hits a record low against the yen

THE rand, tracking the dollar's movements, hit a record low against the yen yesterday as the irrepressible Japanese currency continued its upward climb against the world's major currencies.

The rand closed at 29,96 yen against Friday's 30,38 yen. Economists said the main reasons behind the yen's strong performance included Japan's trade surplus, which stood at \$136,1bn in the year to March, and the turmoil in European currency markets. *B1 Day 17/18/93*

The threat of increased Japanese export penetration meant US policymakers were accepting a rising yen as a welcome method of curbing Japan's trade surplus.

This meant the only support for the dol-

ROBYN CHALMERS

lar against the yen came from the Japanese, but heavy intervention from the Bank of Japan failed to stem the yen's relentless drive towards the key 100 a dollar level.

UAL economist Dennis Dyke said the rand had depreciated by 34,3% against the yen since August last year, and by 26,2% since the beginning of this year, when the rand stood at 40,6 against the yen. (74)

"In essence, the rand has halved in value against the yen over the past 12 months."

Over the first four months of this year, the rand depreciated by only 4,6% against the Deutschmark and 3,8% against the US dollar, said economists.

Rand depreciation provides boost for exports to Japan

ROBYN CHALMERS

THE sharp depreciation of the rand against the yen over the past year has boosted SA exports to Japan.

The rand had depreciated 34,3% against the yen since August last year, and preliminary Safto figures showed exports had benefited.

Exports for the last quarter of 1992 totalled R831m against R957m in the first quarter of this year — a 15,1% increase.

Recent Japanese government statements had been upbeat in their forecasts of an economic recovery and this would further aid SA exports.

Safto economist Carlos Teixeira said the biggest export category during the 1993 first quarter was min-

eral products which showed a 27% increase over the last quarter of 1992.

The weakness of the Japanese economy was evident in the stagnant nature of exports when compared on a year-on-year basis.

In the first four months of 1992, SA exported R1,389bn worth of goods to Japan compared with R1,388bn during the same period this year.

The soaring yen had failed to put a damper on SA's imports, a fact which surprised economists. The 1993 first quarter saw imports 23,2% higher than the last quarter of 1992, at R863m against R700m.

Teixeira said the increase was attributable

largely to a 47,5% rise in the import category of vehicles, aircraft, vessels and associated transport equipment, which was SA's largest import sector from Japan. (74)

"The strong increase in these imports in spite of a weaker rand reflects the relative insensitivity of certain imports, such as vehicle components, to a depreciated rand against the yen." (74)

On the other hand, economists said the Japanese could be absorbing a certain amount of the cost increases attributable to the rising yen as these increases were not evident in imported price inflation.

The yen's surge — it rose to historic highs on Tuesday when it closed at 29,96 yen to the rand — had been largely on the back of the nation's huge trade surplus.

Economists said the yen would continue to rise against the dollar unless the government acted decisively to cut the surplus. The dollar hit a post-war low of 100,40 yen on Tuesday in spite of intervention by the Bank of Japan.

ANC backs down on cutting Taiwan ties

CT 19/8/93
Political Staff

74

THE ANC has backed down over its plan to break ties with Taiwan in favour of mainland China.

According to the official Chinese Xinhua news agency, ANC president Mr Nelson Mandela made this pledge in a letter to China.

The ANC's department of information and publicity said the ANC was ready to build "a new relationship" with Taiwan's government, but would not "abandon its longstanding friends".

Smuggling of rands a headache for Bank

RESERVE Bank exchange control GM John Postmus said yesterday he was concerned about apparent smuggling of the rand. *BISay*

Reuter reports he told the African banking conference in Johannesburg the currency was "running around southern Africa, which is giving my colleagues and myself headaches".

"We now find that the rand is becoming more and more acceptable to countries in southern Africa as a method of payment. And we find that when we export, we get our own rand back, so we're not earning foreign currency," he said. *208193*

"Where are people getting the notes? We can only assume from smuggling to a certain extent."

It was policy to eventually scrap exchange controls, including the financial rand, and return to a unitary exchange rate, Postmus said.

He said, elaborating after the conference, "I envisage that there would be a case, over time, for a softer approach" for an easier policy governing investments in Africa.

This was however, a matter which would have to be decided by the Finance Minister and the Reserve Bank Governor in line with overall

government policy, he added.

But the timing of any adjustment or abolition would depend on the state of foreign reserves, and an economic and political climate being conducive to foreign investment.

KELVIN BROWN reports that Safto African division manager Paul Runge told the conference that tariffs on imports from other African countries were a major barrier to improving regional trade in Africa. *(174)*

He said African countries that were members of the preferential trade agreement (PTA) had achieved some success in promoting regional trade through reducing import barriers. However, duties and tariffs on African imports to SA remained a problem for many African countries. SA membership of the PTA was vital to improving regional trade.

SA companies had tried to make use of the PTA system by launching operations from neighbouring countries. Some success had been achieved in increasing African imports into SA. African imports had risen in value from R863m in 1991 to R1.3bn in 1992.

Payment problems were another major deterrent.

FW heads for South America

CT ARE 21/8/93

PRESIDENT F W de Klerk leaves this weekend on an eight-day trade-promotion drive to South America — probably his last major foreign tour as head of state.

The presidential entourage will for the first time include a formal delegation of seven of South Africa's top businessmen.

The Department of Foreign Affairs in Pretoria said the visit to Argentina, Chile, Paraguay and

Uruguay should produce a series of agreements paving the way for closer co-operation and joint ventures in the areas of mining, construction, agriculture, science and technology, tourism and law-enforcement. (74)

But the ANC last night called on Mr De Klerk to cancel his trip "and rather stay at home to speed up the installation of a multi-party Transitional Executive

Council and the end of white minority rule".

Earlier Mr De Klerk, who has twice before postponed visits to these countries, defended the trip by saying he would be going to South America to serve South Africa's interests.

"That's my job, and I have every reason to believe that all South Africans will reap the benefits of this visit," he said.

FW eyes trade with S America

(748) ARG 21/8/93
JOHANNESBURG. — A high-powered team of South African businessmen will accompany President De Klerk on his week-long visit to four South American countries where the emphasis will be placed on trade and investment.

They are Argentina, Chile, Uruguay and Paraguay.

Marike de Klerk, as well as Deputy Minister of Foreign Affairs Renier Schoeman, will be in the entourage, which leaves tomorrow.

Foreign Minister Pik Botha will remain in South Africa as Acting State President.

President De Klerk said this week that circumstances on two previous occasions forced him to cancel appointments to visit these countries.

"Latin America has a dynamic economy ... and there is tremendous room for expansion of trade between them and us," he said.

"I will be going there to serve South Africa's interests — that's my job — and I have reason to believe that all

South Africans can reap the benefit of this visit."

Mr De Klerk said he would be informing the governments about South Africa's economic plans, the activities of the National Economic Forum and would be looking for foreign investment.

The visits to Uruguay and Argentina will take the form of official visits while Mr De Klerk will pay State visits to Chile and Paraguay.

During the visit Mr De Klerk will receive the keys of Montevideo and he will address businessmen on constitutional development in South Africa.

In Paraguay he will be presented with the keys of the city of Asuncion and he will attend a combined general assembly of the Senate and Congress and deliver a short address.

Businessmen on the trip will include Willem de Kok, chief executive director of Premier Food Industries; Leslie Boyd, deputy chairman of the Anglo American Corporation and Gary Mordt, chairman of Gengold. — Sapa.

Ethiopia ideal for SA trade

Stimulus
By CHARLENE SMITH

SOUTH Africa stands to gain from Ethiopia's R5-billion development programme.

Safto's Andrew Maggs says businessmen should put Ethiopia near the top of their opportunity list. Safto plans a visit by SA businessmen to Ethiopia from October 31 to November 6. (14)

Mr Maggs says: "Ethiopia has turned the corner, is stable and exploding with potential. Because of the war, virtually a new infrastructure has to be built. (BUS)

"Because of Ethiopia's low manufacturing base there is a huge demand for capital equipment and spares, building material, steel, industrial chemicals, pharmaceuticals and fertiliser. 22/8/93

Particular emphasis will be placed on the provision of rural roads and water supply, urban sanitation, telecommunications, energy, mining and agriculture.



SIR LEON BRITTAN: SA industry has become uncompetitive Picture: KIM LUDBROOK

Gatt package needs speed

SI Times (Buss)

22/8/93

By CIARAN RYAN

SOUTH Africa will have to wrap up its Gatt tariff reform package before December, says EC Commission vice-president Sir Leon Brittan.

Some ANC officials have threatened to derail the Government's tariff reform package, due to be presented to the General Agreement on Tariffs and Trade (Gatt) this month, on the grounds that it is too onerous and will harm employment.

Sir Leon says: "One reason for my visit to South Africa is to tell various parties that the timetable established for the Uruguay Round, although not ideal for SA, is unavoidable."

Sir Leon was one of the architects of last month's breakthrough in Gatt negotiations between the US, Canada and Japan and Europe.

In terms of SA's proposed offer, the maximum tariff

would be 30% after a five-year phase-in. The exception is the motor industry with a maximum of 60%.

Sir Leon says: "We are approaching the end of the Uruguay Round."

SA has become uncompetitive in world terms because of economic isolation which forced it to put up protective barriers.

"The only hope for SA is to become a major export player and this requires breaking down the protective barriers. I detect an emerging desire to move in this direction."

Sir Leon met a delegation from the National Economic Forum this week and is due to meet President de Klerk, Nelson Mandela and Mangosuthu Buthelezi.

He says there was a "high degree of consensus" with

the NEF about the conditions required to attract foreign investment to SA.

Sir Leon warned against the misguided belief that foreign investment would flood in once a new government was in place.

"You can't force people to invest in your country. You must create conditions which make it safe and attractive for investors to come," he said in an interview in Johannesburg.

"Investors will come to a country with political stability, skills, access to markets and a regime which is friendly to them (74)

"Experience in the rest of the world shows that the command economies, such

as were found in Eastern Europe, do not work. Inflationary economies also do not work."

He says a formal SA trade agreement with Europe will be explored once the transitional executive is in place. Any agreement would be sensitive to the political transition and the effect of sanctions on the economy.

"Within the context of Gatt, it is still possible to have bilateral relations."

The EC wants to help the political transition process and a larger share of its annual development assistance to SA will go to voter education, registration and other efforts to encourage democracy.

THE LEAN A

Trade fair enthusiasm runs high

SOUTH AFRICAN products would be exhibited at a record number of international shows planned for next year, the Trade and Industry Department said at the weekend.

More than 250 SA companies would be exposed to hundred of thousands of potential foreign buyers. 23/8/93

So far the department, which had an estimated trade fair budget of more than R6m, planned exhibitions at 23 fairs in Africa, the US, Britain, Canada, France, Germany, Italy, Greece, South America and the Far East. (14)

This was four more than the total of fairs held this year, a spokesman said. Other shows would be participated in on an ad hoc basis during the coming year.

By Gerald Reilly

Enthusiasm among SA companies to exhibit their products abroad was unprecedented, he said.

From April 1992 to March this year, 500 applications for aid had been received for participation in foreign shows.

"Since April this year we have received more than 400 — a measure of the growing willingness of SA companies to explore the trade world beyond SA's borders."

All aid applications could not be granted, the spokesman said. "But we lean over backwards to assist companies break into new markets internationally and to consolidate existing ones."

De Klerk wants closer trade and scientific links with Chile

Political Staff (74) ARS 25/8/93

SANTIAGO (Cmte). — President De Klerk was given his second effusive welcome of his Latin American tour when he landed here for a visit which he says he hopes will lead to closer trade links.

Speaking after an hour-long meeting with President Patricio Aylwin, Mr. De

Klerk said: "There is room for closer co-operation in trade and in culture and scientific research."

He said the discussions had touched on the "dynamic constitutional process" in South Africa and its economy.

"We also focused on the role which South Africa is already playing in our region," he added.

The top business delegation traveling with Mr De Klerk has also viewed this leg of the four-nation Latin American sweep as highly important.

Chile is fast becoming an economic powerhouse in the region and has recorded nine years of positive growth. Last year it notched up 10.4 percent growth and is again heading for a figure of more than 10 percent this year.

● Mr. De Klerk closed his Uruguayan visit on Monday night by telling President Luis Lacalle at a State banquet that South Africa was "on the threshold of a breakthrough".

"We are near to a consensus and agreement that will forge the divergent peoples of South Africa into one nation," he said.

Star 25/8/93
74

Focus of reform shifts to

REVISION of SA's trade policy to meet Gatt requirements will be as fundamental as its political reform.

■ BY PHILIP GAWITH

When South Africa started on the road of political reform in 1990 this was as much a function of the crippling economic cost of apartheid as it was a reflection of the moral and political bankruptcy of that policy.

Since then, the country's faltering political fortunes have hogged the limelight.

Later this month, however, South Africa will present a revised trade liberalisation offer to the General Agreement on Tariffs and Trade (Gatt), which forms part of a revision of trade policy as fundamental as the political reform under way.

Stef Naude, director general of the Department of Trade and Industry, says: "Without a doubt, this is the biggest reform of trade policy ever undertaken in this country."

The aim of the reform is simple — the transformation of the existing industrial base, fed for decades on a diet of political isolation, import substitution and strategic self-sufficiency, into an internationally competitive, export-led manufacturing sector.

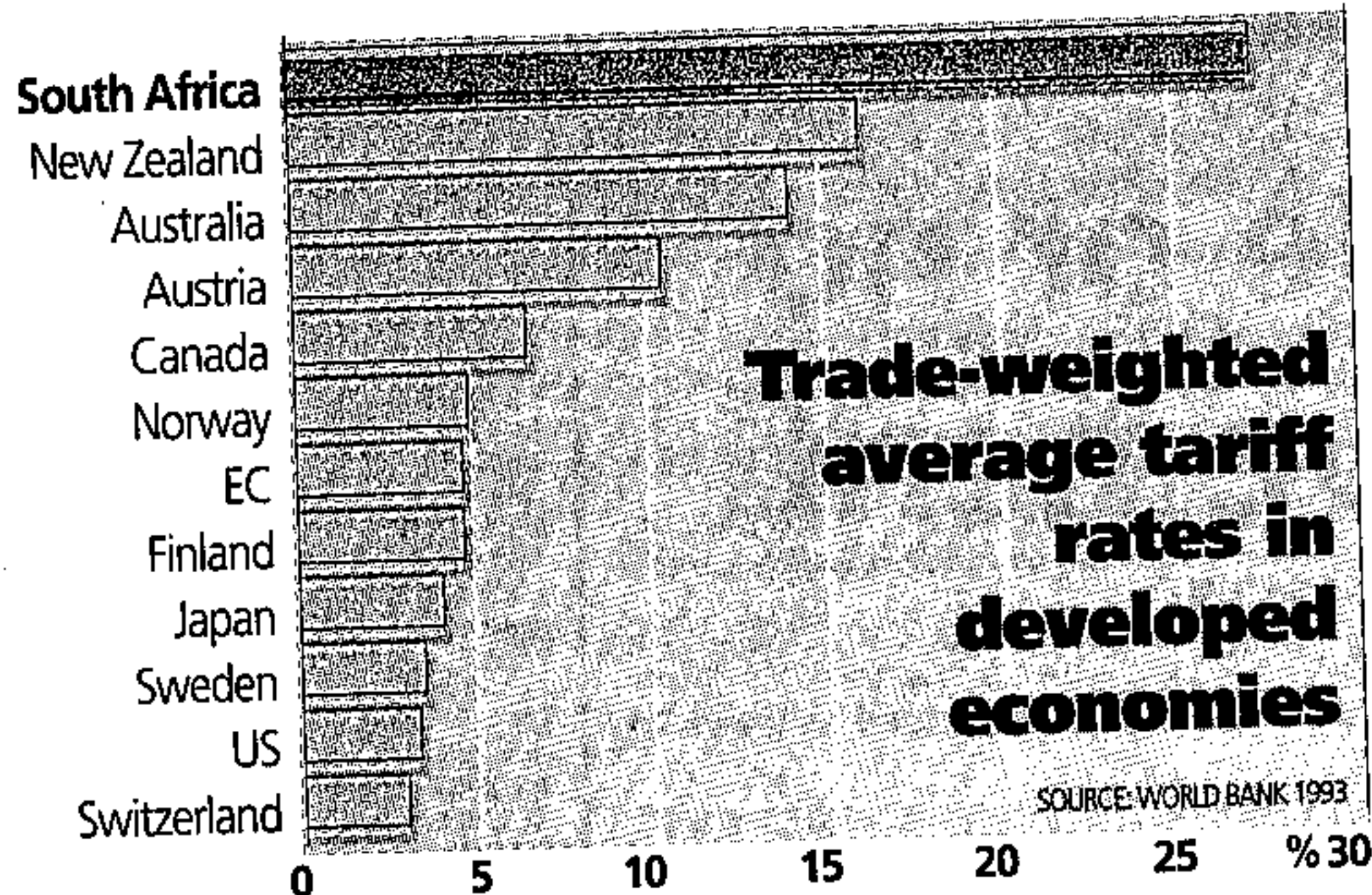
Anti-dumping

The Gatt offer is but the first of many initiatives which include reform of export incentives, investigation of export processing zones, more efficient anti-dumping legislation, a trade agreement with the EC and the future of the South African Customs Union.

Pursued against the background of a weak economy, unemployment running at over 40 percent and fundamental political transition, it is a Herculean labour.

No longer can government unilaterally decree policy changes. Democracy, transparency and consultation are the new watchwords.

When it comes to economic policy, the imprimatur of the National Economic Forum, the tri-



partite body where business, labour and government are represented, must be sought.

At least in the area of trade policy, there is fairly broad consensus among these three groups as to the way forward.

Nobody would argue with the premise that the country's future economic prosperity will be determined by its ability to play a bigger role in international trade in industrial goods.

This clearly requires conformity to Gatt.

Global economy

"There is no way South Africa can fully reintegrate into the global economy outside Gatt," said Naude.

Conformity to Gatt is not the only reason for lowering tariff barriers. It is also necessary to remove the anti-export bias in South Africa whereby protection makes the local market more profitable than exports.

It also raises input costs for local exporters, making them uncompetitive compared with exporters elsewhere.

A recent World Bank study of South Africa's trade policy found that it was not overly protective, "but far too fluid and complex, and biased against exports".

Compared with developing countries, the protection level is fairly average.

According to the NEM, South Africa's tariff barrier (weighted by import values) stands at 21 percent, though this rises to 27 percent when account is taken of special import surcharges — which survive for fiscal rather

than protection purposes.

South Africa's revised Gatt offer will have two main features. First, it will involve a one-third reduction in average tariff rates. Second, it includes a rationalisation of the tariff structure which is virtually unmatched in its complexity.

Instead of the current high degree of dispersion, tariff levels

South Africa: Estimates

Subsector

- Food, Beverages and Tobacco
- Textiles, Apparel, & Leather
- Wood & Wood Products
- Paper & Paper Products
- Chemicals
- Non Metallic Minerals
- Basic Metal
- Metal Products & Equipment
- Other Manufacturing
- Manufacturing

will range, at five percentage point intervals, from zero to a maximum of 30 percent (with the exception of the motor industry).

South Africa has also committed itself to phasing out emergency dumping formula duties — a measure which has been the main instrument to counter disruptive competition to be replaced by proper anti-dumping

trade

of Effective Protection (%)

Protection on Inputs	Output	Effective Protection
15.2	13.7	8.8
27.8	43.6	93.6
14.0	21.7	39.7
9.5	13.3	22.2
7.5	18.9	50.6
5.2	19.8	34.3
4.7	11.2	23.2
17.1	18.2	20.3
2.8	10.9	62.8
12.6	17.8	30.2

Source: Industrial Development Corporation

measures, further reducing the overall level of protection in the country as formula duties often resulted in an increased level of protection.

The Gatt offer — particularly the lowering of import tariffs — should not be seen in isolation. All parties agree that it will have to be accompanied by supply-side support measures to assist local industry

FWW promises open economy soon

From ANTHONY JOHNSON

SANTIAGO, Chile. — President F W de Klerk said yesterday that South Africa would begin lifting its restrictive trade and tariff policies as soon as financial sanctions ended in the next few months. He told a breakfast meeting of leading Chilean and South African businessmen here that South Africa would begin to open up its economy the moment it gained

access to World Bank and IMF facilities.

He also said he had been informed during his recent discussions with the IMF in Washington that South Africa could expect R2 800 million in "immediate" assistance for drought relief once a multi-party Transitional Executive Council was installed.

Mr De Klerk said he foresaw an "almost

abnormal" period of stability in South Africa during the five-year term of a multi-party government of national unity.

"I am convinced that South Africa stands at the beginning of a period of stability, peaceful reconciliation and dynamic economic growth," he said.

● Chilean President Patricia Aylwin is expected to visit South Africa later this year, possibly as early as October.

(74) CTF 25/8/92

FW's Argentina visit ⁷⁴ vital for SA trade links

Weekend Argus Correspondent
BUENOS AIRES. — President
F W de Klerk flew to Argenti-
na yesterday for what could
prove to be the most decisive
leg of his four-nation Latin
American tour.

Although the stopover in
Buenos Aires only has the sta-
tus of a working visit, Argenti-
na has the potential to become
a significant trading partner
and will be a major force in
the new Mercosur trading
block of Latin American coun-
tries.

Last year South Africa im-
ported R520 million worth of
goods from Argentina while the
figure for exports was only
R220 million — an imbalance
which the South African busi-

ness group travelling with Mr
De Klerk will be anxious to
correct. President De Klerk
will meet with Argentine presi-
dent Carlos Menem today.
President De Klerk left Asun-
cion, Paraguay, yesterday af-
ternoon after meetings with
president Jaun Carlos Was-
mosy during which the two
leaders agreed to increase
trade and economic ties be-
tween the countries.

ARG 28/8/93
President De Klerk also
managed to squeeze in a round
of golf with local business lead-
ers. Mrs Marike de Klerk yes-
terday opened the Water Bird
Sanctuary — sponsored by the
South African Embassy — at
the Asuncion Zoo.

Japan seeks balance in aiding SA region

BALANCED relations between Japan and southern Africa were needed to overcome centralisation of economic power and infrastructure in South Africa, Japanese economist Prof Ken Sasaki said yesterday.

Addressing a conference on Japanese-southern African relations at the University of the Western Cape, he said economic relations between his country and southern Africa had to be adjusted in a rational and balanced manner to ensure equitable development in the region.

Economic dependency on SA and disparities between SA and its neighbours would continue beyond the political liberation of SA.

Prof Sasaki said Japan had a historic responsibility to support balanced regional co-operation through development of national resources, construction of infrastructure and technology transfers in the region.

He said the removal of remaining economic sanctions would bring about a rapid expansion of trade between Japan and SA.

Japanese exports of industrial goods would increase rapidly as markets in the black community expanded. — Sapa

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(28) (74)

CT19193



Nafcoc objects

to trade visit

(74) CT 119/93

THE National African Federated Chamber of Commerce and Industry and anti-apartheid groups in the Netherlands have spoken out against a predominantly white SA trade delegation due to visit that country in September.

Nafcoc said its president Archie Nkonyeni turned down an invitation by the SA/Netherlands Chamber of Commerce, claiming blacks were invited only after objections were raised by the Holland Committee on Southern Africa.

SA's ties with East growing

74 OCT 21 1993

SINGAPORE. — South Africa's ties with countries in the Far East and Asia have improved dramatically in the past three years, says Deputy Minister of Foreign Affairs Renier Schoeman.

Schoeman, who is accompanying Finance Minister Derek Keys on a visit to the Far East, was addressing a seminar at the South African/Singapore Trade Exhibition.

Announcing that South Africa would soon open representative offices in New Delhi and Islamabad, Schoeman said Asia was emerging as one of the great pillars of the world economy.

It was important that South African politicians, businessmen, academics and diplomats keep abreast of developments in the area and act to expand relations, Schoeman said. — Sapa

BUSINESS Not prepared to go knocking at someone's door

Sowetan 2/9/93

Business looking to the East

By Mzimkulu Malunga

SOUTH African business is turning its back on the West and looking to the East for trade opportunities.

Traffic from this country to mainland China and South East Asia is intensifying daily.

Last month a group of Chinese

officials established a permanent exhibition of their products in this country.

The deputy director-general of China's ministry of foreign trade and economic co-operation, Mr Wei Jianguo, and a contingent of Chinese businessmen launched the South Africa Chinese Exhibition.

China's economy is the fastest growing in the world with an annual growth of 12 percent. The Chinese see South Africa as a strategic bridge in their quest to penetrate the African market. This country's trade volume accounts for a third of the continent's total and amounts to R750 million with China alone so far this year..

GATT Fm 3/9/93
Halting tariff reform?

A last-ditch effort by Cosatu to keep tariffs as high as possible may have prevented government from meeting its August 31 deadline to submit a final tariff-reduction offer to the General Agreement on Tariffs & Trade (GATT) in Switzerland. (74)

Trade & Industry Minister Derek Keys approved the final tariff offer — prepared by the Department of Trade & Industry — last weekend before leaving for Singapore. The department was preparing to release details of the offer earlier this week and said it had sent the thick volume containing the proposals to the printers.

But then Cosatu, trying to protect its members, apparently intervened. The department finally said it would meet Cosatu this week before making the Gatt offer public. It was unclear, however, whether the Cosatu meeting would be strictly pro forma; the department may already have sent the offer to Geneva and met the Tuesday deadline.

Fm 3/9/93

This third offer is believed to reduce 99% of all tariffs by an average of 40% over a five-year period.

Labour is concerned about job losses in certain industries if tariffs are reduced. Last month, ANC officials threatened to obstruct government's reform package on the grounds that it was too onerous and would harm employment.

But supporters of lower tariffs point out that the countries with the lowest tariffs — such as Switzerland, the US and Hong Kong — usually also have the lowest unemployment rates. The reason is that lower tariffs bring down prices for the consumers and free up resources that can be ploughed into more efficient industries.

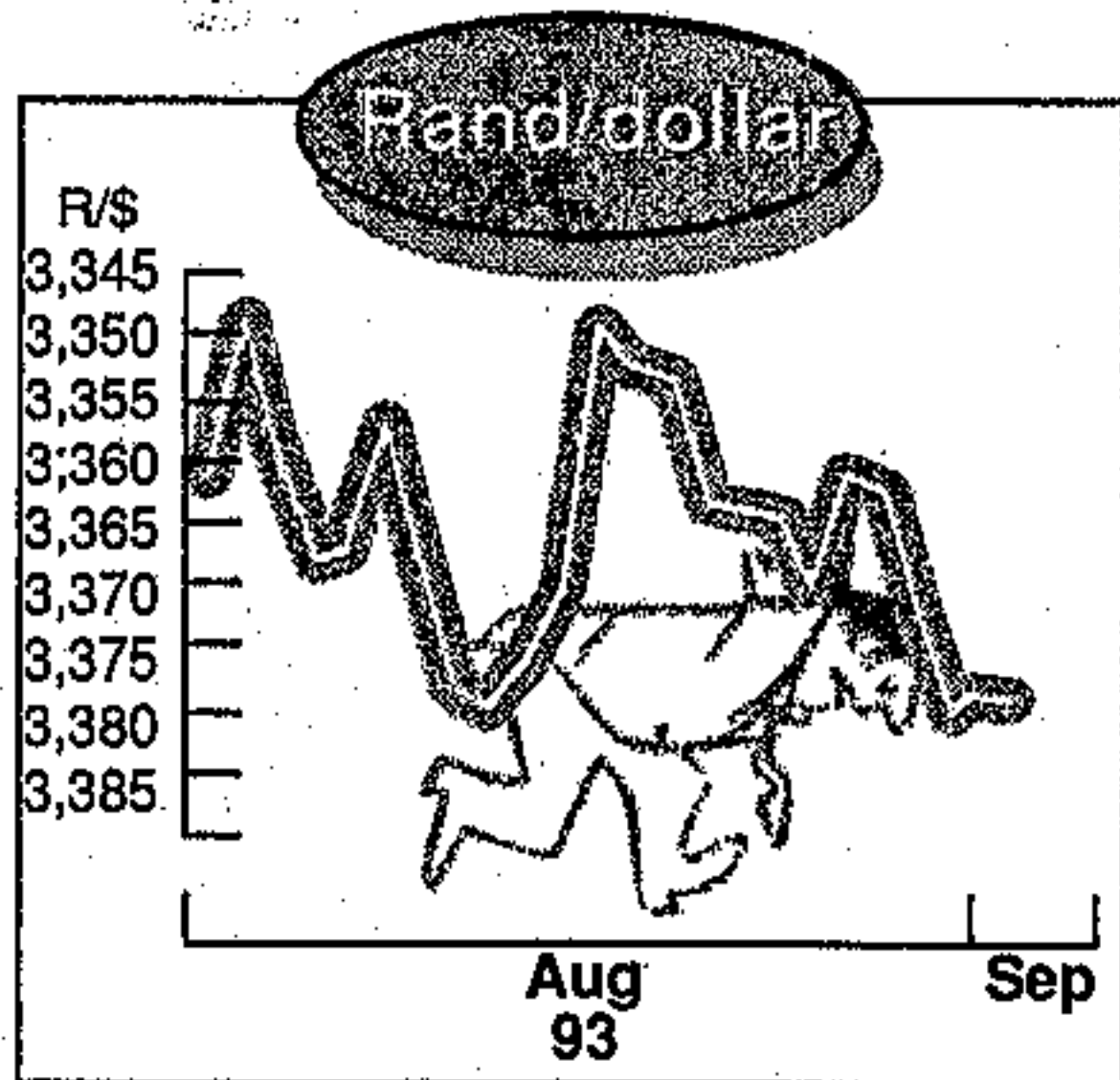
EC Commission vice-president Leon Brittan, visiting SA last month, met the National Economic Forum, President F W de Klerk, Nelson Mandela and Mangosuthu Buthelezi to explain the need for far-reaching reform. His message was clear: "SA has become internationally uncompetitive because of economic isolation, which has forced it to put up protective barriers. The only hope for SA is to become a major export player and this requires breaking down these protective barriers."

Some manufacturers, too, are unenthusiastic about reform. The textile industry, for one, is said to be pushing government to double the tariff on imported textiles from 30% to 60% — government's last proposed tariff for textiles. (The industry now enjoys tariff protection of more than 100%.) The motor industry could well have to contend with a protection rate of only 50% compared with the 60% suggested in government's previous draft proposal and the 100% now in effect.

According to the draft, consumer goods will carry the highest tariffs, with less protection for intermediate and capital goods.

(74)

Raw materials will carry the least protection. Import quotas are expected to be phased out and variable-rate formula duties abolished. ■



Graphics: LEE EMERTON Source: I-NET

BitDay 319/93
Rand at new low

KELVIN BROWN

THE commercial rand took another beating yesterday, closing at a new low of R3,3798 to the dollar from Wednesday's R3,3760, as sentiment continued turning against the local unit. (74)

It lost ground despite importer and exporter demand, and a fall in the dollar after key US economic data were released.

The rand's last dollar low was at the end of last month when it closed at R3,3793.

The trend was expected to continue, causing an acceleration in the leads and lags effect as exporters delayed receipt of payment and importers sped up the purchase of foreign currency.

However the market was nervous of letting the rand break below the R3,3800 level, in case the central bank intervened.

SA offers new deal to GATT

ALIDE DASNOIS
Business staff

74
ART 4/9/93

SOUTH AFRICA submitted a new offer to the General Agreement on Tariffs and Trade (GATT) this week after a series of breakthroughs in negotiations between government, business and labour.

Details of the new offer are due to be published on Monday.

The government's earlier offer to GATT would have reduced tariff headings from about 12 000 to 1 000 and ceilings would have been pegged at a maximum tariff of 30 percent after a five-year phase-in period.

Employer and union federations felt that this would have had severe effects on jobs.

Clothing and textile employers, the SA Clothing and Textile Workers' Union, clothing retailers and wholesalers and cotton farmers represented on the Swart panel made a new proposition to the Department of Trade this week.

The panel suggested maximum tariffs for clothing of 60 percent and for textiles of 30 percent.

"We felt it was important to allow ourselves some leeway", said Textile Federation's Brian Brink. "The GATT Uruguay Round requirement — of a one third reduction in tariffs — will still be met. And we're not saying these will be the actual duties at the

end of the period: we may find we can bring them down further. But it's important to retain some flexibility and not to go too fast."

Tariffs in other industries will also have to be lowered enough to bring the average into line with GATT requirements. Employers and unions in the heavily protected motor industry have agreed to a reduction of tariffs from 110 percent to 60 percent.

The clothing and textile industries have also asked for longer phasing out periods — eight years rather than the three to six years suggested in the original offer.

Clothing Federation's Hennie van Zyl said he did not think this would be a problem. "GATT requirements do allow for phasing out periods of more than five years for industries which are considered sensitive."

In addition, South Africa's new GATT status as an economy in transition gives the country greater scope for negotiating longer periods for phasing in lower tariff ceilings or for phasing out export measures such as the general export incentive scheme.

Cosatu sources would not comment on South Africa's new offer ahead of the federation's national executive committee meeting yesterday. A statement is expected from the National Economic Forum early next week.

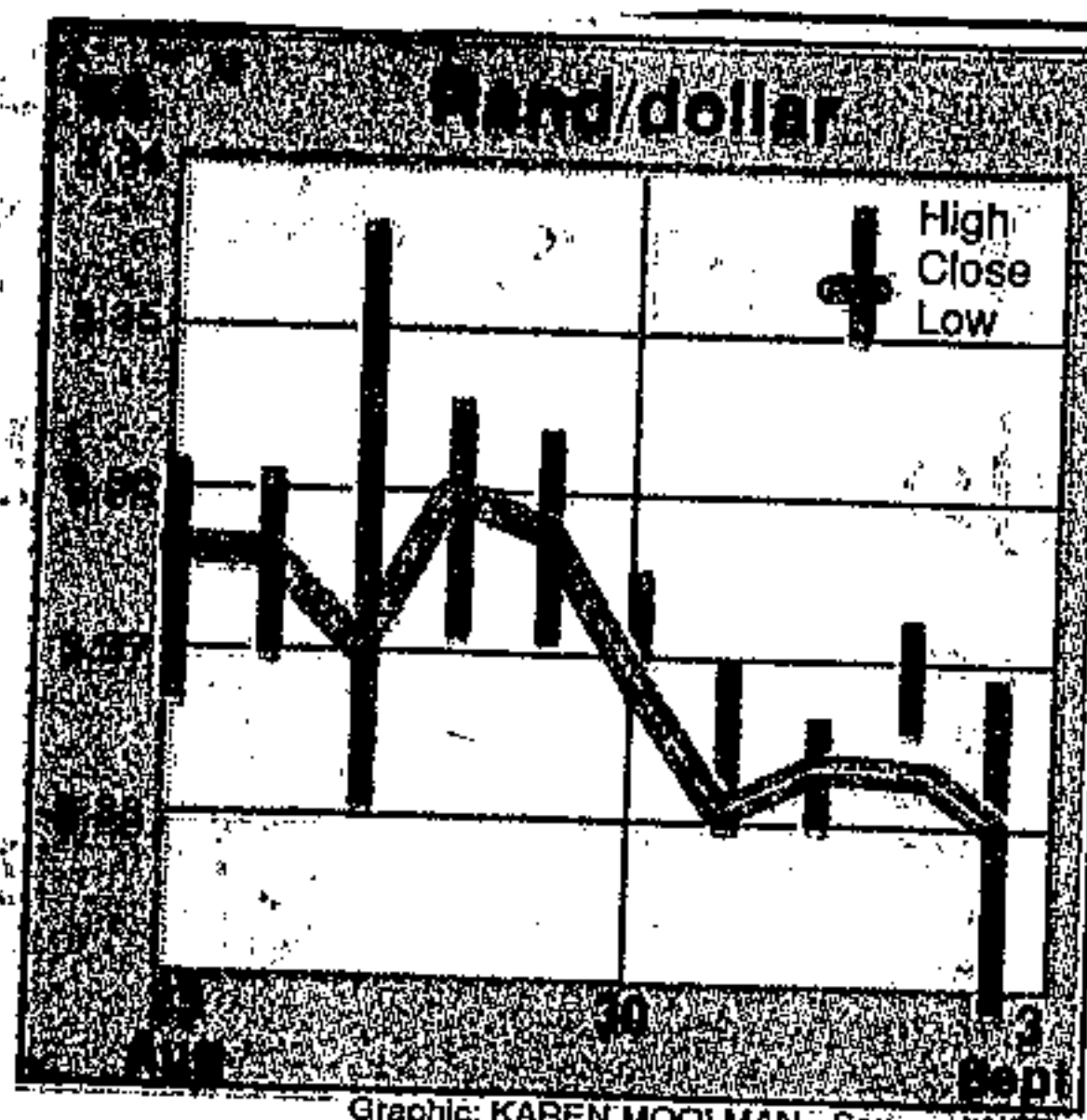
SA centre 'proof of commitment to China'

BEIJING. — The South African Centre for Chinese Studies was visible proof of South Africa's commitment to open channels of communication, trade and understanding between South Africa and China, Foreign Affairs Deputy Minister Mr Renier Schoeman said at the weekend.

He was officially opening the "first representative centre" for the promotion of South African exports to the People's Republic of China.

Mr Schoeman said he had seen the figures reflecting the growth in trade and visitors in one year. However, he wished the trade figures were not so much in China's favour and were "more evenly balanced". — Sapa

(74) CT 6/9/93



Graphic: KAREN MOOLMAN Source: I-NET

Rand sinks to yet another new low

KELVIN BROWN *B/Day*

THE commercial rand ended last week at another new low of R3,3838 to the dollar, from its previous low of R3,3798 on Thursday, in spite of a fall in the US currency.

Dealers expected the rand to break through the key R3,3400 barrier this week as the market had no desire to hold rands.

"The rand is looking very weak when one considers the dollar's bearishness at the moment," a trader said. *6/9/93*

The rand began its descent fairly slowly as some buying materialised shortly after Friday's opening. But its fall soon gained momentum as sentiment turned against it, dealers said. A large, mid-session corporate options order to buy \$150m of dollars "did serious damage", one trader said.

Just before the release of US economic data early in the afternoon the rand had reached a record trading low of R3,3950. Market players said the Reserve Bank then intervened for about an hour, offsetting some of the rand's earlier losses.

The rand was subsequently helped by a fall in the dollar after the release late on Friday of US unemployment figures for August, which showed a fall of 39 000 in non-farm payrolls when the market was expecting a rise of between 120 000 and 180 000. *(74)*

Hasty dollar sales after the US data moved the rand back to the R3,3800 level, but underlying demand for dollars towards the end of the trading session weakened the rand to around the R3,3850 level just before the close.

Star 7/9/93

SA offers new deal to Gatt

■ BUSINESS STAFF

South Africa has submitted a revised offer to the General Agreement on Tariffs and Trade (GATT) after a series of breakthroughs in negotiations between government, business and labour.

The government's earlier offer to Gatt would have reduced tariff headings from about 12 000 to

1 000 and ceilings would have been pegged at a maximum tariff of 30 per cent after a five-year phase-in period.

Employer and union federations felt that this would have had severe effects on jobs.

Although no details of the revised offer were made available, a statement from the office of Finance Minister Derek

Keys, said the adjustments consisted mainly of subjecting certain sensitive products to a longer phase-down period and in a limited number of cases rates were adjusted both up and down.

A panel representing the clothing and textile industry made a new proposition to the Minister last week.

It suggested maximum

tariffs for clothing of 60 per cent and for textiles of 30 per cent

74

Tariffs in other industries will also have to be lowered enough to bring the average into line with Gatt requirements.

Employers and unions in the heavily protected motor industry have agreed to a reduction of tariffs from 110 per cent to 60 per cent.

Sasol against tariff cuts on chemicals

Star 7/9/93

■ BY STEPHEN CRANSTON

Sasol chairman Joe Stegmann has condemned proposals to reduce tariffs on chemicals in line with Gatt principles.

He says that in some instances maximum protection will be even lower

than those ruling in the US, EC and Japan.

"There will be no quicker or more effective way of destroying our manufacturing base than the removal of protection", Stegmann says.

Writing in the annual report for the year to

June, Stegmann says any reduction would leave the country immeasurably poorer and incapable of generating the foreign exchange necessary to pay for the much greater volume of imports.

Stegmann concedes that certain industries —

though he does not name which — have excessive protection and it should be brought down to an acceptable level.

But he says tariffs should remain in place until "the root causes of our severe competitive disadvantages are tackled first."

Govt rewrites its tariff reform offer

Biday 7/19/93

FEAR of major job losses in the clothing and textile industries caused government to rewrite its tariff reform offer to GATT, providing much more protection from imports than envisaged in the draft package.

The Trade and Industry Department yesterday confirmed the proposals for the clothing and textile industries were changed substantially from the original reform proposals released in July. A spokesman said the maximum tariff protection for clothing at the end of the reform period had been doubled from 30% in the draft proposal to 60% in the latest offer. Analysts said this would make it the most heavily protected industry. (74)

Household textiles would phase in to a tariff rate of 45% in terms of the new package, instead of 30%. Fibres, yarns and fabrics also received a more lenient deal.

The spokesman said textiles and clothing would receive a longer phase-in period than the five years originally envisaged. A possible longer period of up to eight years was on the cards for certain industries.

The motor industry remained heavily protected in terms of the revised offer, but its tariff rate had been lowered from 60% to 50%. Employment considerations were understood to have played a major role in determining the rate and the time to phase in reform. Motor vehicles and certain in-

GRETA STEYN

puts in the industry would enjoy a longer phase-in period, the spokesman said.

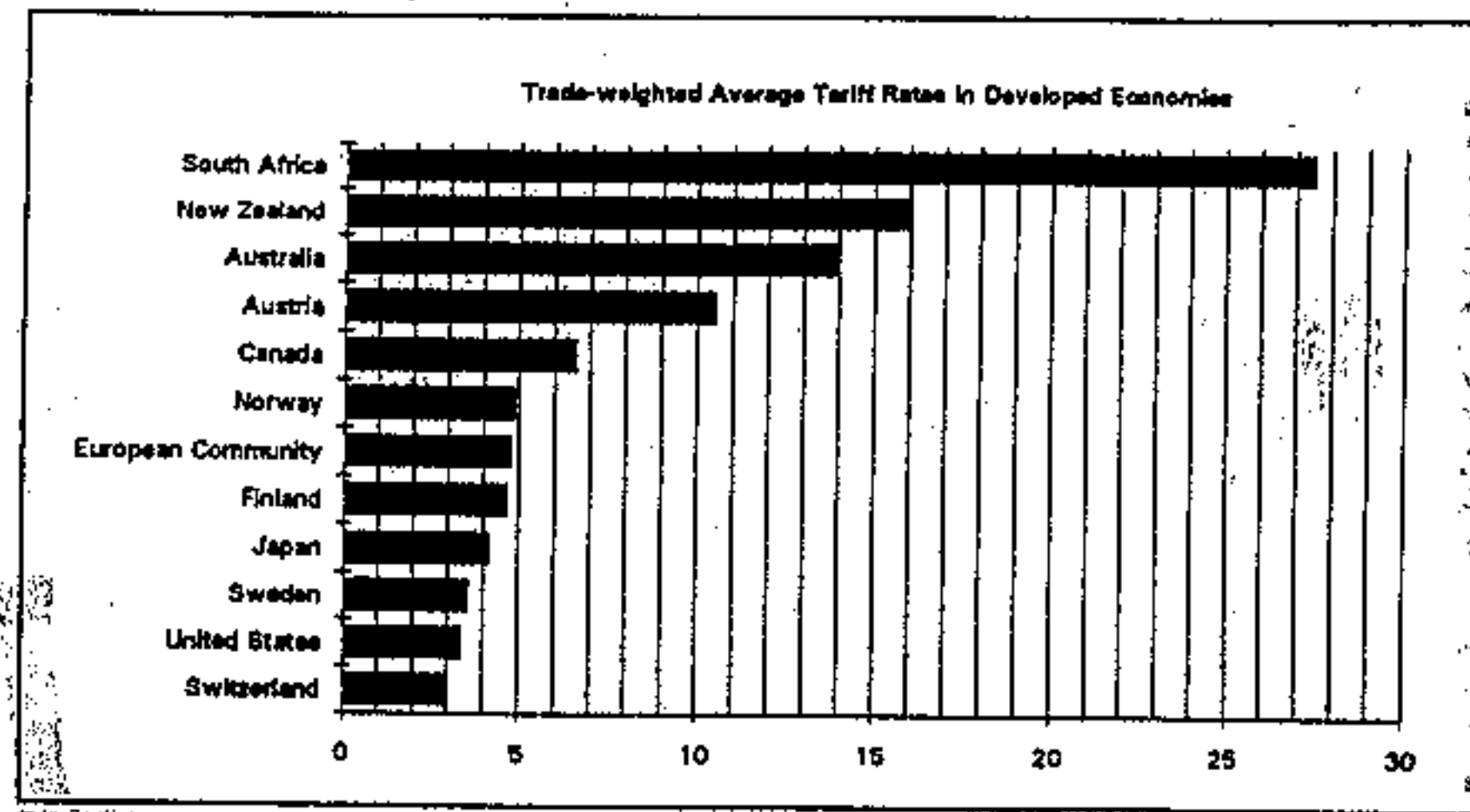
Other categories to receive a more favourable deal were domestic appliances and white goods, electric motors and generating sets, the television industry, synthetic rubber and a few chemical products.

ANC trade policy consultant Alan Hirsch said the clothing and textile industries were major employers, and the effect on jobs in terms of the original plan would have been severe.

The decision to moderate the cut in tariff protection was appropriate, given the short- and medium-term social considerations. At the same time, the industries still had the long-term potential to be competitive. The protection levels were not out of line with international experience. If the impact of trade reform on jobs was less severe than projected, SA still would have the option to reduce tariffs from the maximum levels in the GATT offer.

Trade and Industry emphasised the proposed tariff rates were maximum levels and the phase-down periods the maximum length of time needed. The proposals for the clothing and textile industries still were subject to confirmation.

● See Page 8



SA rejoices in world's highest tariff barrier

Star 9/9/93

BY CLAIRE GEBHARDT

South Africa has created for itself a dubious world record — the highest tariff barrier.

A tariff of 1 389 percent is not only the highest in a sample of 32 developing countries, it is more than twice as high as that of its closest competitor Egypt at 600 percent, says the World Bank. (74)

Compared with developed countries, SA has an average duty rate twice as high as New Zealand's, the country with the next highest average tariff.

No statistical measure, however, captures the peculiarities of the SA trade regime, says the World Bank.

In an informal document which reviews SA's trade policies, it notes that the rate of 1 389 percent applies to only one product — "woven polyester fabrics containing less than 85 percent by mass of such fibres, mixed mainly or solely with cotton, of a mass between 300 and 350 grams per square metre."

The second-highest rate of 1 320 percent also applies to only one product.

But these lines are flanked on both sides by products with lower tariffs.

"The line immediately preceding the product with a tariff of 1 320 percent, for example, has a tariff of only 10 percent and the one immediately after has a tariff of only 29 percent."

The economic rationale behind this laser-beam approach to protection is not apparent and it is doubtful that the approach serves as an effective protective device, says the World Bank.

"For example, one gram per square metre difference in the weight of a fabric might mean the difference between 1 389 percent duty, or only 150 percent."

Enforcement costs would be unbearably high, it says.

"To make the differentiation effective, the customs authorities would have to inspect every shipment minutely to ensure the description coincides with the product.

Uneven

The sectoral incidence of nominal protection is also uneven. Protection on manufacturing is 30 percent and on agriculture 16 to 23 percent, while mining is virtually unprotected at 3 percent.

Protection inevitably introduces an anti-export bias on two counts, says the World Bank. "It makes sales at home more lucrative than sales abroad by allowing firms to raise prices in the domestic market above those that would prevail under free-trade conditions.

"It also makes exporting firms less competitive internationally by increasing the cost of their inputs and hence their costs of production."

Rand keeps on hitting lows against dollar

Star 9/9/93

■ BY STEPHEN CRANSTON
INVESTMENT EDITOR

The commercial rand continues to hit record lows against the dollar.

As markets closed in Johannesburg yesterday the dollar was buying R3,409, from R3,407 on Tuesday and R3,376 on Monday (74)

The rand has depreciated by 25 percent against the dollar in the past 12 months.

Only intervention from the Reserve Bank prevented the rand from falling further.

News that sanctions might go at the end of the month did not make the foreign exchange any more cheerful.

The news was more than outweighed by the fall in the London gold price, which has lost \$12 in the past two days.

► **Guessing games over gold — Page 16**

Struggling against the inevitable

Government submitted its "final" tariff offer to the General Agreement on Tariffs & Trade (Gatt) in Geneva last week but even this third offer may not be the last. Elements in the clothing and textile industry — in particular textile manufacturers — wanting protection from imports — could still upset government's maximum tariff offer of 60% for the sector before September 15.

The 60%, up from 30% in government's July 7 draft, makes clothing and textiles the most heavily protected industry. But after months of discussion between government, labour, manufacturers, and trade and industry representatives, the sector failed to reach consensus by the deadline of end-August.

Says Trade & Industry deputy DG Gerrie Breyl: "It seems the sector simply didn't have enough time to consider the effects of the offer, so it's still subject to confirmation by an industry task group."

A highly placed industry source blames the delay squarely on textile manufacturers. According to the source, a last-ditch four-day industry meeting was held in Johannesburg last month where government's independent appointee Helgard Muller tried to convince the industry that maximum protection of 30% — 15% on fabrics and 30% for garments — was sufficient to encourage the sector's export capabilities and international competitiveness (the industry now has protection of up to 100% in some areas).

Realising that government was serious about implementing these far-reaching proposals, says the source, textile manufacturers convinced the labour union — Cosatu affiliate Sactwu — that a 30% tariff would cause huge job losses. Sactwu then insisted that the offer should be at least doubled and implemented only after eight years.

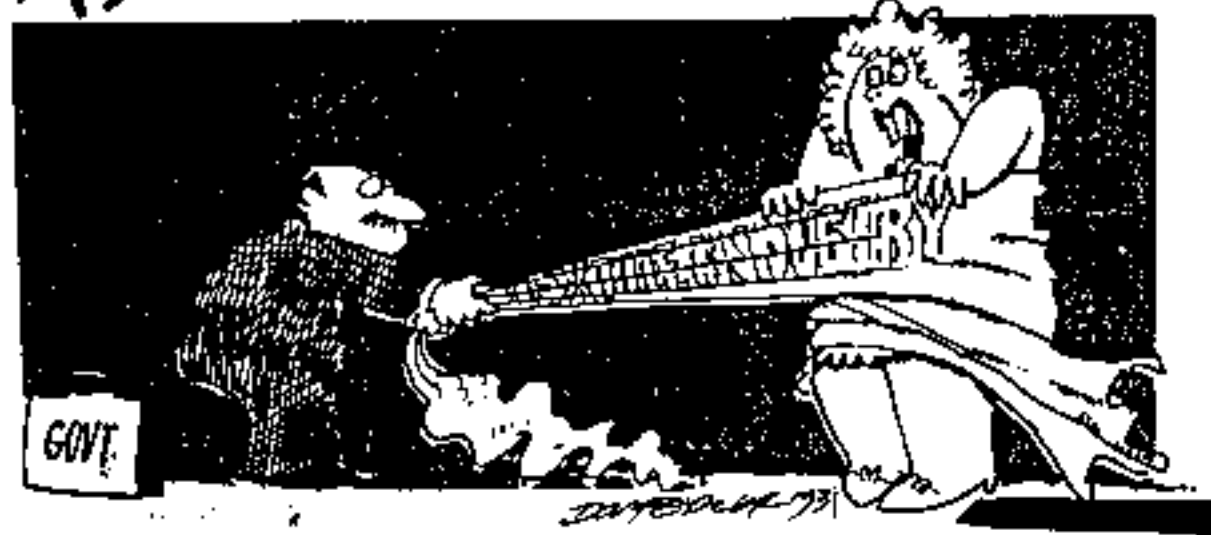
Labour's role in holding up the Gatt offer was reported in last week's *FM*. The department said Cosatu was the cause of the delay. Later, a department spokesman said it had been mistaken. The textile source says it's actually a Cosatu-aligned union that held up the offer.

Says the source: "The job-loss argument is particularly ironic given that clothing manufacturers have had to lay off around 20 000 in the past 18 months, aggravated by a high one-year tariff implemented in November — around 80% on cheaper woven fabrics and up to 150% on knitted fabrics." Clothing prices have soared during this time.

The tariff is up for review at the end of this month and clothing manufacturers had hoped the Gatt offer would usher in relief. "It's clear the man in the street could continue to foot the bill for protectionism for at least another eight years," says the source.

Of course, it's more ironic that countries

(74)



with the lowest tariffs — such as Switzerland, the US and Hong Kong — also have the lowest unemployment. Lower tariffs bring down prices for consumers and free resources for more efficient industries.

Nevertheless, government's overall offer to Gatt is an improvement. Around 99% of all tariffs have been cut by an average of 40% over a five-year period.

The most significant individual cut is to the motor industry, which will now have tariff protection of only 50% compared with 60% suggested in government's previous draft proposal and 100% now.

Some industries have been labelled sensitive, thus qualifying for longer phasing-in periods of eight years rather than five. Breyl confirms these include clothing, vehicles, certain electronics and chemicals. Consumer goods appear to carry the highest tariffs, with less protection for intermediate and capital goods. Raw materials will carry the least protection.

Gatt members will debate the offer this month and be able to discuss any discrepancies at the department's Geneva office. Says Breyl: "We will obviously try to meet the Gatt objectives as closely as possible."

SA is a founder member of Gatt. Even so, if its tariff package is unacceptable to the international trading powers, it will inevitably be denied access to the largest and most prosperous markets. Since 60% of GDP depends on imports and exports, and given that SA is a major supplier of minerals and raw materials to industrialised nations, any limitation on access to these markets could spike economic growth. ■

Basics come at a price due to the weak rand

Rich man here, pauper overseas

Star 10/9/93

■ BY MICHAEL SPARKS

As the rand continues to fall against foreign currencies, South African travellers may soon not be able to buy much more than a bagel in New York, bratwurst in Munich, or fish and chips in London.

Once travellers have paid the cost of an air ticket to Europe — upwards of R2 500 — and if they take half of their R20 000 allowance, it will not keep them in too much comfort for very long.

Travel Vision director David Bradshaw says a two or three-star hotel in London will cost R115-R150 per person, including breakfast.

But you might consider that a bargain, since a night at the

Hamburg Holiday Inn in Germany will cost R400 a person. Munich and Paris can be more affordable at R180 a night.

Add to this a pub lunch in London at R25-R50, with very little change from R10 for a pint of beer. If you want to go on the cheap you can likely get away with bangers and mash for R15.

Bottle of wine (74)

If you want to buy a sandwich for lunch so that you can enjoy an evening meal in a restaurant, a candle-lit dinner for two will set you back between R150 and R300, but that is only a main course and without a drink.

Bradshaw says the US is a more affordable destination. If

you're lucky you could fly there for little more than R3 000. A reasonable New York hotel will cost about R150 a night.

That candle-lit meal you were looking forward to will cost about R240, but you will probably be able to include a bottle of wine and a salad.

A pastrami on rye sandwich at the Carnegie Deli will cost close to R30, but you won't be able to fit in much for dinner after that. Prices drop dramatically outside New York.

While the cost of everything varies depending on where you stay and what you do, as the rand's value drops, so do the number of nights in your hotel — whether it is upmarket, or little more than a park bench.

Slumping rand begins to pinch

S1 Times 12/9/93
[Buss]

(74)

THE rand's rapid decline against major currencies has started to show in the price of imported goods.

In the past three months the rand has fallen by between 7% and 8,7% against sterling, the dollar, the yen and the mark.

On Friday R3,40 bought a dollar and a pound cost R5,27. This compares with January's R3,07 and R4,62 respectively.

Buyers of imported goods would feel the pinch of a fallen rand far more if the economy were booming, says Econometrix's Tony Twine.

He warns that further weakening of the rand could constrain SA's ability to import capital goods and to allow its economy to grow.

SA produces only small amounts of the industrial equipment and investment goods required to support growth.

However, the depreciating rand is a boon for gold mines and exporters, whose prices are now far more competitive.

Business Times Reporter

than before.

Safto chief executive Len van Zyl says SA prices were far more competitive at the country's recent exhibition in Singapore than in Dubai a year ago. Some buyers at the Singapore show were looking for cheaper suppliers of goods to replace Japan, whose currency has strengthened considerably.

The rand's fall has also let mines off the hook caused by the sharp drop in the gold price, says Nedcor economist Ted Osborne. But he is concerned about the pace of the drop in the rand.

"One senses that the Reserve Bank is trying to mobilise resources to stem the slide. But it is constrained by the precarious position of the reserves."

The weaker exchange rate has implications for the servicing of foreign debt next year, in spite of an imminent

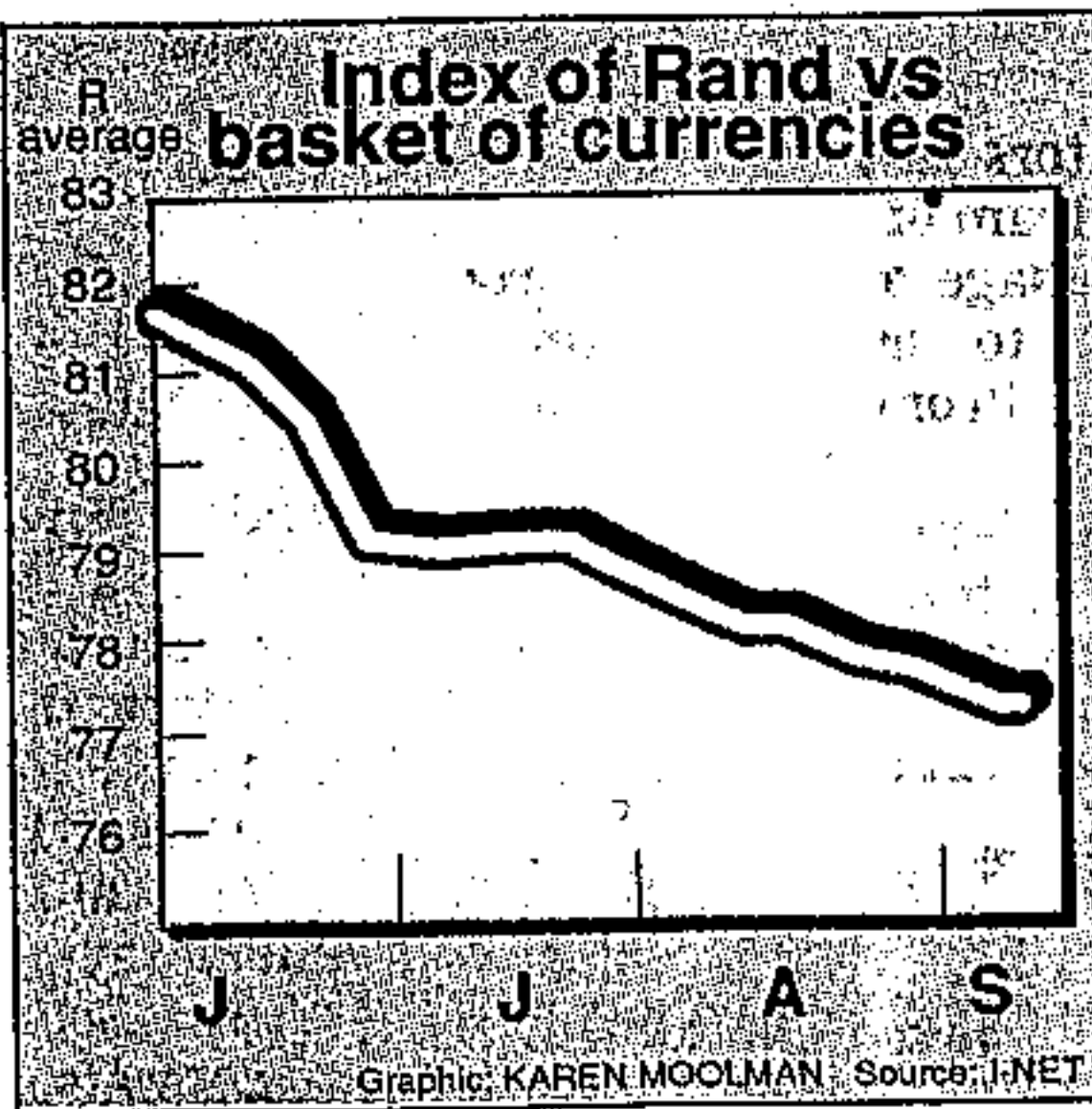
deal between the Reserve Bank and foreign creditors to reschedule \$5-billion inside the standstill net.

Department of Finance Deputy Director-General Estian Calitz says an agreement to reschedule the debt will have to be formalised before the end of the month.

He says the debt standstill co-ordinating committee, which includes Reserve Bank Governor Chris Stals and Finance Minister Derek Keys, will sign the final agreement.

The inflow of \$850-million through an IMF drought facility, expected to be approved after this week's agreement on the Transitional Executive Council Bill, will boost reserves and help restore some confidence in SA and the rand.

Standard Bank economist Nico Czypionka says a strong, steady rand is a Reserve Bank instrument to contain inflation. If it collapsed, the bank would have to implement a tight monetary policy.



Bank fails to stop slide of 'sick' rand

TIM MARSLAND

CONTINUED pressure on the rand saw it slide further against the dollar on Friday, despite the Reserve Bank's attempts earlier in the week to support the unit.

The currency closed at R3,4023 to the dollar from Thursday's R3,3993. It weakened further against sterling, closing at R5,2667 from R5,2745. *Biba*

The rand has lost 11% against the dollar this year, having started the year at R3,07. It has shed 14% against sterling in the same period and was at R4,6250 at the beginning of the year. *12/9/93*

Dealers said the rand was "looking very sick", not only against the dollar, but all major currencies. *(74)*

Against the trade-weighted basket of currencies, the rand has lost 13% since January. The basket consists of the currencies of SA's major trading partners from which an index is derived.

Dealers said the low level of the country's reserves was playing a key role in the weakness of the rand.

"Everyone needing foreign exchange to pay for imports has been buying currency on a forward basis because they see the rand continuing to weaken for the foreseeable future."

"By the same token, anyone with proceeds from export sales is delaying payments so as to get as high a rate as possible," a senior trader said.

There was little chance of the position changing until SA regained access to foreign credit lines and there was a marked improvement in the reserves.

Truck imports trigger protest

By Day
EDWARD WEST

THE duty-free importing of trucks and cars from Botswana has angered local vehicle manufacturers who claim they are being forced to compete unfairly.

Volvo sales manager Peter Scott said yesterday Sweden had given truck makers Volvo and Scania, and 13 other companies, special dispensation in April to trade in SA, although Sweden had not yet officially lifted sanctions.

Volvo began assembling trucks in Botswana in May. Its Gaborone plant would be used as a base for sales in countries such as Malawi, Zimbabwe and Zambia.

Scott said assembled trucks would be imported into SA from Botswana duty free because Botswana was a member of the customs union. SA's import tariff for fully assembled trucks is 100%.

Hyundai Motor Distributors Botswana, assemblers of Korean Hyundai cars, announced yesterday that fully built models would be imported into SA from November at 10% less than the price of equivalent locally manufactured cars.

About 600 Hyundai cars were expected to be sold in SA this year, with an estimated 3 000 sales next year after the introductions of two more Hyundai models.

Mercedes Benz SA board member Adolph Moosbauer said the imports into SA's considerably shrunken market made no sense and went against the spirit of the Phase VI local content programme.

To Page 2

Trucks

By Day 14/9/93

From Page 1

He said the assembly plants were established after Botswana eased excise and import duties. This enabled the vehicles to be imported to Botswana in semi-knocked-down form, which required little more investment than the "screwing together of some components" before being sold in SA.

SA manufacturers had had to make substantial local content related investments. Many, who were not achieving the required local content levels, were paying penalties to government. But the new entrants would have little or no local content.

MAN SA MD Wolf Meurer said the SA truck manufacturing industry was unhappy at the use of a loophole in the local content programme. Truck sales were exceedingly low at the moment.

A senior industry spokesman said the motor industry task group — appointed by government to devise proposals for a new local content programme — was negotiating with government to tighten the definition of completely knocked-down vehicles in an effort to close the loophole. Negotiations were also under way between SA and Botswana, he said.

SA rewrites agricultural proposals

Own Correspondent

JOHANNESBURG. — SA's agricultural policy-makers are hastily rewriting reform proposals after GATT indicated that the July package did not go far enough in liberalising farm trade, sources said yesterday.

The Agriculture Department confirmed a revised GATT offer would be completed by the beginning of next week, after missing Monday's deadline, but declined to elaborate. A spokesman said the point of departure was to avoid harming agriculture and to build in as much flexibility as possible in the GATT offer.

SA Agricultural Union economist Johan Pienaar said the earlier proposals circulated for comment contained high levels of protection from international competition for commodities such as maize, wheat and meat and it would be surprising if GATT had found that acceptable.

To comply with GATT, SA has six years to reach lower levels of protection. Policymakers had hoped that even after six years of adjustment, agriculture would still be entitled to substantial protection from imports. The tariff rates bound under GATT are maximum levels, and the actual levels can be lower if the country decides it can afford further reform.

Scrapping

Examples of high maximum import tariffs for the end of the reform period stipulated in the draft package are 94% for maize, 150% for wheat, 115% for frozen beef, 100% for poultry, 261% for milk, 151% for sugar, 90% for sunflower products and 50% for pork. It is generally expected that these levels will be revised downwards in the final offer.

A major part of the agricultural reform proposals is the scrapping of all quantitative control of imports. Commodities that enjoyed protection from foreign competition through import quotas would receive protection in the form of tariffs instead. It is understood GATT objected to the calculations SA used to convert import quotas into tariff rates for reform purposes.

Expectations of an export bonanza for SA farmers after GATT reforms are based on the assumption that all countries will liberalise substantially.

Economists said SA's GATT offer would still require significant adjustments. World markets would influence domestic prices as price intervention was scrapped.

Farm trade package revised

BIDAY 16/9/93

GRETA STEYN

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Farm trade

BIDAY 16/9/93

From Page 1

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Land and Agricultural Policy Centre economist Jonathan Beynon said although he welcomed the substantial room for manoeuvre built into the offer, the high maximum levels failed to send a policy signal to agriculture on the direction actual reform was likely to take. He said SA should think twice about giving up the option to impose quantitative controls on agricultural imports, as it could be wrong-footed if other countries retained controls.

Agricultural trade reform has been one of the most controversial areas of the GATT negotiations. French farmers' outrage over moves to cut European farm subsidies is threatening to hold up conclusion of the Uruguay Round of GATT negotiations, scheduled for December this year. Reuter reports no GATT pact can be reached unless the 12 EC member states and Washington agree on how deeply and how quickly to cut agricultural subsidies, blamed for distorting the world economy.

Expectations of an export bonanza for SA farmers after GATT reforms are based on the assumption that all countries will liberalise substantially.

Economists said SA's GATT offer would still require significant adjustments. World markets would influence domestic prices as price intervention was scrapped.

DIGEST

US trade deficit narrows

WASHINGTON. — The US trade deficit in July shrank 14% to \$10.3bn, narrowing because consumers in the US reduced their purchases of overseas goods, the Commerce Department said yesterday. In other government reports, industrial production climbed a third straight month by 0.2% in August, while the number of US jobless filing new weekly claims for unemployment insurance rose slightly by 2 000 to a seasonally adjusted 324 000.

Tokyo's stimulus plan

TOKYO. — Japan yesterday announced an economic stimulus package worth 6.15 trillion yen in an attempt to revive Japan's listless economy by boosting consumption and end the fleeing of consumers by ensuring that windfall exchange profits are passed along. A key part of the package tackles the problem of regulations that hamper business expansion and prevent Japanese consumers from enjoying benefits the stronger yen has given to their global buying power.

Foreign loan clinched

HARARE. — Zimbabwe's tobacco farmers have secured a foreign exchange loan facility worth Z\$288m to import vital inputs for the 1993/94 farming season, a senior industry official said yesterday.

SA nets R10m at trade fair

By AUDREY D'ANGELO Business Editor

ABOUT R10m worth of business was done at the SA trade fair in Singapore at the beginning of this month — and it will probably lead to orders worth at least R100m in the longer term, according to Mario Angelucci, the SA Foreign Trade Organisation's manager of trade fairs and exhibitions CT17/9/93

hibition (SACEX), to be held in Beijing in March. It is being organised by Times Media Exhibitions. First National Bank is one of the sponsors and the bank's manager of financial institutions, Richard Mooruth, says two-way trade between SA and China is expected to reach R500m this year compared with \$232m last year. Mooruth says this does not take into account the substantial indirect trade through Hong Kong. Derek Holmes, national export strategist at Renfreight — who are freight managers for SACEX

— said the organisers had indicated that between 80 and 100 firms were already showing interest. China was a very big market, with a population of 1.4bn. But it was important for exporters to research the market before going there, and make sure that rival products were not available for half the price. Holmes said it was also important for everyone taking part in the exhibition to work together to promote SA industry as a whole, even though they competed in the domestic market.

Govt revenue nears budgeted target

From GRETA STEVN

JOHANNESBURG. — The government's revenue situation improved significantly last month, as fiscal drag and tax payments on public sector salary increases swelled state coffers. The Finance Department said revenue in the first five months of the fiscal year had risen 16.2% from last year, bringing government within striking distance of the budgeted 17.3% increase for the full year.

This is a far cry from the situation in the first month of the fiscal year, when revenue was slightly lower than in April 1992. The government has steadfastly maintained revenue would pick up to acceptable levels, while

economists projected a substantial shortfall for fiscal 1993/94. The department said spending rose 10.6% in the first five months compared with the previous year — not too far away from the budgeted rise of 8.8% for the full year. But economists said the eventual rise in spending would be above budget because of substantial extra allocations for job creation, drought relief and an increase in teachers' salaries. However, despite the extra spending, the government still maintained that the deficit was not likely to exceed the budgeted R25.3bn. Economists said the view depended on a changed definition of the deficit, which was out of line with the Reserve Bank and international practice. The extra spending will be financed from the sale of state as-

sets, instead of from long-term loans — hence the government's view that it does not add to the deficit. But economists, including the Reserve Bank, regard the sale of assets as a one-off source of finance — a "below the line" item alongside loan finance.

A breakdown of the revenue position to July (the latest available) showed the increase in the VAT rate was paying dividends, while the fall in the company tax rate was holding back receipts. VAT receipts were up almost 55% from the previous year, while income tax receipts were only 1.3% higher. "The effects of salary increases in the public and other sectors and of fiscal drag will be reflected in the August figures, which are not yet available," Finance said.

Lack of finance hits low-cost housing

JOHANNESBURG. —

The lack of end-user finance is strangling the development of low-cost housing projects and exacerbating SA's estimated housing backlog of 1.4-million units. Representatives from the private sector, local authorities and civic associations agreed at a National Association of Home Builders meeting yesterday that end-user financing was the key issue in the future of housing in SA.

In addition, the replacement of the national housing commission by a national housing board, already agreed upon in principle, was seen as essential for the formation of a comprehensive housing policy which would release funds through a formalised subsidy mechanism.

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The SA syndrome (74)

Hopes that a rising gold price will underpin the sagging rand have been dashed. Not even a partial recovery in the performance of the precious metal would restore confidence in its prospects after the recent price collapse (see accompanying story). So the prognosis for the already debilitated rand is poor.

Unfortunately, expectations about future currency movements tend to be self-fulfilling. People protect themselves against further depreciation and their actions accelerate the process. So the fall in the currency is likely to continue until there is a fundamental change in one of the factors influencing the strength of the currency. "Specifically the political situation will have to stabilise," says Moss Brickman, chief forex dealer of Nedcor Bank.

Meanwhile, other fundamentals have improved. This tends to be forgotten as the rand buckles under the dislocating social pressures of past months. But recent developments must be seen in historical context.

The dollar value of the rand fell from a high of US\$1,35 in January 1981 to less than US30c last week. Measured against a basket of currencies, the nominal exchange rate fell more than 75% between 1980 and July 1993, the latest published official figure. Calculations by the Standard Bank economics division, using a similar index with the same base year (1990=100), shows the fall is now accelerating (see graph).

This slide was the result of a falling gold price, economic mismanagement, the imposition of financial sanctions in 1985 and the flight of capital over a decade. Now the currency is no longer being debased by ex-

Cont →

ECONOMY & FINANCE

cessive money creation; real interest rates are relatively high; the inflation differential between SA and its trading partners has been reduced; and financial sanctions are about to be lifted.

What remains is the uncertainty. This is unavoidable in a political transition — especially when accompanied by violence which political leaders on all sides of the spectrum are unable to contain.

What influential people can do is consider the impact of their words and actions. This is a climate where a joke about taxing swimming pools is taken seriously; and even prompts decisions to emigrate.

More serious, yet nevertheless, thoughtless statements have much to do with the recent outflow of capital. The financial rand is only partially effective in insulating the commercial currency from crises of confidence. The dimensions of exchange control contraventions are debatable, but there is no doubt that they have been large-scale. The damage this is still doing is evident in the weakness of the commercial rand at a time when the trade balance has been healthy and inflation has fallen.

At the same time, the discount of the finrand against the commercial currency has widened — "from 25% in early August to over 30,2% on Tuesday," says UAL chief economist Dennis Dykes. Six of the past seven weeks have seen net outflows through non-resident JSE transactions.

Only constructive and decisive actions of a new government can finally stop the haemorrhage of capital which is threatening to drain the economy of its lifeblood. But a little thought now will at least slow the flow during the critical months leading up to the election.

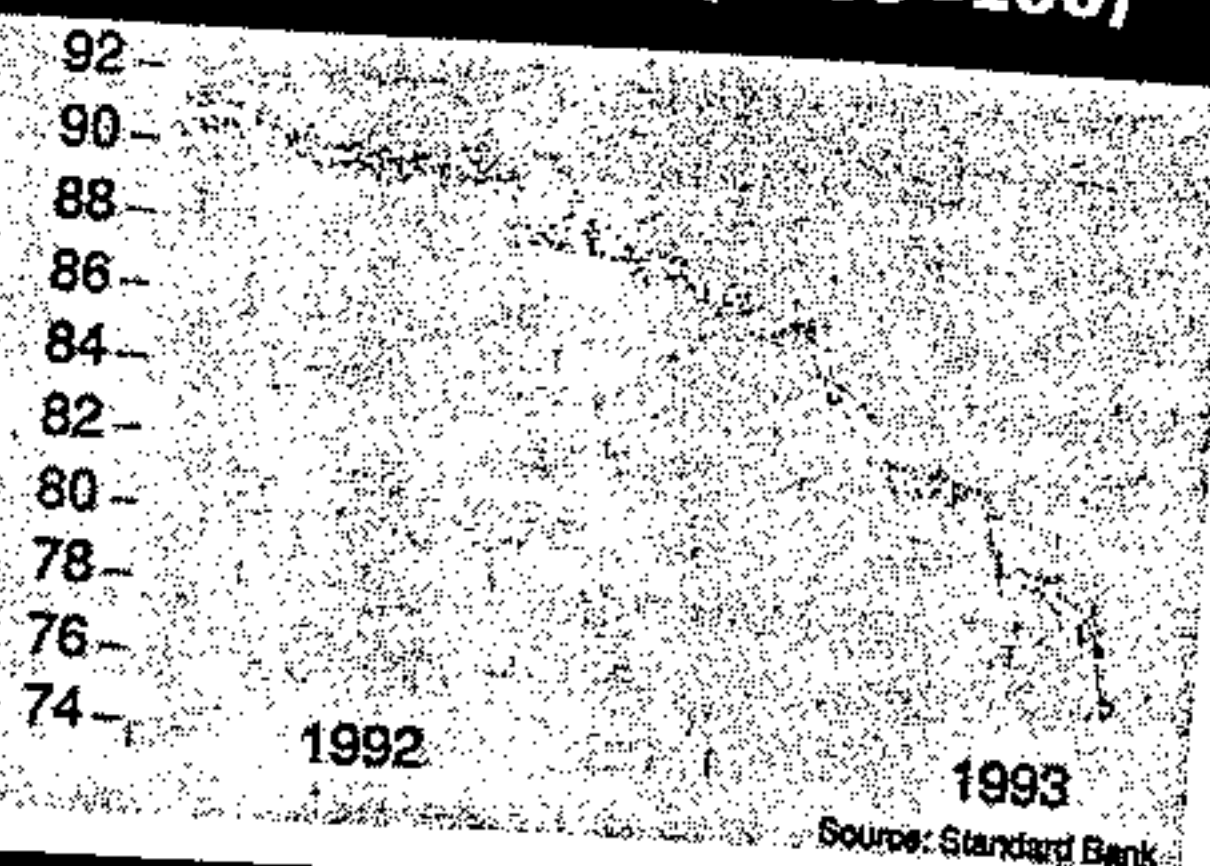
One favourable factor over the next few months, says Dykes, is that repayments of foreign debt will be much lower than they were in the first half of the year. "About \$1,5bn in foreign debt repayments was due this year — \$400m in converted debt, \$700m in unaffected debt and \$440m in affected debt."

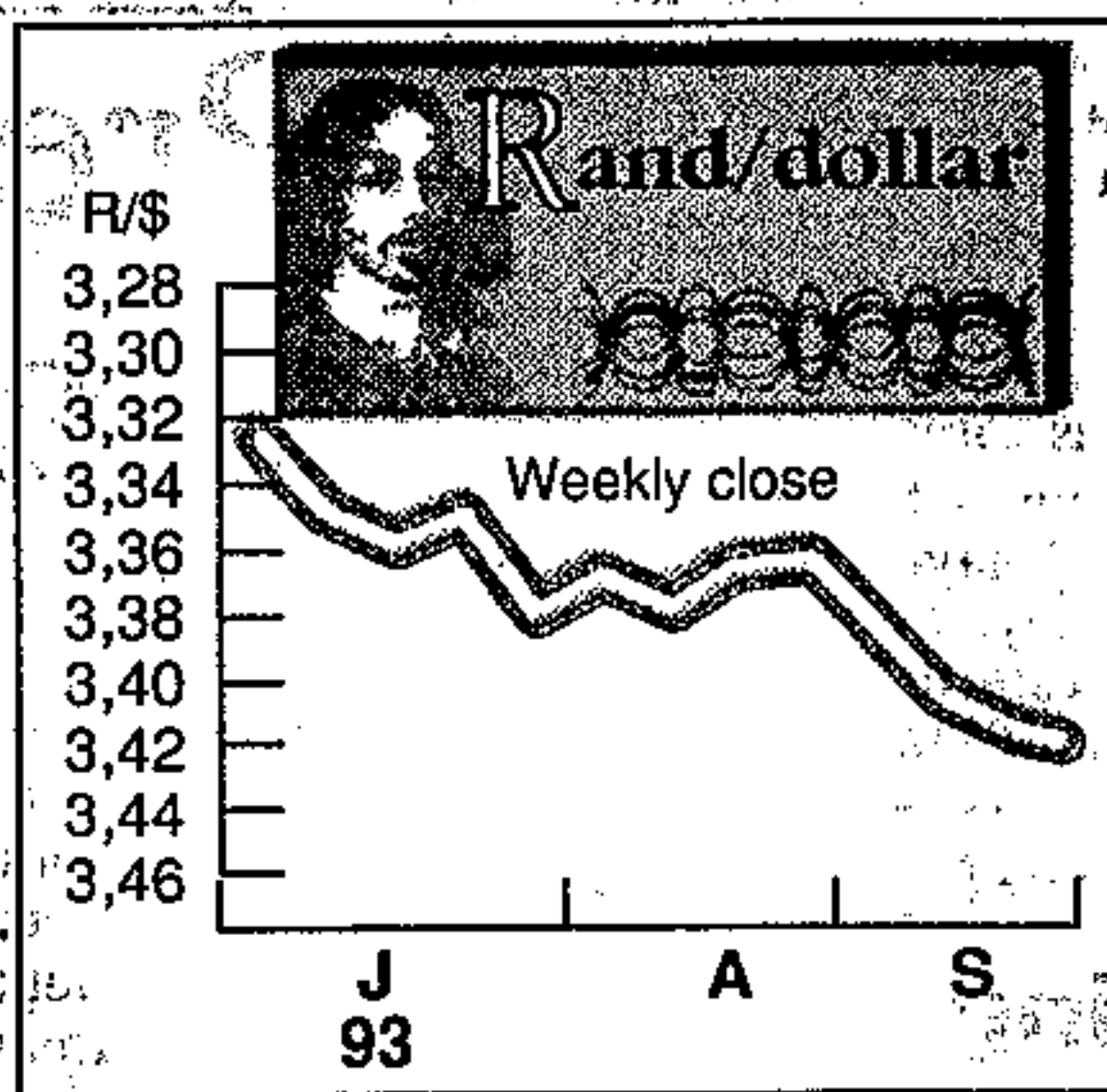
He estimates that almost all the unaffected debt has been repaid, most of the converted debt and only a small December repayment of affected debt remains. This will

reduce one source of downward pressure. "If all goes well," he says, "the trade-weighted rand should depreciate by 8%-10% over the next 12 months. This compares favourably with the fall of more than 17% in the previous 12."

But clearly, a considerable amount of political nous is required if all is to go well. The consequences of failure should not be underestimated — the malaise is deadly if unchecked.

Free fall Nominal effective exchange rate of the rand (1990=100)





Graphics: LEE EMERTON Source: I-NET

Commercial rand at new low to dollar

TIM MARSLAND

THE commercial rand fell against the dollar to close at a new low yesterday, forcing the Reserve Bank to defend the unit.

The rand ended at R3,4158 from Friday's R3,4130 and hit a record trading low of R3,4250 before central bank support brought it back into line. *8/Day*

The Bank has intervened frequently in the market over the past few weeks to stem the slide in the rand, but traders believed it did not have sufficient reserves to sustain its influence. *2119193*

The rand was stable against other major currencies, ending at R5,2420 to the pound from a previous R5,2230.

The financial rand closed marginally firmer against the dollar at R4,6150 from R4,6175, but was off its highs in line with developments in the bullion market.

Dealers said the unit had closely tracked the bullion price during the day. *(74)*

In London gold firmed to an afternoon fix of \$354 before closing \$1,95 up at \$353,90. In New York the metal rose \$2,55 to end at \$353,55.

Some traders had sold gold on Friday, hoping to buy it back cheaper yesterday. But its sudden rise forced them to cover those positions and pushed gold up.

Bond market rates eased as bullish sentiment, set off by last week's offshore purchases, continued. Government's R150 ended at 13,26% from 13,32%.

Rand at new lows as dollar, gold gyrate

THE commercial rand fell to a new low against the dollar and gold gyrated violently yesterday on the back of political manoeuvrings in Russia. **BIDAY**

The turmoil helped the dollar soar against major global currencies and had a galvanising effect on gold.

Panic hit the local currency market in early trade as a result of the stronger dollar, forcing the rand to its weakest level yet at R3,4450. But it regained ground to

TIM MARSLAND

close at R3,4238, marginally easier than its overnight R3,4163. **23/9/93**

Dealers said the Reserve Bank sat on the sidelines waiting for the dust to settle. But in the end it did not need to support the unit as market forces came into play and exporters entered the market to take advantage of the cheap rand. **(74)**

To Page 2

Rand

The rand quickly rose to R3,4150, before easing on dollar-related developments. The dollar fell back to DM1,62 in late London trade, after rising as high as DM1,64 in the US overnight. **BIDAY 23/9/93**

One trader said the rand was as weak as it was going to get in the short term. "Virtually all importers that have been able to take out forward cover have done so. Most agree the dollar is under pressure, so the rand can only get better from here." **(74)**

The financial rand mirrored bullion's moves, closing unchanged at R4,6450.

Bullion had one of its most active days in recent sessions, trading in a \$10 range. It

opened in London at \$359, after closing at \$363 in New York overnight. It closed \$0,10 down at \$353,95. In New York gold fell \$0,10 to end at \$354,05. From Page 1

Traders said gold had settled back into its recent \$350-\$355 trading range. "It was just a kneejerk reaction. Gold is back where it was before the rumpus."

Platinum matched gold dollar for dollar, but was unable to improve on its premium to gold. The gap between the two metals has narrowed to about \$5 compared with its traditional \$10. It traded at about \$360 in London.

Bill heralds new era for SA trade

CT 25/9/93 (74)

By AUDREY D'ANGELO
Business Editor

THE passing of the Transitional Executive Council (TEC) Bill is "the start of a new beginning for SA" and will encourage the development of new markets, Roland Hudson-Bennett, President of Cape Town Chamber of Commerce, told influential Indian businessmen yesterday.

He was welcoming a trade mission from northern India whose members said they were here to look for partners in joint ventures in SA and in their own country, as well as to make import and export deals.

One of the trade mission, Jagdeep Rikhy, a leading travel agent from New Delhi, stayed behind in Johannesburg because, an associate explained, he was having discussions with Flitestar and Southern Sun.

The associate, K K Mitra, who is also GM (marketing) of Industrial Cables of India, said he and Rikhy had discussions with Durban travel agents. They were sure there was tremendous scope for both business and leisure travel between SA and India and they were impressed by the standard of SA hotels: "When businessmen come here they will encourage tourism by word of mouth. And they will come back with their

Passage to India

FLITESTAR is likely to introduce a service to India from the middle of next year, MD Jan Blake said yesterday.

Confirming that he had talks with a director of New Delhi-based travel agents Inter Skylinks (India) yesterday, Blake said: "Our research a few months ago showed that India has the potential to be a huge market for us. We already have an authorisation to fly there.

"But initially we shall co-operate with Air India, who are introducing a service to Johannesburg in October."

families."

A low profile trade mission from Bombay visited Cape Town Chamber of Commerce and the Cape Chamber of Industries recently.

But, with the changing political situation, the eight prominent members of the PHD Chamber of Commerce and Industry who came to Cape Town this week made it clear that they wished their visit to be widely known.

The mission leader, Devinder Singh, chairman of Industrial Cables (India), said his chamber was a regional one with a membership base of about 1 400 companies and 80 industry associa-

tions which in turn represented more than 10 000 industrial units.

It represented a dynamic region contributing 33% to India's gross domestic product (GDP) and producing 45% of foodgrains and 21% of manufacturing added value.

India's export earnings in 1992/93 were estimated to be \$18,7bn — 38% of which came from his region — and imports were an estimated \$22bn.

Devinder Singh said India had faced macro-economic difficulties in 1990-91 after achieving average annual growth of 5,9% for the previous five years.

But since July 1991 economic reforms had been carried out which "pushed the economy towards globalisation and market orientation."

The economy had stabilised with the inflation rate contained below 6% and the growth rate had increased from 1,2% in 1991/92 to 4,2% in 1992/93.

Growth in agricultural production in 1993/94 was likely to be 3,3% and growth in industrial production 4,5%. "The fiscal deficit has been reduced to 6% of GDP in 1991-92 and is estimated at 5%."

Growth in per capita income was expected to be 2% in 1992/93. Foreign exchange reserves were currently \$7,2bn "which is a significant improvement from the level of \$2,2bn in 1991."

IMF buffer needed, says De Klerk

ANC joins FW in call to kill finrand

B/Day 27/9/93

WASHINGTON — In what seemed to be a joint policy arrangement, government and the ANC called at the weekend for the finrand to be abolished.

The ANC said stability under a strong democratic government would enable SA to do away with the dual unit.

President F W De Klerk later told businessmen at the World Economic Development Congress that he was anxious to end exchange controls as soon as possible because it was "fundamentally important to open up our economy".

The ANC released a policy statement saying foreign investment through the finrand had no impact on foreign currency reserves and merely facilitated disinvestment. "The two-tier system must therefore be abolished at the earliest opportunity."

Questioned later, De Klerk said an IMF standby facility — in addition to the \$850m loan nearing finalisation — would be one of several prerequisites for such a step.

However, in asserting the need for further IMF finance, De Klerk appeared to put government on a collision course with ANC economics chief Trevor Manuel, who said the movement was unwilling to seek IMF assistance beyond the Commodity and Contingency Financing Facility that is under discussion.

A standby facility will entail conditions considerably more stringent than those likely to be attached to the contingency facility at a time when the ANC is emphasising it wants to avoid IMF and World Bank encroachment on its sovereignty.

De Klerk told the development congress that government and the ANC had reached broad agreement on specific economic

GRETA STEYN and
SIMON BARBER

policies, including the need for the contingency facility and the terms of a final debt rescheduling to be announced today.

The ANC statement formalises a comment made earlier this year by Manuel, which caused a stir among academics linked to the ANC. Their view was that scrapping exchange controls was low on the list of priorities.

The policy statement, called "Foreign Direct Investment Platform", said investments through the finrand would be valuable if they were directed at a list of approved investments and if the discount between SA's two currencies was reduced as a result.

The ANC listed 13 such types of investment. It promised to implement economic policies to encourage foreign and domestic investment in these categories, which would contribute to balanced economic growth and development.

The categories included investment in companies with a high level of social responsibility, in bonds for infrastructural development, and in small and medium-sized businesses. Apart from investments that had the direct effect of empowering disadvantaged people and creating jobs and infrastructure, those that helped companies expand exports of non-primary products would also be encouraged.

"Vehicles and instruments which fall into these categories will be actively developed and promoted. It is well understood ... that investors' requirements for

□ To Page 2

Finrand

B/Day 27/9/93

market-related returns and risk exposure must be met if these vehicles are to be successful," the ANC said.

The "platform for investment" was drawn up after a workshop with SA business in July. It is understood that a committee including bankers, stockbrokers and a representative of Anglo American gave advice on the policy statement.

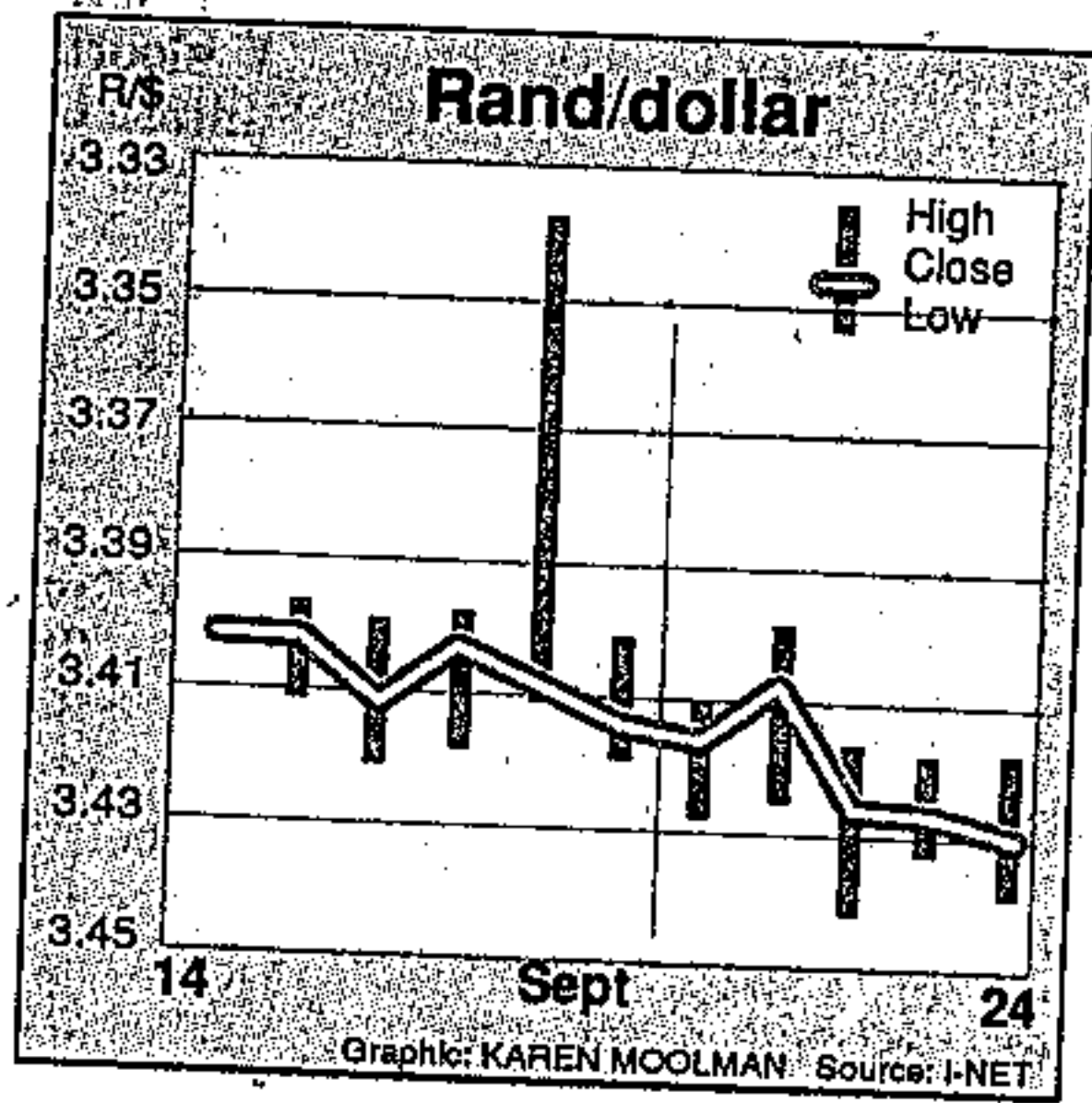
It said investments falling within the

guidelines spelled out in the document would receive support and assistance.

National economic policy would be formulated to encourage such investments. Foreign portfolio investment outside the range would also be allowed where it did not break any laws or cause severe disruption of the securities and foreign exchange markets. Foreign investors would enjoy equal treatment to local investors.

□ From Page 1

Rand drops to new low



MARCIA KLEIN

THE commercial rand closed on Friday at a record low of R3,4378 against the dollar as the US unit surged on tensions over Russia. *Biday 27/9/93*

The rand had eased from Thursday's R3,4310 close, which was also a record low.

Dealers said the sale of dollars by exporters helped prevent further losses in the local currency.

One trader added although the rand closed at a new low, it had ended virtually steady in quiet Friday trade.

The financial rand closed at R4,5350 against the dollar from a previous close of R4,5500. The unit was boosted by local political developments, the Russian crisis and a firmer gold price. (74)

Multi-million rand spinoff for SA trade fair in Asia

74

ARG 28/9/93

SINGAPORE. — South Africa's first trade fair in southeast Asia has been hailed a resounding success with more than US\$42 million (about R143 million) worth of contracts within a month.

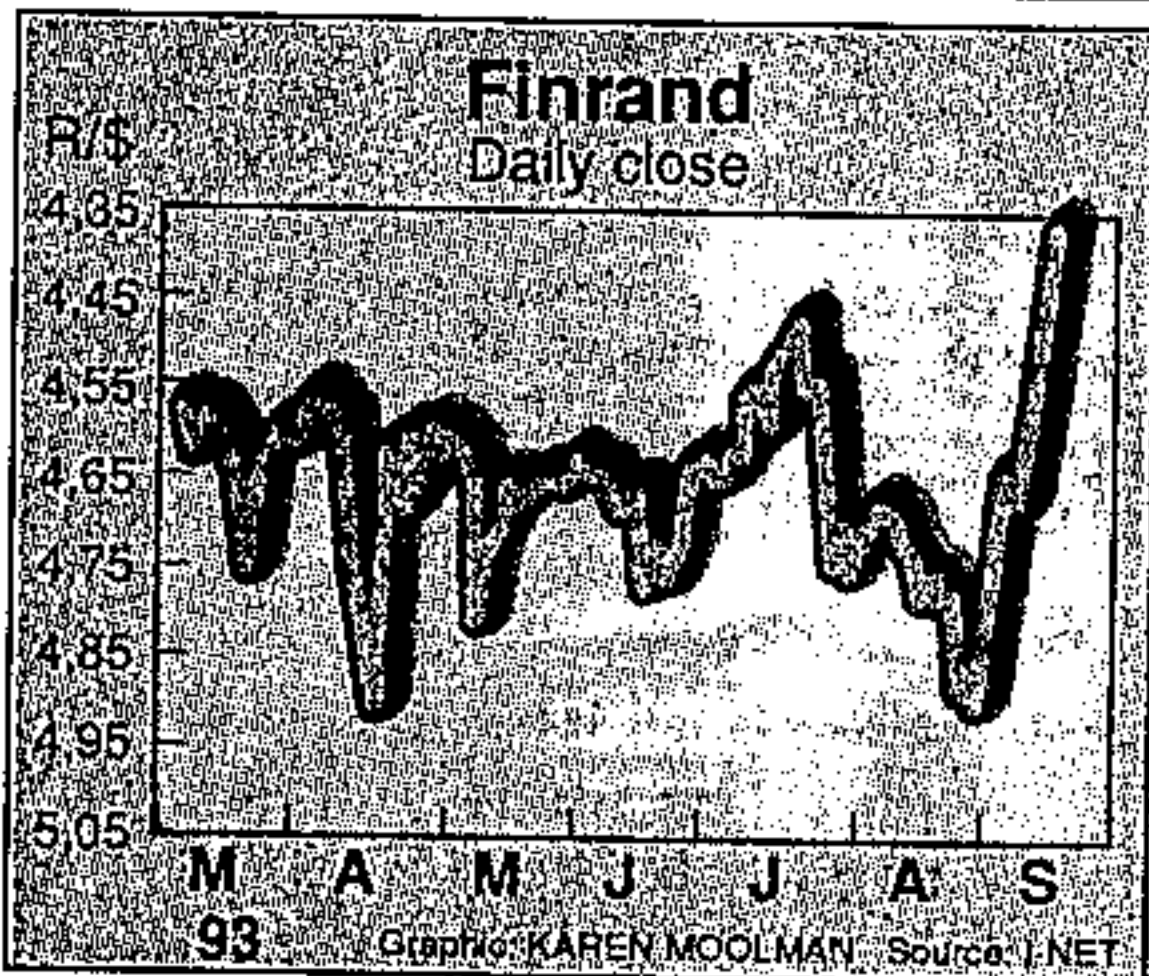
The Department of Trade and Industry said in a statement here the contracts had been either signed or agreed in principle with southeast Asian firms since the August 31-September 2 fair.

South African businessmen have also secured in principle a further \$39 million worth of export contracts to be sold in the region over the next 12 months, according to the statement issued jointly with the South African Foreign Trade Organisation (Safto).

"Many exhibitors extended their stay in the region to follow up on important prospects in Vietnam, Taiwan, the Philippines, Hong Kong and New Guinea and many are planning a follow-up trip to the region within the next few weeks," it said.

A joint government and business delegation from South Africa, led by Trade and Industry director general Stef Naude, toured Singapore, Malaysia, Indonesia and China from August 27 to September 12.

The Singapore fair attracted 3 150 visitors from 15 countries, the statement said. — Sapa-Reuter.



Finrand firms to 18-month record

KELVIN BROWN

THE financial rand firmed to its best level in 18 months yesterday in hectic trade as the market received a massive boost from the lifting of sanctions. *B1 Day*

Renewed positive sentiment saw SA's foreign investor barometer strengthen to a high of R4,3250 to the dollar during the day, before ending slightly off at R4,3525 from a previous close of R4,5300. *28/9/93*

The impact of the lifting of sanctions took the market by surprise. Players reported a large amount of foreign interest — mainly gilts-related — from Europe.

Dealers said the market had not been this busy since ANC president Nelson Mandela had been released from prison.

The fall in the level of the finrand shrank the size of the discount between the commercial unit and finrand to 21%, against Friday's 24%. Dealers said the gap had not been so narrow since before the Boipatong massacre. *(74)*

The market was confident that the trend would continue as US interest looked set to pick up. At the moment US investors were still restricted from owning SA assets by state and local sanctions.

There was little reaction to weekend comments from government and the ANC supporting the scrapping of the finrand. Dealers said the market did not expect this to happen in the short term.

Our political staff reports from Cape Town that DP finance spokesman Ken Andrews said the move could boost foreign investor confidence. The DP was also committed to scrapping the finrand.

"Some restrictions are, however, still necessary — but the sooner we are able to move to abolish them the better," Andrews said.

□ To Page 2

Finrand

B1 Day

28/9/93 From Page 1

Capital market rates plummeted in trade dominated by foreign buying.

"The market has been boosted by Mandela's approval of the IMF's \$850m loan and improved foreign investor sentiment," a dealer said. *(74)*

Although the market was overbought, he expected it to consolidate before moving lower.

The Eskom 168 yielded 12,880% in late afternoon trade from a previous 13,090%,

while government's R150 was trading at a 12,880% yield compared with Friday's 13,070% finish.

Diagonal Street was also a major beneficiary of post-sanctions sentiment. Good foreign and domestic demand for leading shares lifted the overall index 65 points to 3 795. The industrial index gained 81 points to end at 4 446.

"People are buying SA (Pty) Ltd," a dealer said.

At 3,43 to the dollar the rand is now below financial rand to the north

Rand bonds alluring

Star 1/11

SENSING huge profits, currency speculators are gambling on the gap between the value of the rand and finrand closing more than it has in recent weeks

BY NEIL BEHRMANN

London — Rand bonds are booming on international markets and yields have fallen to their lowest levels since early 1985.

As a result of surging bond prices and a sudden financial rand revival, rand long-bond yields for the foreign investor are down to 16 percent.

These yields were last seen before South Africa's foreign debt default and reinstatement of exchange controls early in 1985.

Discount

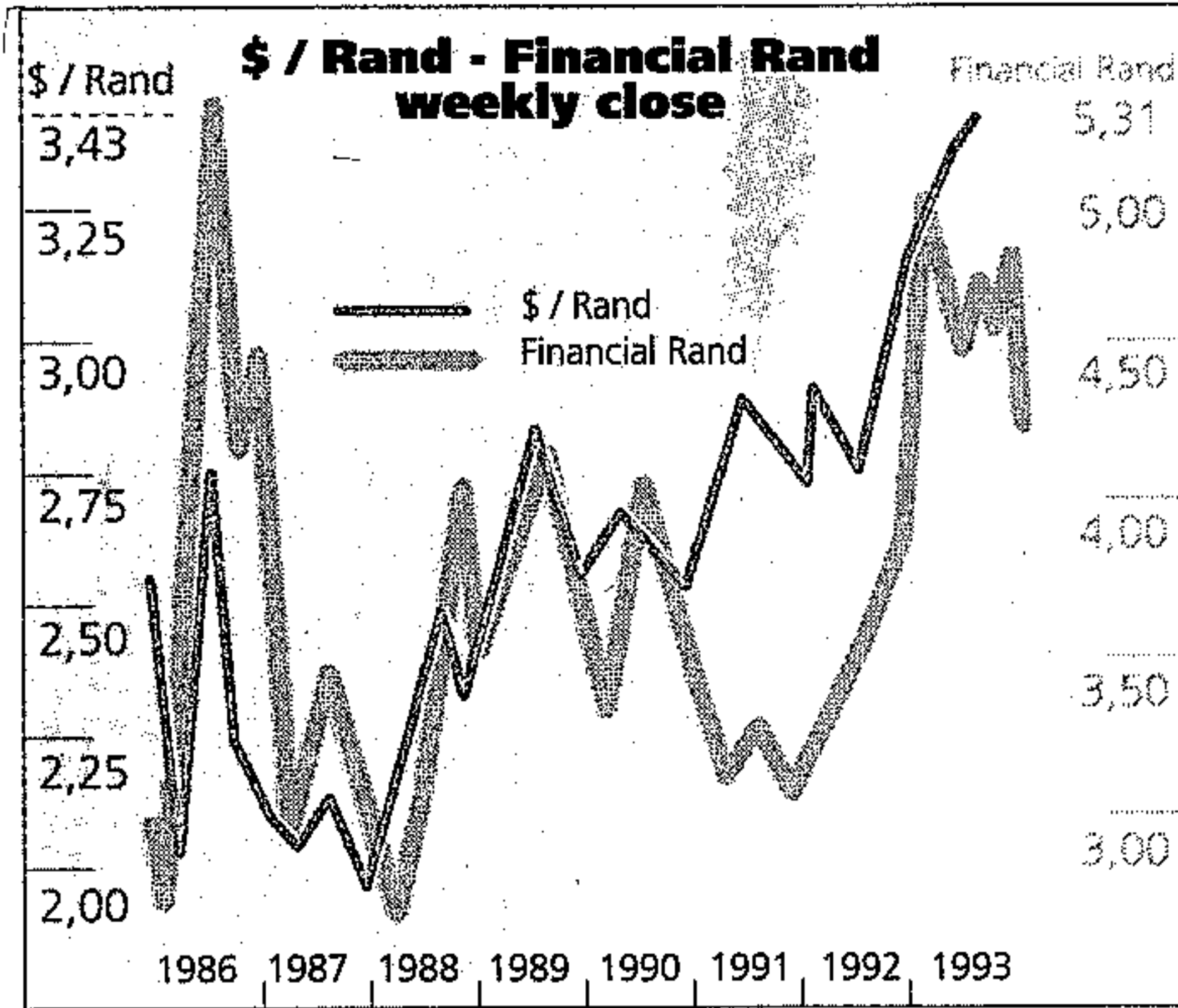
Local long-bond yields are now around 13 percent. But foreign investors buy rand bonds through the financial rand and with the finrand at a discount of 19,5 percent, the yield on rand bonds is 16 percent for foreigners.

The sharp fall in international rand bond yields, which were as high as 23,8 percent last November, is mainly the result of large purchases by US funds that specialise in emerging markets.

SA bond salesmen are having a field day in America, claiming that the "real yield" (inflation-adjusted return) is 6,7 percent.

"SA rand bond yields are good value and more than compensate for political risk," says a London analyst.

This argument, however, assumes a marked reduction in



GRAPHIC: ABEL MUSHI

violence and ignores currency risk.

For a start, South African institutions will have noted that real yields on the domestic market have fallen to only 3,7 percent. So they could decide to take profits.

Secondly, if international fund managers were to pursue normal global investment strategies and hedge against currency risk, they would find that they would be buying one year forward dollars at a premium of 6,4 percent over the commercial rand.

Real return

Such a procedure would reduce the effective nominal return to 9,6 percent (16 percent less 6,4) so that the true real return on rand bonds for the foreign investor would fall to virtually zero.

The finrand has also surged on speculation that South Africa's exchange controls and two-tier currency system will be abolished.

Statements by Finance Minister Derek Keys, by ANC leader Nelson Mandela and by President FW de Klerk, who were in Washington and New York in the past week, have ignited speculation because they said that they wanted to be rid of the unsatisfactory system.

SA's leaders are seeking direct investment to boost the economy.

They succeeded in obtaining an \$850 million IMF loan and will negotiate a better foreign debt settlement. Yet they have also precipitated a rush of hot money into SA securities.

As a result, foreign exchange dealers in South Africa and London have been speculating on a declining finrand discount to the commercial rand, say London dealers.

The speculative play is effected through the purchase of finrands for future delivery and the simultaneous forward sale of commercial rands.

Since the financial rand discount has narrowed to 19,5

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Meyer Commission of Enquiry which found that whole departments were created without authorisation, non-existent officials were paid for years and numbers of officials lacked skills to do their jobs.

One is reminded also of a huge number of people who returned to the homeland to obtain drivers' licences, of "irregular deals" with a chemical company involving over R15 million, Ramodike's alleged nepotism. The list goes on and on.

The signs of decay at the end of empire show, too, bowakgomo.

Civil servants in the lower categories, to whom the huge corruption money has not trickled down, are getting restless and dissatisfied and are starting to voice dissatisfaction with Ramodike's rule.

His responses to the events have followed to the letter his old, trusted style: froth and the-mouth indignation.

After the South African government's proclamation reported to have said that corruption allegations were "diabolical" lies.

All his latest utterances on the subject have been in the same vein.

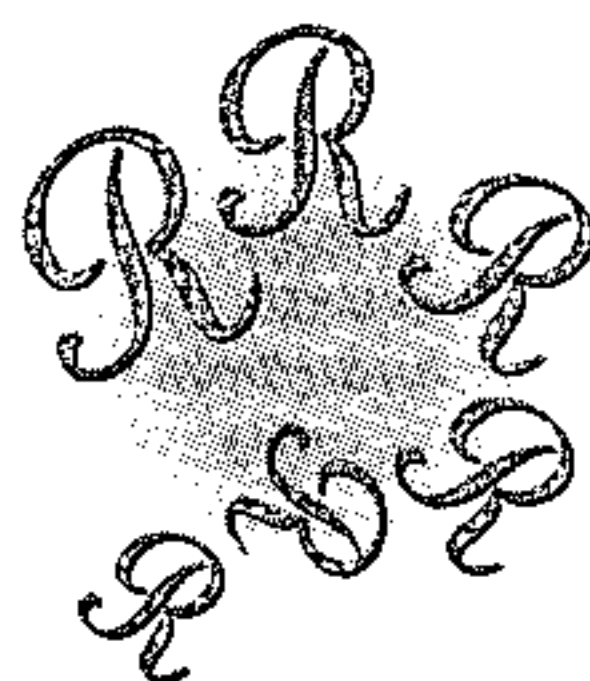
Now he is refusing to speak to the media and remains silent in his parliamentary chamber in Lebowakgomo, only venturing out to address civil service meetings, or to retreat to his home.

The Self-Governing Territories Constitutional Amendment will also affect other self-governing territories seen to be in a state of rupture. The Lebowa case is a runner for certain other territories, and the end of the world as they know it might be the beginning of a new era.

Fri 1/10/93

It's a long way from Rubicon

But can the rand make a comeback? (74)



Between January and the end of last week, the commercial rand fell nearly 11% against the US dollar. Around US29c, it is more than 20% lower than on August 27 1985, days before gold and foreign exchange

dealings were suspended and a two-tier currency reintroduced.

What business and bankers want to know, after the events of the past week, is what is the outlook for the currency? It seems the best we can hope for is that its slide will be stemmed; there is little chance it will bounce back to higher levels.

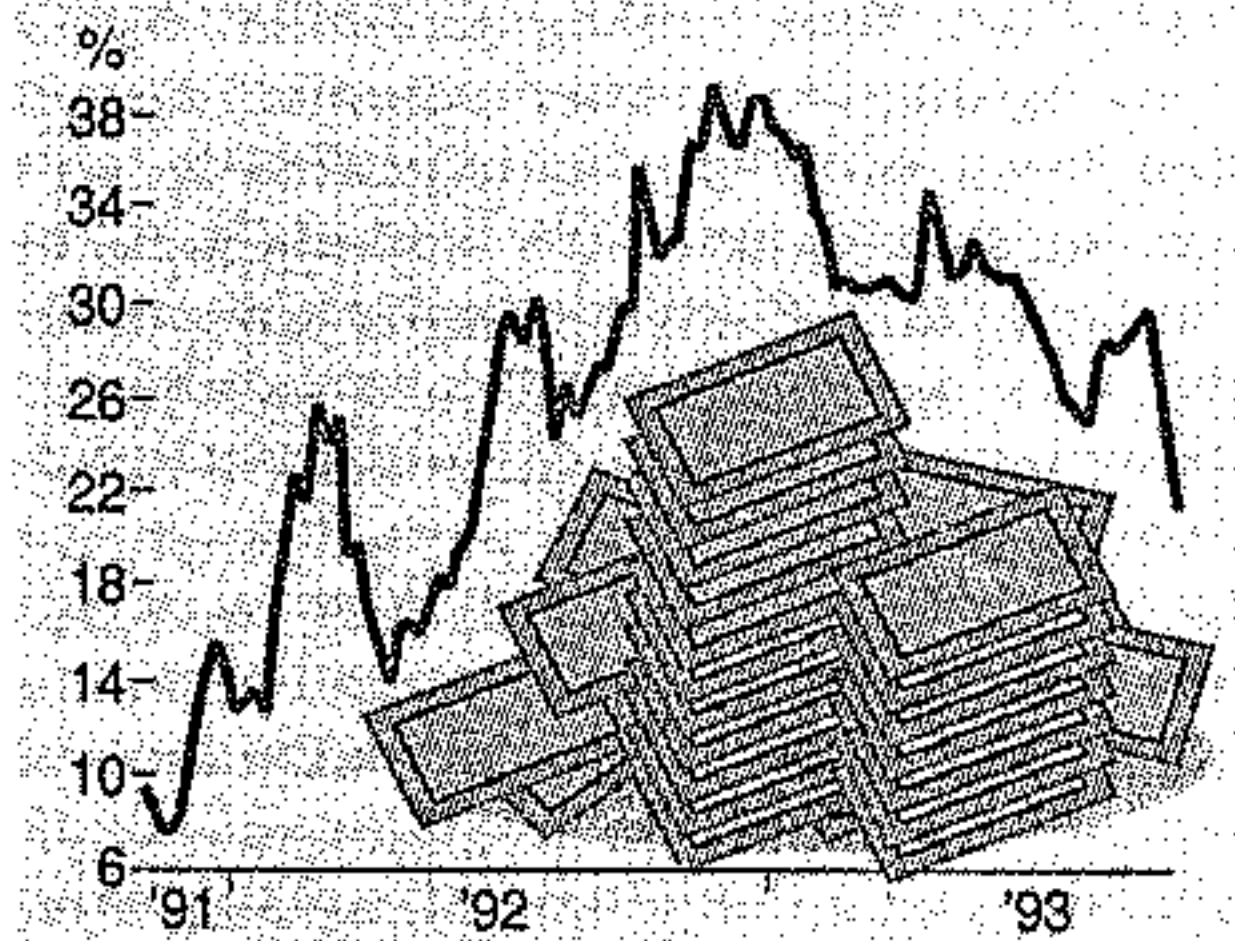
But there are great benefits from the lifting of sanctions, the final debt settlement and the prospect of an IMF facility. The financial authorities will no longer have to count each cent that flows in and out of the foreign exchange reserves. This opens up new avenues of opportunity, enormously increasing the economy's potential to grow.

Not that SA can afford to be casual about the reserves. But a measure of normality has been restored to its finances. With a final settlement on the repayment of \$5bn foreign debt still trapped in the standstill net, debt repayments will not have to be met from a current account surplus.

SA will have not only an \$850m drought-related IMF facility to assist, but presumably also standby facilities in the event of a current account deficit. Now its international credit standing has been upgraded, foreign banks will no longer need to provide resources against SA's defaulted obligations.

The eight-year repayment schedule (see box) will be less arduous than past schedules,

Falling risk Financial rand discount



Source: I-NET

says Reserve Bank GM James Cross.

This could have important implications for the capital account of the balance of payments, which has been in substantial deficit for eight years — and for the level of interest rates. But the impact will be delayed because conditions will be attached to the facility, which is repayable after three years: that the disciplines recently applied to monetary and fiscal policy must remain.

The facility is calculated by a formula based on the cost of the drought in the year it happened — expressed as a loss of export earnings and a cost of extra essential imports, compared to average export earnings over the previous three years. The net loss may not exceed 45% of our total IMF quota.

The facility may not be spent for budgetary purposes but is essentially to bolster foreign reserves and to be used in an emergency to support the currency. But supporting an overvalued currency is likely to cost more than \$850bn. So the extent of subsequent capital inflows is critical. These will depend on how investor-friendly SA appears to both foreigners and residents.

Whether the World Bank will subsequently lend to SA borrowers will depend on what proposals and projects are put forward and what the new subcommittee on finance of the TEC will decide.

World Bank loans

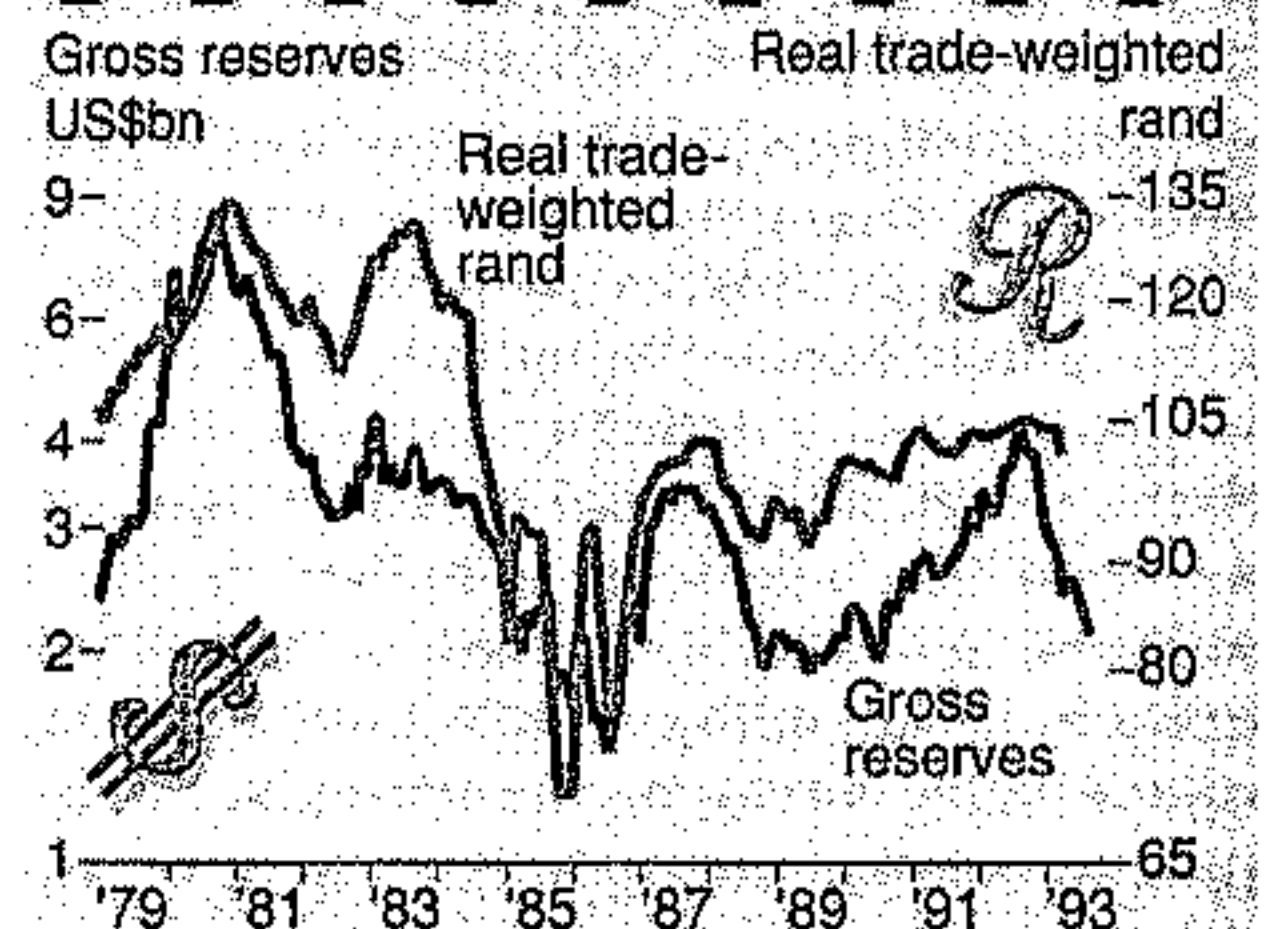
carry both conditions and a cost. It is essential they are seen as part of total foreign borrowings. The history of this type of finance is fraught with political misunderstanding and too often mistaken for aid. It should be viewed with circumspection.

Whatever the caveats, SA is undoubtedly in a better position to sustain an economic upturn than it has been since August 27 1985, when the moratorium was declared on foreign debt payments.

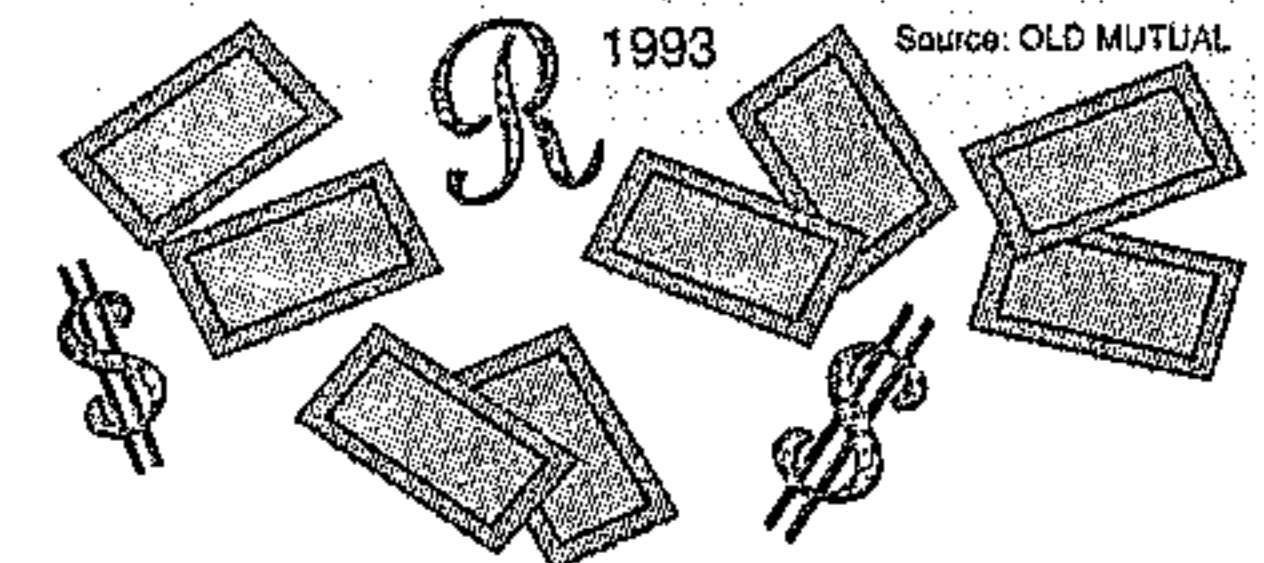
The facility will complement the final debt repayment arrangement, which was concluded months ago but needed the support of other political parties and the impetus of the lifting of sanctions. It includes a mechanism to calculate security prices were the financial rand to be abolished. This final arrangement arguably removes the need, if it ever really existed, to persist with exchange controls.

Evidence of SA's improved profile is reflected in the financial rand. As foreign investors rushed into the gilts market, the financial rand rose from US22,05c on Friday

Fall-out Reserves US\$ vs rand



Source: OLD MUTUAL



to US23,6c on Tuesday morning (and rates on the benchmark E168 fell from 13,09% to 12,9%). But the commercial rand barely budged. It remained at little over US29c.

This is not bad, however, given news that abolition of the two-tier currency is supported by both major negotiating parties. The announcement would affect investor expectations because, if it happened, the value of the commercial rand would fall — as it should, because the discount between the

Capital account: off balance

Net capital movements not related to reserves, Rbn

	1991		1992		1993	
	Year	1st half	2nd half	Year	1st half	Year
Bearer bonds and notes	-0,3	1,7	-0,8	0,9	-0,7	
Converted loans from affected debt	-0,4	-	-0,1	-0,1	-0,4	
Loans guaranteed by foreign governments	0,8	-0,2	-0,6	-0,8	-0,7	
Other long-term capital	-1,8	-1,8	0,3	-1,5	1,6	
Total long-term capital	-1,7	-0,3	-1,2	-1,5	-0,2	
Short-term capital	-3,1	-1,4	-3,3	-4,7	-5,2	
Net capital outflow	-4,8	-1,7	-4,5	-6,2	-5,4	

Source: RB ANNUAL REPORT

two will narrow. This would indicate that the commercial rand is reaching a realistic rate.

The commercial rand has borne the brunt of unfavourable political sentiment over past months, while the financial rand has responded largely to movements in the gold price which dictated trade in gold shares. For some time, economic logic has suggested that the rand should strengthen on foreign exchange markets. The surplus on the current account of the balance of payments rose from R406m in the first quarter to R2,9bn in the second. Seasonally adjusted and annualised, the second-quarter surplus is R10,1bn.

Moreover, producer price inflation has fallen from 13,9% in March 1991 to 6,3% this July. This sharp decline has cut the differential between SA producer prices and those of its trading partners — with implications for the relative prices of imports and exports.

Both developments favour the rand — yet it has fallen steadily. This decline was politically inspired. The ANC's bargaining tactics delayed the final debt arrangement and the granting of the IMF facility until the passing of the TEC bills. The antics of Cosag at Kempton Park delayed the necessary legislative changes. Both have a lot to answer for, because the rand plunged as people started betting steadily against it.

Those with trade debts paid them as soon as possible, for fear the rand would fall further. Those with trade receipts due in foreign currencies delayed them for at least the seven days permitted by exchange control regulations.

Those with the means and the wish to evade exchange control increased their activities, mainly through over- and under-invoicing trade transactions, or delaying receipt of funds beyond seven days. This boosted net outflows.

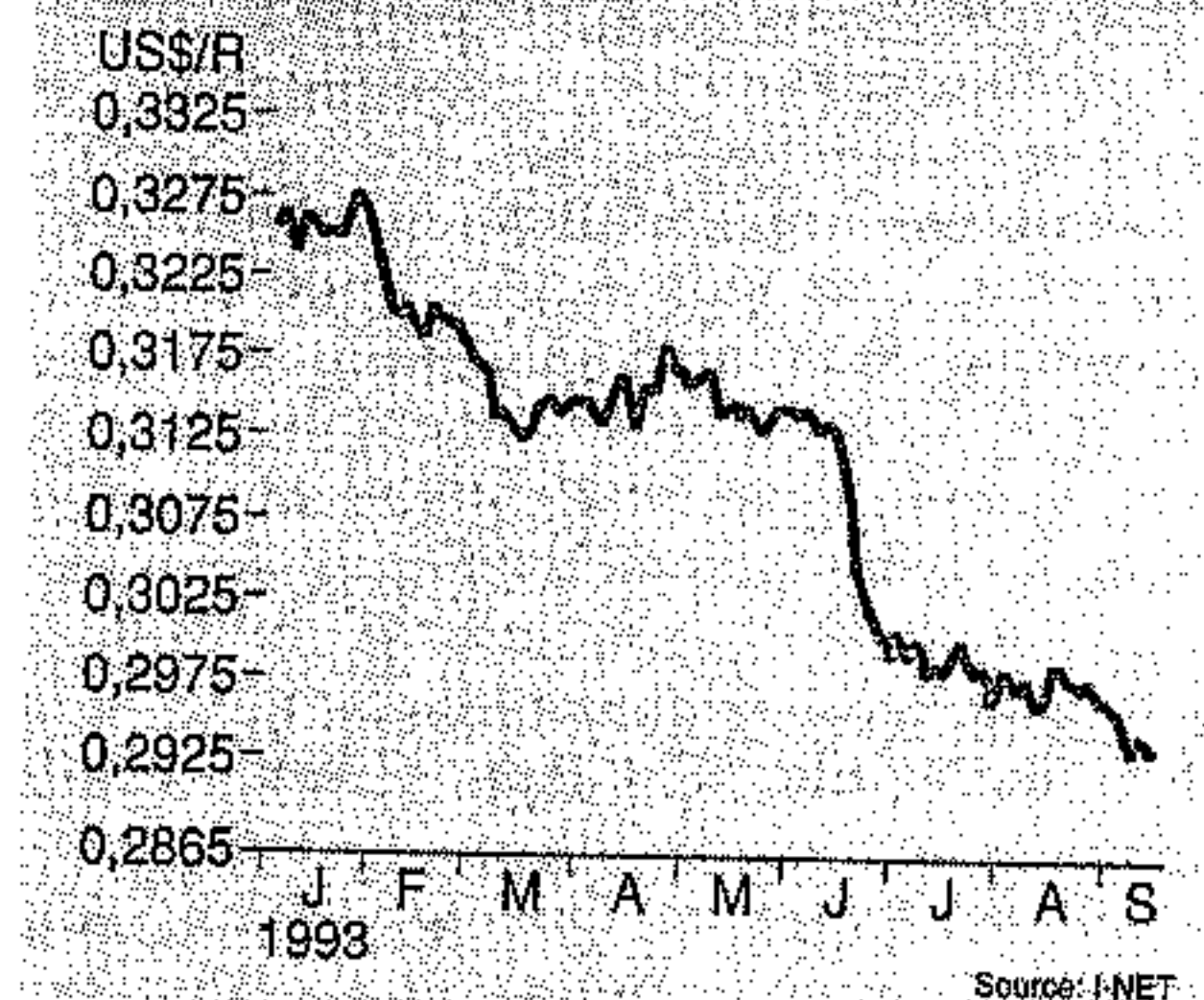
At the same time, domestic borrowers' expectation that short-term interest rates in SA will fall encouraged them to borrow locally rather than abroad. Despite the risk premium, it remains generally cheaper to borrow short-term from abroad. Figures provided by a commercial bank show that three-month money may be raised in the US, for instance, at 12,05% including forward cover, compared with 12,9% locally.

But borrowers often prefer to fund in the domestic overnight market until the expected fall in interest rates materialises.

These events combined to steadily increase net capital outflows (see table).

The biggest single item in the first six months of 1993 was short-term capital of R5,2bn — compared with R3,3bn and R1,4bn in the two preceding six-month periods. The pool of trade finance is estimated at several billion rands in a year — given merchandise exports in 1992 of R49bn (gold is sold to the Reserve Bank) and merchandise imports of nearly R52bn.

With gross gold and foreign reserves of only R13,2bn at the August 1992 peak, it needs only a small unfavourable shift in leads and lags to drain reserves. The effect was compounded this year by repayments of



scheduled, unscheduled and converted debt (*Economy* September 17).

Over a long period there has been a close correlation in the direction and extent of changes in the real rate and changes in gross reserves (see graph) — an indication that the rand can only do as well as reserves.

Old Mutual economist Ursula Maritz points out that the real rand exchange rate actually rose (despite Reserve Bank Governor Chris Stals's commitment to a stable rate) between 1989-1992. So the recent fall simply compensates.

There are, of course, benefits from a lower rand. Export income will eventually rise. The

increased cost of goods produced offshore would cut people's propensity to spend on imports, which would build the current account further and compensate for capital outflows.

But the trade surplus needs no assistance. What is needed is a comfort zone in the capital account so we can afford to expand the economy and run a current account deficit.

Now there is room for optimism; even before the latest developments there had been encouraging news on fundamentals. Net reserves (gross reserves minus liabilities) are a better indication of future movements in the rand than are gross reserves, says UAL chief economist Dennis Dykes.

The R1,2bn increase in net reserves follows quarterly declines since April last year of R551m, R597m, R3,1bn and R3,3bn — a sharp reversal of trend.

Many fundamentals have improved. Politically, SA has come a long way since the 1985 nadir, when international banks withdrew credits, leaving us with nearly \$24bn foreign debt, \$14bn of it within the net.

Monetary policy cut the rate at which inflation erodes the currency's real value. If this trend is maintained the inflation differential could be eliminated.

(Ironically — though logically, because causation moves in two directions — the most potent inflationary force now is the falling exchange rate.)

Financially, SA's standing has improved immeasurably.

So the time has come to move ahead on the political front, restore stability and get on with the job of running the country. Economically it is essential to present a face of reason to the watching world.

THE 1994 DEBT ARRANGEMENT

The final debt arrangement will apply between January 1 1994 and August 15 2001. Terms and conditions of the Third Interim Agreement have been retained with new or amended terms:

- There will be a full amortisation of affected debt, with 10% repaid in February 1994, followed by 15 half-yearly payments starting in August 1994. About 40% of debt within the standstill net will be repaid in the first five years;
- Creditors with debt in the form of deposits with the Public Investment Commissioners (PIC) will be given an option to convert these into bearer notes, denominated in US dollars, payable in a lump sum after nine years;
- The option to convert debt into longer-term loans, will be retained. These will be payable over eight-and-a-half years in half-yearly payments, with the first payment after four years of the conversion;
- Creditors can still convert debt into

other SA instruments, via the financial rand. Should this be abolished before the arrangement expires, the Minister of Finance may substitute "a suitable other debt-for-equity swap mechanism;"

- A maximum interest margin of 2,5 percentage points over the rates used in negotiations between debtors and creditors will be charged, "unless prior exchange control approval for a higher margin has been obtained or specified by the Minister;"
- On deposits with the PIC, an interest margin of 1,125 percentage points over the London Interbank offered rate, or other "related market rates" will be charged. These will be redeemed in the same way as other medium-term debt; and
- The right to substitute debtors, including the PIC, will continue, as well as the ceding of claims by creditors to other foreign creditors.

INVESTMENT CODES

Such friends are enemies

Fm 8/10/93

The ANC, still elated by its grand tour to the US, is about to face its first challenge as a willing partner in government. It could prove a severe test.

There is a concerted effort by civil rights and anti-apartheid supporters to manipulate the legislative process for the removal of sanctions so that they may retain within the US a mandate to approve all new US investment in SA. If that is allowed to happen — and it could, next week — future US investors will most certainly avoid this country.

Painful though it may be for the ANC to differ with a long-standing and loyal ally, it needs to deflect what would amount to gratuitous interference in the affairs of a new SA government, certainly hindering the difficult task government has to uplift the voteless.

What civil rights and anti-apartheid activists are attempting to do is amend the Bill that is intended to remove all federal sanctions against SA in order to include statutory adherence to investment codes of conduct which are mandated and monitored within the US, presumably by their own organisation. They would then have the right to question whether US firms that invest in SA are adhering to codes of conduct, either established or envisaged, ostensibly to maintain social standards and avoid sweat-shop conditions.

If that happens, US investors will just disregard SA as a focus of future investment. They have plenty of other choices. American businessmen will not easily submit to scrutiny by litigious lobbies that no longer have a *raison d'être* but are attempting to ensure their survival and a role in radical US politics by keeping the issue of apartheid alive.

US businessmen, here and abroad, have shown themselves remarkably phlegmatic about codes of business conduct, almost all of which are presumptuous attempts by radical lobbies to decide what is best for the voteless.

Businessmen say they are happy to negotiate codes with concerned SA groups aware of conditions here and would interpret adherence accordingly. But they are dubious of codes mandated and monitored from the US by activists without a cause who would attempt to impose here — for their own domestic political purposes — US work practices. They are quite right to expect that, if the amendment is passed into law, they will increasingly find

themselves overwhelmed by the need to make voluminous reports and face complex litigation that will be both costly and contentious. It is not so much the principle they oppose as the application. (74)

The rewards in SA would have to be excessive to counter such a prospect. So this amendment will effectively act as a permanent impediment to new US investment in SA. Monitoring would most likely be extended eventually to include action against US financial institutions whose clients do not measure up to whatever standards are prescribed.

If the Bill is amended as feared, it will violate the sovereignty of a new SA government, patronise the voteless who will soon be able to decide for themselves and be dismissive of the SA trade union movement.

This matter of investment codes was raised last week by the US director of the SA Foundation, Michael Christie, in a discussion on Capitol Hill ahead of a formal hearing of the African subcommittee of the House of Representatives Committee on Foreign Affairs. He noted that Massachusetts had only two days previously lifted sanctions against SA — but adopted a clause of the kind now feared at federal level. Indeed, it may even find favour in other state legislatures.

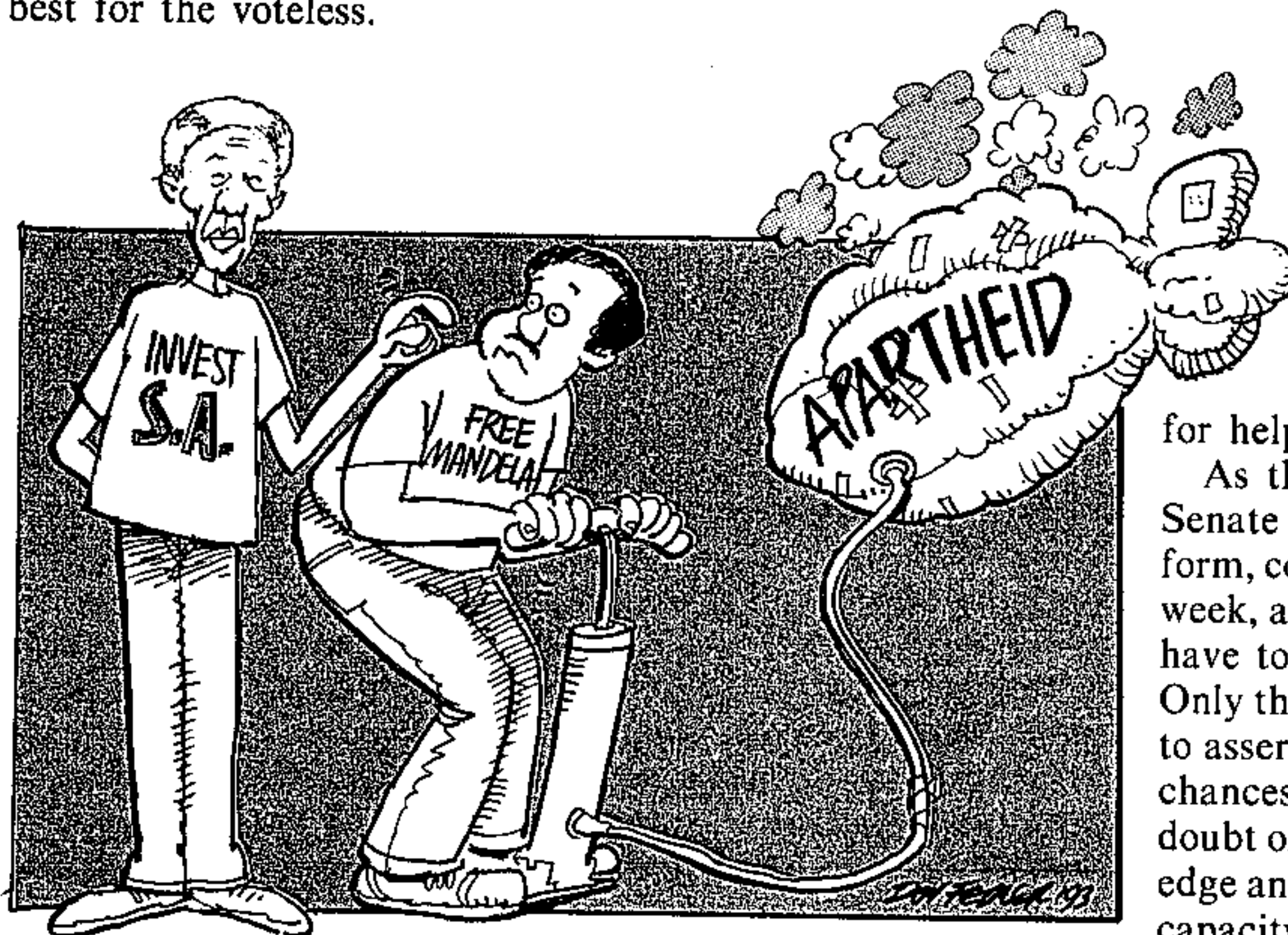
The clause says the Commonwealth shall use the purchasing power of state government to ensure that it does business only with companies that comply with various principles governing such matters as worker rights, working conditions, discrimination, the environment and development of black business. As Christie's submission makes clear, these matters are open to wide variations in interpretation by monitors 13 000 km away from where they will be enacted.

Christie says SA would be the only country subjected to this type of imposition. It replaces the sanctions barrier with

another restriction and perpetuates the politicisation of what should be an economic relationship. It imposes a competitive burden on the US and is against the spirit of ANC president Nelson Mandela's call

for help to rebuild the economy.

As the Bill, which already has Senate approval in its present form, comes before the House next week, any attempt to defuse it will have to be both swift and telling. Only the ANC can do so. If it fails to assert itself, it will prejudice its chances of economic success, cast doubt on its candour and acknowledge an intrusion that questions its capacity to govern. ■



Finrand firms to the year's best level

B/Say 8/10/93

KELVIN BROWN

THE financial rand yesterday firmed to its best level this year as foreign buying continued to boost the local investment unit.

The finrand reached a high of R4,0650 to the dollar before some profit-taking saw it end slightly off at R4,0925 from Wednesday's R4,1425. (74)

Dealers said the main reason for the finrand's latest strengthening appeared to be a local buy order early in the day and some foreign buying out of Switzerland at lunchtime. The European buying did not appear to be gilts-related, traders said.

The bond market had a quiet day with not much foreign interest. The E168 and government's R150 were both at 12,870% in late trade from an overnight 12,810%.

Dealers said finrand volumes were not as high as last week, but the effect was accentuated by the market's lack of liquidity. "The number of buyers is still outweighing the number of sellers."

Players said there was some work to be done before the finrand reached the R4 level. They expected resistance at R4,05, with a possible correction closer to R4.

In the short term the finrand was expected to move within the R4,07 to R4,12 range on the back of strong speculation. "Players are selling as soon as the finrand strengthens a few cents and buying again at the lower levels."

Finrand 5 Times firms in [Buss] stampede 10/10/93 for gilts

By CIARAN RYAN

FINANCIAL rand deposits with commercial banks dropped to their lowest level in 10 months as foreign buyers snapped up South African shares and gilts this week.

Finrand deposits are down to R5-billion from R7-billion last December, reflecting a net capital inflow of R2-billion and improved foreign investor sentiment about SA.

The finrand discount to the commercial rand narrowed to 15,7% on Thursday before widening to 17% on Friday.

Large-scale foreign buying of shares and gilts is behind gains in the finrand from R4,70 in August to R4,0925 on Thursday, before profit taking lifted it to R4,205. (14)

Foreign share purchases more than doubled to R209-million in the week to last Friday. Foreign sales were relatively unchanged at R123-million compared with an average R137-million a week for September.

Gilt purchases jumped from an average R175-million a week in September to R1-billion last week. Similarly, foreign sales rose from an average R122-million in September to R628-million last week.

In spite of Friday's weakening in the finrand, the bull run is expected to resume.

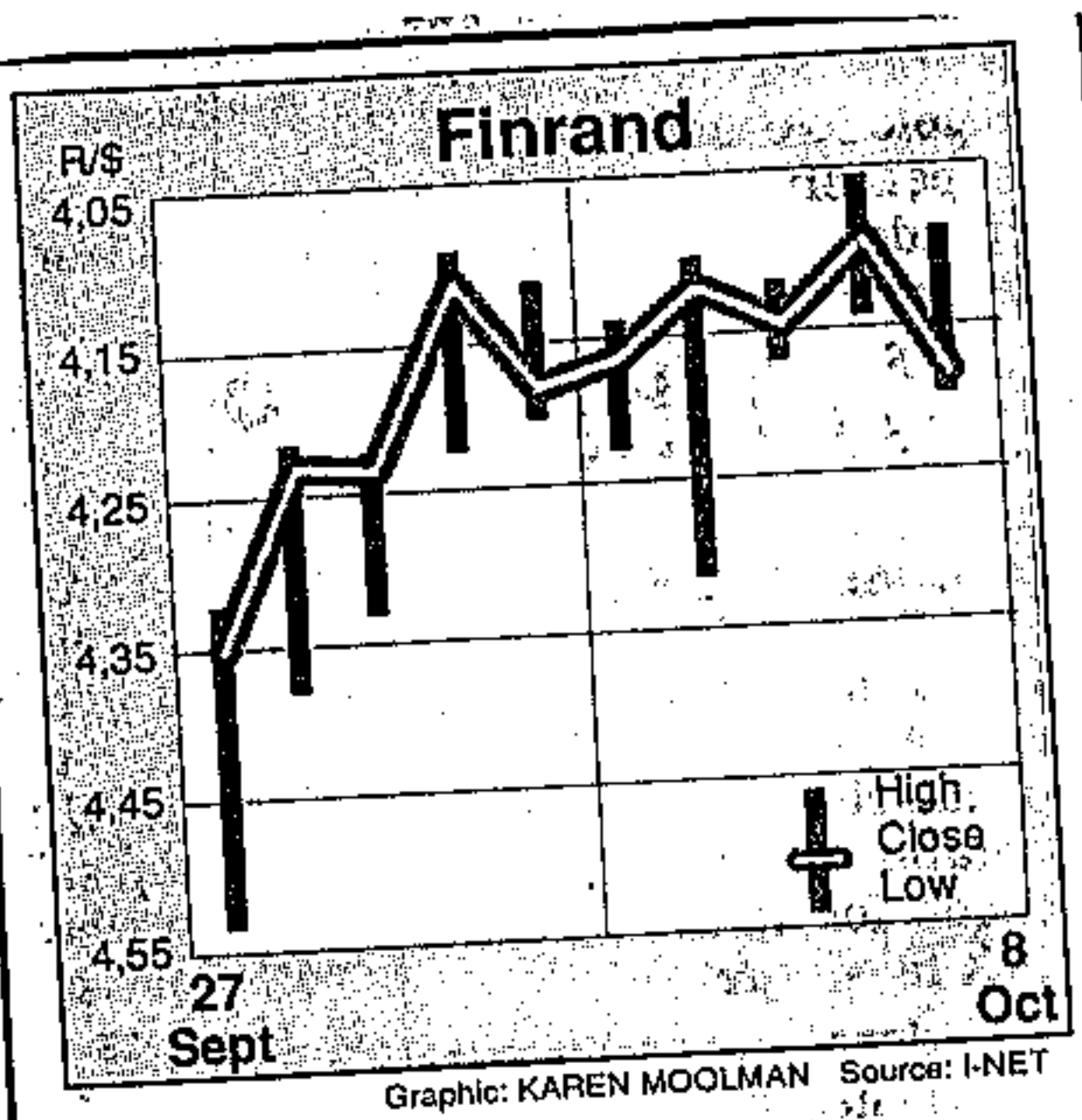
But economists warn that even if the discount narrows to zero, the finrand will be around a while longer.

Nedcor chief economist Edward Osborn says foreign investors have large assets in SA. "If we scrapped the finrand, the rand would be vulnerable to withdrawal by foreigners. The authorities are mindful of what happened in the early 1980s when they dispensed with the finrand but were forced to reimpose it 2½ years later when foreigners started withdrawing capital."

A Reserve Bank statement for September shows a sharp increase in liabilities: notes and coins in circulation were up R355-million at R12,75-billion and Government deposits up R19-million at R7,2-billion.

Other liabilities rose by R1,154-billion to R6,8-billion, mostly short-term borrowings to shore up the reserves, which shed R257-million to R6,77-billion between August and September.

Econometrix's Tony Twine says: "The Reserve Bank does not tell us what the gold and foreign-exchange reserves are net of borrowings. How much of the reserves are borrowings?"



Graphic: KAREN MOOLMAN Source: I-NET

Finrand eases off year's record high

KELVIN BROWN
B/Day 11/10/93

THE financial rand ended the week slightly down from the year's record high on Thursday as a lack of foreign interest and profit-taking weakened the investment unit on Friday.

The finrand eased to as low as R4,2100 to the dollar but closed slightly up at R4,2050 after ending at R4,0950 on Thursday.

Dealers said a correction was expected after the finrand's good performance on Thursday. The movement appeared to be mostly locally driven as foreigners stayed away from the market on Friday. Players reported little reaction to the news of the SADF's attack on Thursday evening on what it said was a Transkei Apla base.

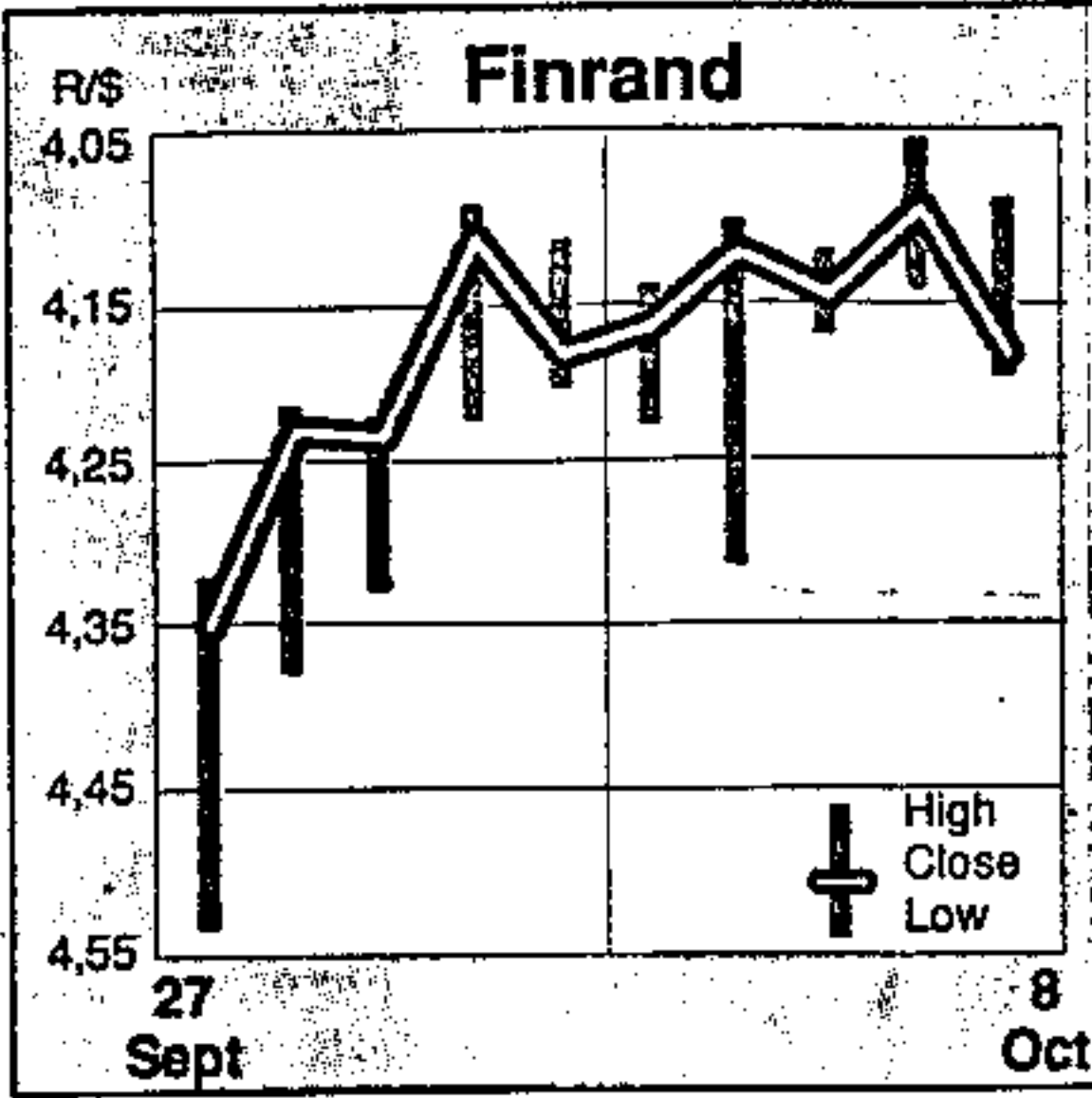
Dealers remained hopeful that the finrand would continue strengthening this week. They predicted that foreigners would return to buy local gilts after capital market rates moved back up to the 13% level by the end of last week (+4)

Eskom's 168 closed virtually static at 12,900% on Friday from an overnight 12,910% while the government's R150 ended unchanged at 12,910%.

The lifting of remaining UN sanctions on Friday could also have a positive impact on the local investment unit this week.

The commercial rand closed marginally stronger at R3,4513 to the dollar following poor US unemployment figures after ending at R3,4585 on Thursday.

US September unemployment data showed job losses in the non-durable manufacturing sector — an unusual occurrence. The overall US unemployment rate remained unchanged at 6,7% last month.



Graphic: KAREN MOOLMAN Source: I-NET

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Massive job losses in construction

B/Day

ROBYN CHALMERS

EMPLOYMENT in the construction sector has plummeted by almost 100 000 jobs since the recession began in 1988, and industry sources fear the worst is not over.

Figures supplied by the Central Statistical Services show that job numbers in construction sector have fallen from about 420 000 in 1988 to about 350 000 at the end of 1992, and unofficial figures put the falloff this year at around 27 000.

Notably, employment in the civil engineering industry is continuing to drop, having fallen from 1990 levels of 78 000 to around 55 000 in the first quarter of this year. More job cuts are expected.

Stellenbosch University's Bureau for Economic Research director Ockie Stuart said at the weekend jobs had been lost through heavy retrenchment programmes by companies operating in the industry, with professionals losing their jobs along with blue collar workers.

He listed two major reasons for the declining figures — stagnant activity in the non-residential building arena and limited demand in the residential segment.

In addition, other than the Columbus and Alusaf projects, there was little construction activity and few developments in the low cost housing market.

Building Industry Federation of SA (Bifsa) executive director Ian Robinson

said building activity levels had been dropping since 1991, with a further deterioration evident since the start of 1993.

Bifsa figures, taken from the SA Reserve Bank, show that total public construction as a percentage of GDP has dropped from about 4,2% in 1988 to about 3,5% in 1992 against a high of almost 10% in 1976.

Economists feared that activity in the non-residential segment would not pick up again until 1995, although building levels in the residential arena could increase by the middle of next year.

They expected the economy to grow slowly over the next 18 months, but warned there was a lot of spare capacity in the market to be picked up before development started in earnest.

The ANC has said it regarded low cost housing as a priority, and wanted to wipe out the backlog within 10 years.

However, Stuart pointed out that a new government would be elected in April at the earliest, with the first Budget possibly published by July. "However, this Budget will consist of substantial input from the current government, which means that should the ANC get into power, it will not be able to move forward with its initiatives much before 1995," he said.

De Beers retrenches research staff

B/Day

ANDY DUFFY

DE BEERS has retrenched nearly a quarter of its diamond research staff in Johannesburg because of falling demand for its industrial diamonds.

The company's industrial diamond division said at the weekend that more than 100 of its 432 laboratory staff in south Johannesburg would be retrenched in wide-ranging cost cuts.

The cuts, which will be made across the board, come less than a month after De Beers axed 106 staff at its diamond manufacturing plant in Shannon, Ireland.

A spokesman said the losses followed the collapse in demand from industrialised nations for industrial diamonds. He said the value of the market had fallen from \$600m in 1991 to \$480m-\$500m this year.

The situation had been compounded by

growth of new competition from the Far East and Europe. Though De Beers had managed to maintain its 40-45% share of the market, prices and margins had come under severe pressure.

The industrial division had also trimmed staff at its head office and in the UK, leaving its total workforce at about 2 300.

The spokesman said the division had started an attrition exercise late last year, but it had proved too slow. He said that it would try to make cuts through early retirement or voluntary retrenchment. No further retrenchments were expected.

A spokesman for the rest of the group, which last year cut 4 000 posts in southern Africa said there had been no further cuts.

Bank support bolsters rand

BIDAY 14/10/93

TIM MARSLAND

THE commercial rand jumped a further 3c against the dollar to close at R3,3893 yesterday amid a continuation of the Reserve Bank's strong-arm tactics, dealers said.

The rand has put on 6c over the past two days to trade at its best level against the dollar in more than a month. The rand was also much better against the cross rates, ending at R5,1648 against sterling from R5,2444, and at DM0,4725 from DM0,4659.

Dealers were again surprised at the Bank's determination to support the rand, but foreign exchange GM James Cross said the Bank had acted because the rand was "depreciating out of hand".

He said the rand was not improving on

favourable fundamental developments such as a weaker dollar, and the Bank felt the need to correct this position.

On the financial rand, Cross confirmed that the Bank had been maintaining a presence in the market over the past few months, but it limited activity to offsetting large deals it knew of.

While the Bank would like to see the discount between the two rands narrow, it had "no means of influencing it because it has insufficient reserves". (74)

The unit's stability was helped by the

To Page 2

Rand

BIDAY 14/10/93

From Page 1

market's expansion. Turnover had more than doubled over the past few months to between R1bn and R2bn a day, compared with a previous range of R500m to R1bn, because of an inflow of investment.

Sources said the Bank had been extremely successful in its finrand activities, describing it as "one of its success stories". One said it had cost the Bank very little in reserves to support the unit, since it had

"more or less" sold most of the finrands it had bought back into the market.

Another source said the Bank's presence was part of its aim to abolish the finrand within the next few years, which meant the two units would have to trade at par.

The discount between the two units was at 19% yesterday. Analysts believe the discount should narrow to at least 10% before the unit can be scrapped.

The finrand closed at R4,185 from R4,19.

Investors test the SA waters at trade expo

74
Reg Rumne WJMS-21/10/93

FOREIGNERS may still be wary of investing large amounts of money in South Africa, but they do want to sell to and buy from us as a first step back into the market.

That is clear from the stream of trade delegations and proliferation of trade shows, the most ambitious so far being the South African International Trade Exhibition — mercifully shortened to Saitex.

Nearly 700 companies from almost 60 countries will take part in Saitex, opening on Tuesday in Johannesburg's National Exhibition Centre.

Foreign companies make up most of the participants, having taken up 4 000 sq metres of space at Nasrec, south of the Johannesburg CBD.

They include countries which have formerly had no official relations with South Africa, such as India, Malaysia and Canada.

The People's Republic of China, however, put on its own exhibition when confronted with the participation of Taiwan.

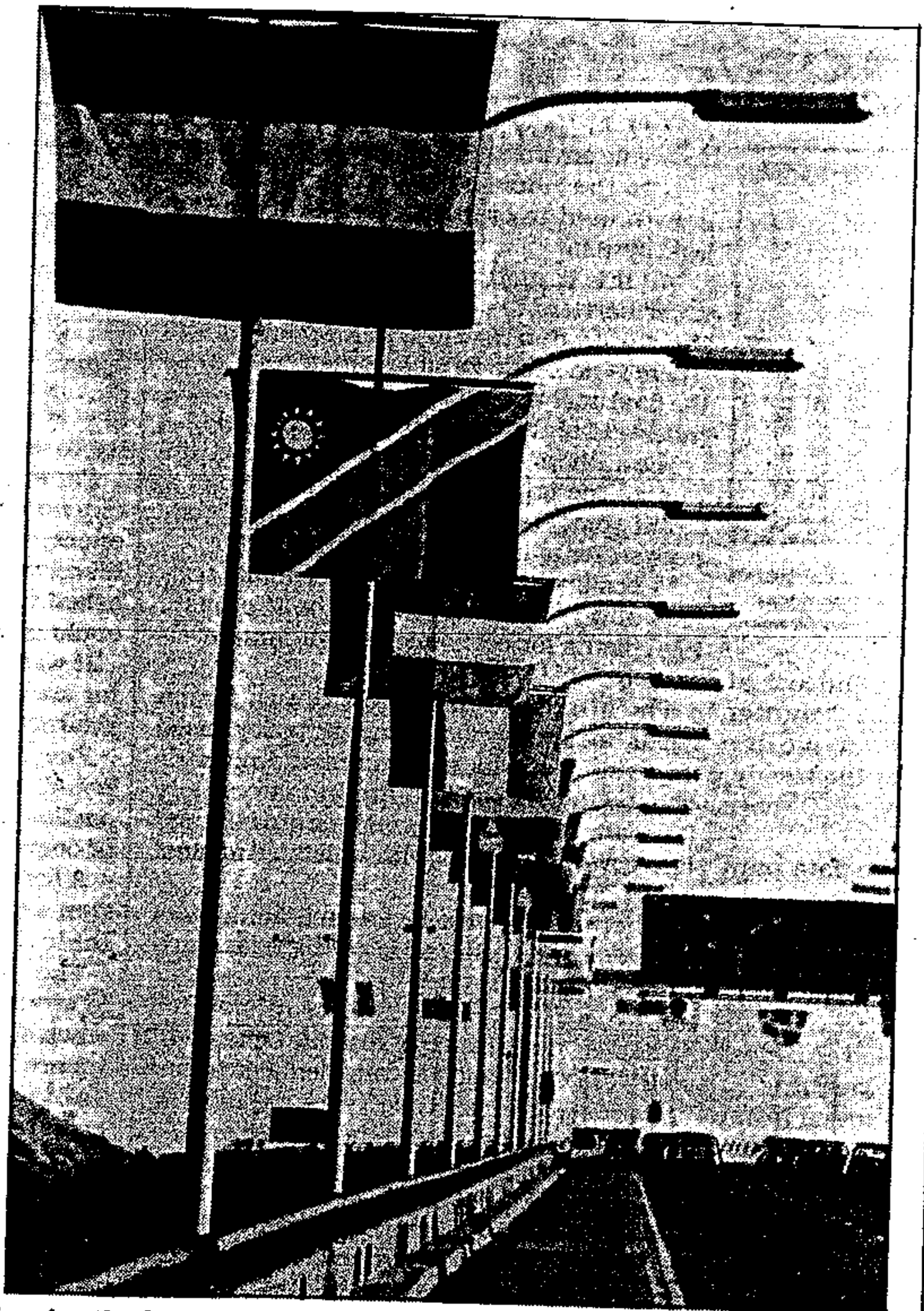
Taking up 3 000 sq metres will be around 75 local companies.

The five-day multi-sectoral exhibition, with products as diverse as textiles, electrical equipment and foodstuffs on show, is also at the centre of Johannesburg's international trade week which starts on Monday.

Saitex was jointly organised by the city council and Nasrec. Planned almost two years ago, it received a welcome boost in past weeks from the joint Derek Keys-Nelson Mandela declaration first in Washington and then in London that the country is open for business.

The trade week itself marks another notch in the progress towards the council's goal of making Johannesburg the trading capital of Africa, as both hub and gateway.

Johannesburg commerce and industry director Collin Wright notes the event will also be a direct boost to the local economy, with around 50 000 visitors all spending money on tourism and accommodation.



Flagging the future ... Johannesburg welcomes international trade with a motorway display of national pennants

Hotels in Johannesburg are already reported to be fully booked.

"The final impact of the Grand Prix on the local economy was estimated to have been R240-million. The size of Saitex goes far beyond that."

Quite separate from the exhibitors, buying missions from 90 countries will enter the country this week to sample our goods. The size of these missions varies from 50 to 500 people, says Wright.

"All these international businessmen will also spend time in the country learning about our tourism prospects and potential." On return they will act as ambassadors for South African trade and tourism, he says.

US participation in Saitex will be minimal, because the "Made in USA" trade show hosted by Johannesburg

this year already brought more than 200 US corporations to the city.

The recent Africa initiative, according to the council, brought more than 600 African businessmen from 31 countries to Johannesburg.

A conference, designed to give entrepreneurs an overview of business opportunities in South Africa, is being held to coincide with Saitex.

Wright believes trade is the first necessary step before foreign investment — though joint ventures, the preferred method of entering South Africa, will come out of Saitex.

"If someone wants to invest they want to know whether their products are acceptable in that region or country."

Only then do they turn their minds to setting up distribution and manufacturing.

City trade mission finds niche markets

Business Editor

MEMBERS of the Cape Town Chamber of Commerce trade mission to Italy and Belgium found there were niche markets for all their products — except for ethnic African handicrafts, the chamber's assistant director, Albert Schuitmaker, said yesterday. They also found that SA mark-ups

were high by European standards. And the Italian and Belgian business communities have now lost interest in the political situation in this country — expecting problems to be solved.

"They are looking at SA now purely from the point of view of business opportunities. They consider the problems caused by apartheid as

something in the past, which we should put behind us.

"There was a lot of interest in Italy in opportunities for joint ventures in the Western Cape. People were interested either in sourcing products here for export, sourcing components here or manufacturing under licence for sale in this country." (74)

CF 15/10/93

Schuitmaker said some manufacturers had to "sharpen their pencils and work out how to make their products more competitive."

"Our mark-ups tend to be higher than those in Europe, probably because we are used to lower volumes. The unit cost of manufacturing for a smaller market is higher."

EC delegation to boost trade

CT 18/10/93

(74) (65A)

BRUSSELS. — A European Commission (EC) delegation will visit South Africa soon to examine future trading links, Derek Keys, Minister of Finance and of Trade and Industry, said on the weekend.

Keys, in Brussels for a conference on future EC-SA links, told a news briefing the main aim of the EC visit would be to investigate future industrial co-operation between SA and the 12-member bloc.

"This development will support and facilitate the furthering of investor confidence in South Africa," he said.

Keys, in Europe on an investment drive, met the EC's Trade Commissioner Leon Brittan on

Thursday to discuss a future economic pact with the EC, which accounts for about 40% of SA's foreign trade.

One option proposed by ANC leader Nelson Mandela last week would be to link SA to the EC via the African, Caribbean and Pacific countries (ACP), which are grouped together under an accord called the Lome Convention.

But Keys said he would prefer a separate, direct agreement with the EC outside of the Lome convention.

"For a number of reasons, a decision to join Lome would be the slow and difficult way to create an association with the EC."

"We don't see why we should not have a separate agreement. It would be much quicker and less complicated," he added.

'SA faces tough battle in global marketplace'

JOHANNESBURG. — SA faced a tough battle with the global marketplace as it liberalised its economy, but the country had the necessary framework to succeed, Canadian ambassador Marc Brault said here yesterday. CT (9/10/93)

Officially opening the South African International Trade Exhibition, Brault stressed the country's democratic process would have to be under-pinned by economic growth.

"Sustained real economic growth is now of paramount importance to ensure a smooth, successful transition."

Brault believed this could only be achieved through trade liberalisation and the integration of the national economy into the world.

Economic prosperity did not lie in protectionism, and that meant the country would have to negotiate secure and more open access to foreign markets in return for the similar treatment of investors moving into SA. — Sapa

Safto plans US exhibition

THE SA Foreign Trade Organisation (Safto) is planning an ambitious exhibition in the US next year. (74)

SAFTO CE Len van Zyl said that at least 100 companies were expected to take part.

The venue has not yet been chosen, but it is expected to be in either New York, Chicago, Los Angeles or Houston.

Van Zyl said the US was now SA's top trading partner with two-way trade climbing to about \$12bn last year.

19/10/93

Finrand study by Reserve Bank

BIDAY 20/10/93
GRETA STEYN

THE Reserve Bank has launched a new investigation to determine the amount of financial rand deposits held with SA banks as a precursor to formulating a long-term strategy for scrapping the investment unit. Bank officials said the Bank wanted to monitor the size of the pool of bank deposits, described by Bank Governor Chris Stals as hanging over the finrand market and putting downward pressure on the currency. Stals has said the substantial size of bank deposits represented a ready supply of finrands which had helped meet new foreign demand for SA equities and gilts. The "overhang" of finrands in the banking system had explained why foreign buying of equities and gilts had failed to push the finrand dramatically higher.

Initial estimates are that there has been a sharp decline in the pool of finrand deposits with banks — reflecting the switch out of the money market into the JSE and the capital market. From a high of R7,3bn in December, the deposits fell to R4,66bn in June, the latest official figures available. However, Bank researchers believed the overall levels might have been understated in the initial probe and that an upward revision appeared likely. The trend was still downward, they said. They hoped to publish results of their study in December. Nedbank economist Edward Osborn said the major reason for the build-up of fin-

□ To Page 2

(74)

Reserve Bank

BIDAY 20/10/93
From Page 1

rand balances above R7bn was disinvestment. The Bank also kept tabs on foreign investment in gilts and equities. Foreign investment in capital market stock was estimated at about R40bn, he said. Eskom treasurer Willem Kok said the recent spate of foreign buying had taken foreign holding of the electricity supplier's stock to more than 50% of the total, or about R11bn. Eskom had built up excess liquidity as insurance against a sudden sell-off of non-resident stock holdings.

The substantial foreign investments in the gilts, money and equities markets meant great care would have to be taken in abolishing the finrand to avoid severe disruption of markets, dealers said. The finrand came under selling pressure early yesterday morning but recovered to close at R4,17 from R4,18. Dealers said profit-taking was not unexpected after the rapid strengthening in the unit following the lifting of US sanctions. They saw it trading in a range of R4,10-R4,25.

(74)

Rand reward for travellers

Star 20/10/93

74

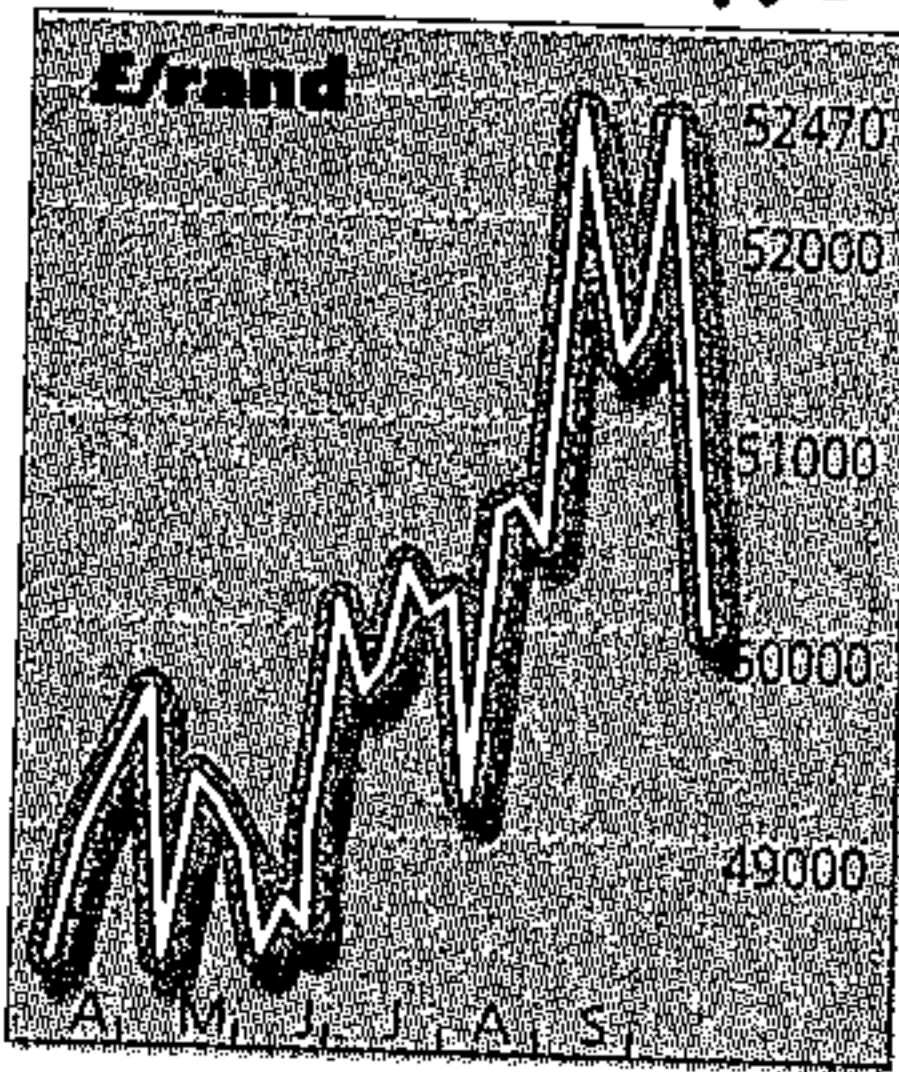
BY CLAIRE GEBHARDT

There's a windfall waiting for South Africans going abroad in the near future, and a setback for those who've just come home with pounds sterling in their pockets.

Currency dealers said yesterday the commercial rand had appreciated significantly on the cross rates, and was now trading at below 4,98 to the pound (5,25 last week).

This means that if you were buying travellers cheques for R10 000 last week, you would have received £1900; this week you would have received £90 more, or £1990.

Reasons for the positive spinoff on the "crosses" was the Reserve Bank intervention last week to support the



rand against the dollar.

Dealers said the Bank's action was so unexpected and on such a massive scale that it had achieved its purpose of creating uncertainty about the rate of the rand's decline.

"They've put a bit of a risk back into the market," said a

dealer.

Said another: "People had been expecting the rand to be at 5,30 to the pound by year-end, and expectations were driving it downwards. But now they're not so sure."

Although dealers expected the rand to continue to weaken over the long term, they believed the Reserve Bank would stand ready to intervene. "They won't have brought it down to this level just to let it go back overnight," said one.

Adding to the rand's appreciation against the pound was speculation that a base rate cut in Britain was imminent.

This would see the pound soften against the dollar at a time when the rand was strengthening against the dollar.

Foreign firms delay investing until election

JOHN DLUDLU

MANY foreign companies at the SA International Trade Exhibition (Saitex) said yesterday they were waiting for next year's election before deciding on future involvement in the country. **B/DCM**

Shehzad Jeani, of Pakistan-based crafts dealer Prince Enterprises, said he had received about 20 inquiries from SA companies interested in joint ventures. **21110/93**

But the election would be the "determining feature of the scale of his involvement in SA". Prince Enterprises has an office in Kenya.

Barlas Industries MD M K Barlas said: "At the moment I'm only interested in getting agents. This is safer than a contractual engagement in joint ventures."

Both said they had had good sales

in the two days since the opening of the exhibition.

Brian Magid of SA diamond retailer Panda Diamonds said there was a positive foreign response to local jewellery, and "a few export deals were in the pipeline".

Atlantis Diesel Engines communications officer Roland Trautmann said there was a good export potential for automotive parts to countries around the Pacific Rim, and India and Bangladesh. These countries were also "cautiously interested" in joint ventures.

Visiting companies — especially those dealing in the clothing and textile industry — were concerned about SA's high import tariffs.

"Although people show high interest in my goods and company, they can't buy as much as they want because of high import duties," said Harry Khatri, a director of Hong Kong-based clothing retailer Second Image. **(74)**

"Your tariffs are more than a protection of local industries. A 10% reduction in import tariffs is just not enough. We need lower tariffs to allow the indigenous people to afford the clothes. Because, at the end of the day, it's they who suffer."

Khatri said SA provided a large, attractive market. "Bring down your imports. And vote for peace next year. The country has a great future."

Cellular phones were among the main attractions for SA businesses visiting the show.

SA and Russia sign trade and economic agreement

Star 23/10/93

74

PRETORIA — A trade and economic co-operation agreement between South Africa and the Russian Federation has finally been signed in Pretoria.

The agreement, signed yesterday by Minister of Finance and of Trade and Industry Derek Keys and Russian Federation Ambassador EP Goussarov, is the first of its kind between the two countries and marks the normalisation of trade relations between South Africa and the Russian Federation.

It provides for the further extension of trade relations between the two countries and the es-

OWN CORRESPONDENT

establishment of a Joint Intergovernmental Committee, which will meet as the parties agree.

The terms of reference of this committee still have to be determined by the parties.

Both countries undertook to apply the most-favoured nation principle of the General Agreement on Tariffs and Trade with regard to bilateral trade.

But no provision is made in the agreement to exempt products originating in the Russian Federation and import-

ed into South Africa from surcharges.

Goussarov said the signing of the agreement was "a sign of positive encouragement of the very progressive and constructive process of reconstruction".

After decreasing by 37 percent in 1990, imports from Russia to South Africa rose by more than 335 percent in 1991 and a further 176 percent last year, to total almost R93 million.

Imports from SA to Russia also decreased in 1990, by 33 percent, before rising by 372 percent in 1991 and 1932 percent last year to total R700 million.

CCI mission to Chile, Argentina 'a success'

THE Cape Chamber of Industries (CCI) trade mission to Chile and Argentina was "highly successful", Colin Boyes, deputy director of the chamber, said yesterday.

"There is a definite market for suppliers to the motor industry in Argentina while the sophistication of SA's engineering industry has much to offer both these countries.

"Our clothing industry's quality, fashion, style and competitive costing certainly will find niche market opportunities in Chile, a country which currently relies on fashion houses in North America and Europe.

'Argentina has immense potential. It is the bread basket of Latin America with strength in grain exports. It is twice the size of SA, with mineral wealth which is largely untapped.

"Buenos Aires has a population

of more than 10m and the challenge to the SA exporter lies in being able to make contact with the right distributors."

The trade mission was made up of 15 manufacturers. Boyes said: "We established a variety of business contacts in both these important Latin American countries, particularly in the motor, engineering, clothing and textile industries."

He said it was "particularly pertinent to the SA situation to discover first hand that, while the political parties of significance in Chile may differ on many issues they all agree that the current economic policy — encompassing an open and free economy — is the right one.

"This gives local and foreign investors confidence in being able to plan ahead in the full knowledge that their investments are secure and will not be dis-

turbed by the political whims of the government.

"Both countries have undergone fundamental economic restructuring which has brought inflation to within manageable proportions."

● SA Chamber of Business deputy-president Les Weil and National African Federated Chamber of Commerce and Industry president Archie Nkonyeni left for Canada as official invitees of the Canadian government.

During their ten-day visit, the two business leaders will brief Canadian enterprises on commercial and trade opportunities in South Africa.

Weil expressed the hope that the reopening of trade would lead to an early resumption of sales of South African products, particularly agricultural products, in Canada.

CT 26/10/93

74

'Decline in large forex fraud in SA'

By ARI JACOBSON

(74)
CF 29/10/93

THERE has been a noticeable decline recently in large foreign exchange (forex) frauds, and small cash smuggling out the country has also dropped, says Reserve Bank general manager of forex Mr John Postmus.

Speaking yesterday at a Cape conference organised by the School of Paralegal Studies, he said this was due to tight exchange controls and a "decline in those wanting to take money out of the country".

He added that the speed at which such crimes were being brought to trial also acted as a deterrent.

"The problem of illegal forex deals seems to have been contained, judging by the impact on the country's forex reserves," he said.

Mr Postmus said it was understandable in times of political uncertainty that people would try get their funds out of the country and the only way to stop this was to "create an environment acceptable for investment".

Damage

On the lifting of the exchange controls, Mr Postmus said the "greatest mistake" the government had made was to have lifted exchange controls too early in 1983.

Although the dual exchange rate system was reintroduced in 1985, the damage to South Africa's forex was irreversible.

Later, legal firm Moss Morris' managing director Mr Ashley Tugendhaft described exchange controls as a "financial Berlin wall" and said South Africans had been turned into "economic prisoners".

He said that the time was now right to abolish exchange controls otherwise the country would not attract foreign investment.

Mr Tugendhaft said figures showed that illegal capital flight had taken place since 1970 and about R90bn had been lost to the country, according to a survey by the London School of Economics

Gatt status 'would hide facts of life'

(74) ARG 30/10/93

ROY COKAYNE

Weekend Argus Correspondent

DEPARTMENT of Trade and Industry director-general Stef Naude is opposed to South Africa applying for reclassification as a developing country in terms of the General Agreement on Tariffs and Trade (GATT).

"Ultimately this country's economic future depends on its ability to grow competitive, outward-looking industries. It would not necessarily be in our best interests if recognition as a developing country encouraged us to go on shielding the manufacturing industry from the facts of life," he told the Financial Mail investment conference in Johannesburg.

Dr Naude said reclassification was merely raised in South Africa's statement at the Trade Policy Review but, in the circumstances, it was hardly wise to place any reliance on a reclassification.

He said the prompt response

■ Department of Trade and Industry's Stef Naude has stressed the negative impact "developing country" status would have on South Africa's ability to compete in the export market.

from the United States was that South Africa, as a founding member of GATT, had never been viewed as a developing country, was ranked among the top 30 trading nations of the world, and had increasingly become a manufacturing economy.

The US government was thus not disposed to recognise South Africa as a developing nation, he said.

"None of the delegations from the other major contracting parties — the EC and Japan — was more positive — not even in private.

"Reaction to a post-transitional government approach is not predictable. In any event, the benefits at the GATT of a 'developing' status are shrinking, not growing," he said.

Dr Naude said growth from

outward-looking, export-orientated and increasingly-competitive industries was of fundamental importance to the economic and political future of the country — and reform of trade policy was therefore essential.

This had begun — and was gathering momentum, he said.

Dr Naude said that at its Trade Policy Review on June 1 this year South Africa undertook to present an entirely-new tariff offer on industrial products and by the end of August it had made good that promise.

"This was possible because of the truly outstanding way in which the various stakeholders in the economy threw their weight at the NEF (National Economic Forum) to make this far-reaching development a reality. It proved the worth of

the NEF and the Task Force on Foreign Trade Policy," he said.

Dr Naude added that the offer was aimed at a comprehensive rationalisation of the customs tariff, involving simplification, greater transparency, uniformity and stability, and a phased reduction of tariffs.

He stressed that protection inevitably introduced an anti-export bias by making sales at home more lucrative than sales abroad, by allowing firms to raise prices in the domestic market above those that would prevail under free trade conditions, and made export firms less competitive internationally by increasing the cost of their inputs.

"The most commonly-used instruments to counteract the policy-induced anti-export bias are duty drawback schemes, subsidies and export processing zones. Addressing the anti-export bias is the most urgent task in our international trade policy," he said.

SA in fresh GATT talks

JOHANNESBURG. — South Africa reopened trade liberalisation talks yesterday with the General Agreement on Trade and Tariffs as trade and industry director general Stef Naude warned of dire consequences if the country failed to implement GATT's recommendations.

Speaking in Johannesburg, Dr Naude stressed South Africa had no option but to follow the agreements on trade liberalisation being reached in the Uruguay Round of GATT.

The country's compliance with GATT's proposals was part of South Africa's broader effort to develop internationally competitive industries, especially in manufacturing.

"If we don't succeed, then we will

not have sufficient economic growth," he said, "and for obvious reasons we won't have a political future." As South Africa undergoes its political transition towards democratic elections in April next year, it is also faced with the tough task of scrapping its heavily protectionist trade policies and seeking to stimulate economic growth to meet the needs of its expectant population.

South Africa's trade negotiators started meeting with GATT in Geneva Monday to formulate the country's ac-

tual rates and time-frame for tariff reduction.

"We are simultaneously involved in political and economic reform... It is particularly challenging to do the two successfully and simultaneously.

"We have to manage that very carefully, the world will not give us another chance."

Dr Naude cautioned the industrialised world in GATT would not excuse South Africa from implementing trade liberalisation policies as the country would then be shunned from world

trade and thus forfeit economic growth.

Dr Naude cautioned South Africa was unlikely to be granted "developing country" status by GATT, although it recognised it was an economy in transition.

In addition, he warned the failure of the Uruguay Round would have dire consequences for developing countries as trade would be dominated by the self-interests of big global trading blocs.

"If Uruguay failed, any country in South Africa's position would be in an extremely difficult situation as it would not find markets for its goods," Dr Naude said. — Sapa

Egypt 'wide open' to SA

Business Editor

EGYPT offers "endless" opportunities to SA exporters, Mohamed Sakr, professor of marketing at the American University in Cairo, told Cape Town manufacturers yesterday.

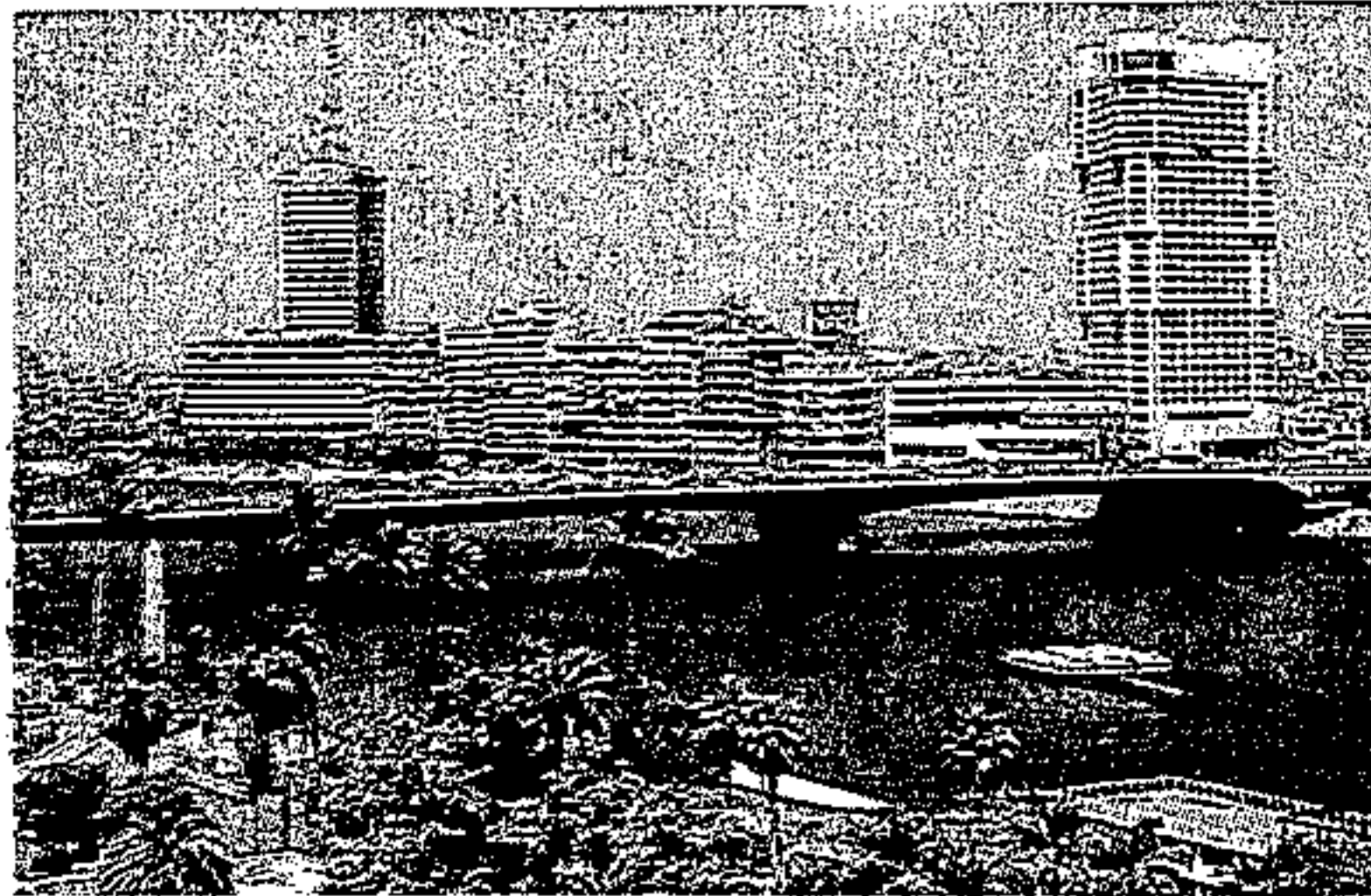
But he warned that orders were likely to be for large quantities, and that profit margins per unit would have to be smaller than were usual in the SA market.

Sakr was speaking at a presentation at Cape Town Chamber of Commerce offices on the forthcoming Cairo Fair for SA products and services, which will be held between January 27 and January 30.

Initiative

He said this was a highly appropriate time for such an initiative, because the Egyptian business community were excited and interested at the thought of doing business with SA now that sanctions had gone and import restrictions had been lifted.

There were many opportunities for two-way trade and each country could offer the other a gateway to new markets. Egypt could give SA exporters access to other North African countries and could deal with the rest of Southern Africa through SA.



CONFERENCE CENTRE . . . The Nile in the foreground helps to make Cairo's new exhibition and conference centre (right) an attractive place to visit.

Egypt itself had a population of 58 000 of whom 5% were extremely rich and 10% had high incomes. It imported goods ranging from textiles, food and drink to machinery, automotive parts and chemical products.

A recent growth in crime meant there was a growing market for security equipment, fire extinguishers and smoke detectors. There was also a market for leisure goods such as equipment for camping and scuba diving.

There was a market there for goods of very high quality and Egypt could export some products suitable for sale in African countries.

At present it imported mainly from Western Europe and the US, and to a lesser extent from Asia. There was a stable currency with the Egyptian pound

equal to R1. Imports currently totalled 27m Egyptian pounds a year while exports totalled 10m Egyptian pounds a year. The shortfall was made up of prof-

714 ET 4/11/93
its from tourism and foreign exchange earnings repatriated by Egyptians working in other countries.

It had good communications including telephone and postal services, and 12 universities.

The fair organiser, Derek Dissel of Johannesburg-based Dissel Marketing, said the fair was being held at such short notice because Ramadan was in February and a major international fair would be held in Cairo in March.

January was an ideal time and the exhibition centre offered "state of the art" facilities.

Africans want trade with SA

KAMPALA. — African leaders have affirmed their desire for trade with Pretoria by inviting President F W de Klerk to attend a summit meeting of the 18 Preferential Trade Area countries in the Ugandan capital today.

Chief Mangosuthu Buthelezi, who was also invited to the meeting, is already in the Ugandan capital. — Sapa-Reuter

Trademark Bill 'too hasty'

S/ Times (Buss)

A DRAFT Bill that revamps SA's trademark laws and opens the way for comparative advertising enters the parliamentary process tomorrow amid claims that it is being rushed through without sufficient debate.

A new trademark law, which has been on the cards since 1991, is intended to bring South Africa in line with the harmonised trademark legislation proposed by the European Community. It is also intended to provide trademark protection as demanded by the General Agreements on Tariffs and Trade (GATT).

Initial consideration of the Bill, which has yet to be published for debate, commences before a parliamentary committee tomorrow. It is expected to be introduced into Par-

By CHERILYN IRETON

7/11/93
liament when it resumes for a short sitting on November 22.

Webber Wentzel associate Ron Wheeldon is calling for more time to allow business to debate the legislation.

Mr Wheeldon says passing the Bill in the form in which he last saw it would be a disaster for the development of competition and business.

Several groups, including Wooltru, Edgars, SA Breweries and Rembrandt are opposed to aspects of the Bill, which will allow "brand bashing by competitors," he says.

The Bill introduces "anti-dilution provisions" which will outlaw the use of similar names for widely differing

types of products, like Cobra taps and Cobra floor polish.

Mr Wheeldon says similar provisions have been defeated in the US and UK and are highly controversial.

Chris Job, a trademark attorney at Adams and Adams and a member of the advisory committee which drew up the bill says dilution is an important provision to protect brand names (74)

"Competitors should not be allowed to trade on a company's goodwill by using famous trademarks - even if for different products," says Mr Job, adding that the Bill has been widely debated.

This week the ANC said it would lobby for change in trademark legislation to protect companies that had heeded its call for sanctions and

had thus jeopardised their trademarks in SA.

The ANC said certain foreign companies, such as McDonald's, had heeded the call and their moral and ethical stance was appreciated.

The ANC would seek amendments to the present Trademarks Act and the Bill expected to come before Parliament this month.

Mr Wheeldon says there may be a need for changes to be made to trademark laws but these changes should be evolutionary.

"In this way particular concerns, such as those relating to companies which boycotted SA could be addressed without adding uncertainty to areas of the law which appear to be victims of change for the sake of change."

Disinvestment fears spark 28c fall

Panic selling sends finrand plummeting

B/DAY 9/11/93

(74)

IN HECTIC trade yesterday the financial rand plummeted more than 28c to levels last seen before the lifting of sanctions.

As panic selling gripped the market after signs of European disinvestment, the finrand weakened 7% to close at R4,6350 to the dollar from Friday's R4,3500.

Reserve Bank international banking senior manager Bertus Van Zyl said the investment unit's latest behaviour reinforced the Bank's commitment to maintaining the dual exchange rate system for some time. It would also prevent the finrand pool being reduced — an important precondition for scrapping it.

Van Zyl was surprised by the extent of the move. "If that's where the market wants to put it then there is little the Bank can do. It shows demand for dollars is still very strong while demand for finrands remains weak."

Yesterday's fall saw the discount between the finrand and the commercial rand widen to 33% from a previous 22%. The margin was last at this level when ANC president Nelson Mandela called for the lifting of remaining sanctions at the end of September.

Dealers said some investors appeared to be leaving the SA money market after the recent cut in local interest rates had made it unattractive for them to maintain short-term fixed-interest investments. Although

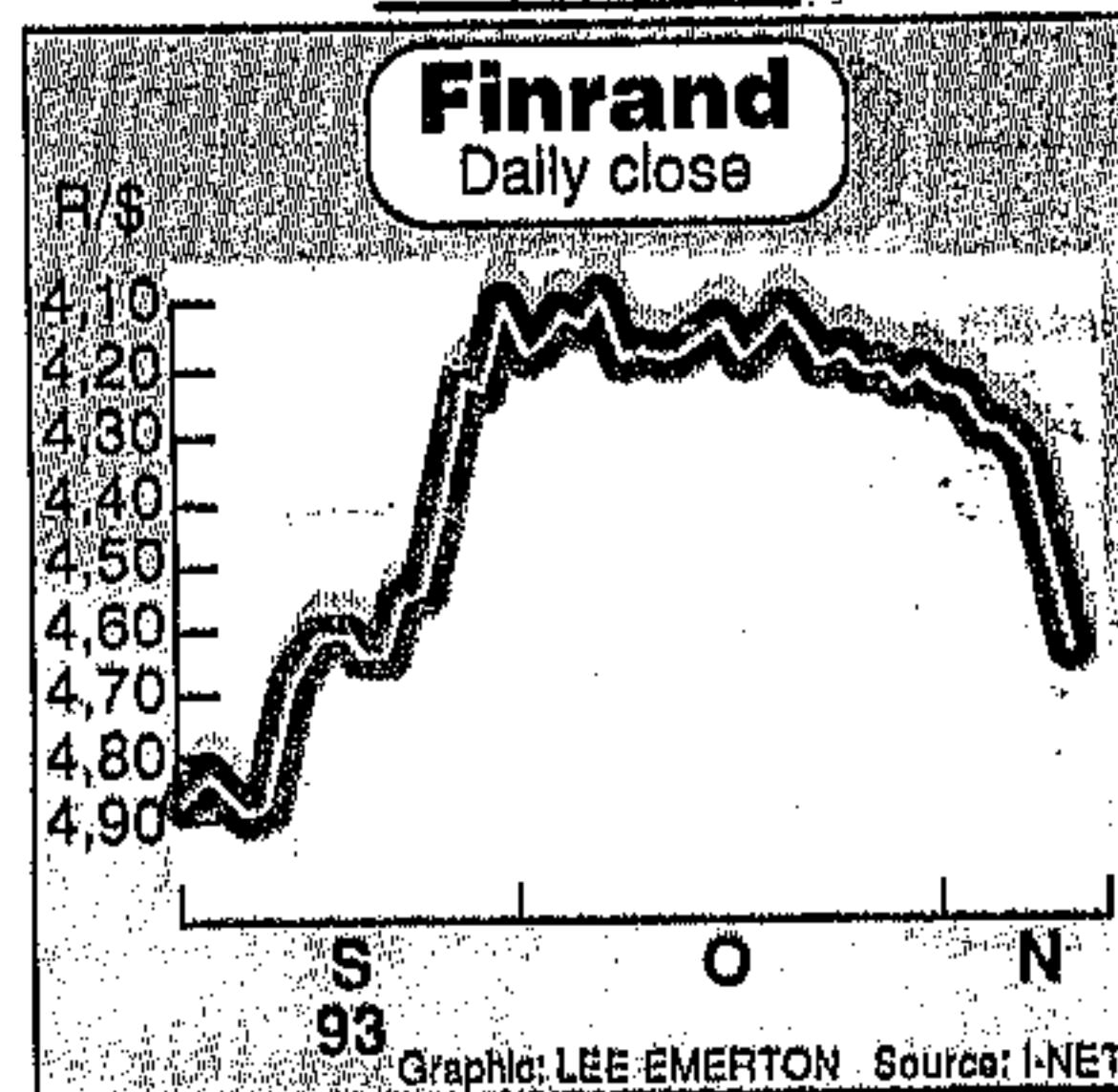
KELVIN BROWN

some had switched into other SA investments, others had taken their money out, putting downward pressure on the finrand.

There had also been speculation that German investors were keen to use the opportunity to disinvest as new tax laws under discussion in Germany could make it more attractive for them to invest there.

Several German investors started executing buying orders for dollars last week, players said. This saw the finrand ease 10c in the week from R4,2425 at the start of the week. When they reappeared in

□ To Page 2



Finrand

B/DAY 9/11/93

□ From Page 1

the market yesterday morning, dealers became nervous, and their fear sparked a fresh round of selling. The move had a significant effect on the finrand because of the market's thin nature.

A snowball effect erupted with stop-loss selling settling in above R4,5000 as dealers tried to get out of their finrand positions.

"Players had been long on finrands as they had expected the unit to continue firming," a dealer said.

The dive in the finrand gained momentum in the last hour before close as dealers squared off their positions.

Some said the move was overdone and expected a correction in the short term. Bargain seekers were expected to take the finrand back to the R4,40 level.

Others were less hopeful, saying the latest fall was a correction from the finrand's dramatic move in the wake of the lifting of sanctions. But the market was expected to remain nervous until foreign disinvestment appeared to have been completed.

MERVYN HARRIS reports that the plunging finrand failed to prop up gold shares but supported other mining-related and currency-sensitive industrial counters on Diagonal Street.

Gold shares gave up early gains with the all gold index finishing unchanged at 1 890 as London traders came in as sellers on perceptions of more stable international bond and equity markets.

Dealers said gold shares had outpaced gains in the gold price, which had come partly as a hedge against declining equity and bond markets. After being fixed at a three-month high of \$377,90 in London yesterday morning, gold eased back to close \$1,50 lower at \$376,05.

The rest of the market firmed to lift the JSE overall index 16 points to 4 020, with the industrial board maintaining its firm undertone as nervousness over weak equity markets was less prevalent than on other international bourses, dealers said.

GATT expected to demand tighter trade reform proposals from SA

SA's GATT negotiators have returned after a week of tough negotiations in Geneva with the message that SA may be forced to tighten up its trade reform proposals.

Sources close to the negotiating team said one of the main bones of contention was the generous protection from imports afforded to the clothing and textile industries. One of GATT's objectives was to bring the same level of protection to the rest of the world.

Trade and Industry minister Stef Naude declined to comment on the director-general's comment on the

outcome of last week's negotiations, saying a statement would be issued soon. Sources said the EC and the US had complained about SA's high levels of protection and asked for tariff reductions to below 35%. In terms of SA's proposal, the maximum tariff rate was 60% for textiles — the most heavily protected industry. Textiles also received a more lenient deal than other industries with household textiles pegged at 45%.

Although the proposal does not go far enough in the eyes of SA's trading partners, it represents a substantial cut from pre-

sent protection levels of about 100%.

The issue will be discussed at the National Economic Forum before negotiations resume in Geneva. The next round of talks is scheduled for next week, but sources said it was unlikely that negotiations would be ready to resume discussions so soon. However, the pressure was on to finalise talks to meet the December 15 deadline for the Uruguay Round.

Originally, government proposed a tariff rate of 30% for clothing, but representa-

GNETA STEYN

tions from labour and business saw the rate doubled in the final GATT offer. Protection for textiles was also raised, with fears of major job losses cited. SA's trading partners also raised, with country to take part in 'zero-for-zero' agreements, whereby two countries would agree to charge zero tariffs on certain goods. Sources said SA had shied away from this for fear of excessive dumping. It had been argued that SA industries would be threatened by such cheap imports.

It is understood that "zero-for-zero" agreements could apply to pharmaceuticals and chemicals, and construction, agricultural and medical equipment.

A further possibility was to agree to very low tariffs instead of zero, with the steel industry a likely candidate. It is understood that Iscor indicated it would be able to handle the competition.

Sources said another problem raised by trading partners was that SA had suggested raising some low tariff rates, with the average reduction in tariffs raised by with GATT's requirements. It was also the result of efforts to simplify the system by reducing the number of tariffs.

Finrand recoups after Monday's losses

THE financial rand yesterday recouped most of the losses it sustained on Monday as foreign interest returned to the market.

The investment unit strengthened to close at R4,3850 to the dollar after plummeting 28c to R4,6350 on Monday due to European disinvestment. The move took the discount between the finrand and the commercial rand to 23% from 28%.

Dealers said fresh buying returned to the market as the higher rate made fin-

Monday 10/11/93
KELVIN BROWN

rands attractive. There was a large foreign order at R4,60, a player said. Profit-taking from speculators was also reported. Players said there was heavy two-way trade as dealers were nervous after Monday's large movement. A dealer said the market would stay wary until it appeared that European disinvestors had completed orders to sell their finrand holdings.

Labour, industry prepare to fight

GATT tells SA to lower tariff rates

B/Day 11/11/93

74

GRETA STEYN

SA's major trading partners have sent the country back to the drawing board on its trade reform offer to GATT in the hope that it can hammer out a more acceptable package.

Trade and Industry director-general Stef Naude yesterday confirmed certain objections had been raised during recent talks in Geneva in the Uruguay Round of GATT negotiations. SA would have to be prepared to be "flexible and make certain adjustments" in exchange for latitude on the overall package.

However, labour and industry lobbyists are gearing up to fight the call for flexibility. Their strenuous efforts led to substantial modifications to the original reform proposals, and sources said they would push for a hardline approach towards the country's trading partners.

Follow-up discussions are scheduled for the end of next week or the following week. To prepare a response to the concerns raised, the National Economic Forum's task force on foreign trade policy will cooperate with Trade and Industry officials.

Trade and Industry said the US and the EC had indicated the tariff rates of 60% for clothing and 45% for household textiles were not acceptable. They were proposing the harmonisation of textiles and clothing tariffs which would allow developing countries a maximum rate of 35%. "Should this initiative succeed, they would not be able to exempt SA, but would ... allow it the rates applicable to developing countries."

A multilateral steel agreement was being negotiated, which SA would "almost

certainly" have to join. The agreement provided for zero-rating certain types of iron and steel over a 10-year period.

Other sectoral initiatives were also being negotiated in terms of the Quad meeting in Tokyo between the US, EC, Japan and Canada earlier this year. Zero-rating had been proposed in respect of pharmaceuticals, construction equipment, medical equipment, agricultural equipment and furniture. The idea was that pharmaceuticals would be zero-rated immediately while the other sectors would be subject to a five-year phasing-in period. A further proposal in terms of the Quad agreement was the harmonisation of tariff rates on chemicals over longer than five years.

"It will be expected of SA to indicate its acceptance, fully or partially, of at least some of these initiatives."

An initiative for zero or reduced tariffs on wood and paper was also being promoted. Other areas of concern were motor vehicles, soda ash and washing machines.

Specific requests were expected from the US and EC during follow-up discussions, particularly regarding items on which SA was bound in terms of GATT rules not to increase tariffs. SA might be expected to make concessions by reducing certain rates in the offer.

Officials were "cautiously optimistic" that the tariff offer was broadly acceptable. It was evident other countries understood SA's circumstances and supported tariff restructuring and trade liberalisation, even if over an extended period.

SA GATT offer

(74) CF 11/11/93

'not acceptable'

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Revised EPZ proposals offer major concessions

Star 12/11/93

Businesses established in Export Processing Zones would pay no company tax for ten years and would be exempt from Value Added Tax, import duties, excise duties and surcharge payments, the Department of Trade and Industry proposed yesterday.

The department's revised draft proposal on the establishments of EPZs in the country, also makes provision for the unrestricted transfer of dividends, royalties and interest through the commercial rand and allows for exporters to hold foreign currency accounts with South African banks.

Non-residents would be allowed to invest through the financial rand.

The draft proposal said recently incorporated companies with new manufacturing ca-

capacity could establish in an EPZ. The relocation of existing companies to an EPZ, if they were rationalising or expanding, would be considered on merit. (74)

The entire production of each user in an EPZ would have to be exported to buyers outside the Southern African Customs Union.

Successful EPZs would provide a vehicle for investment in industry, stimulate export and foreign exchange earnings, create jobs and encourage improved productivity, the draft proposal said.

Applicants to the board must have, among other things, an acceptable business plan, suitable land within 100km of an international port or airport and an arrangement concerning the involvement of the local authority.— Sapa.

Surge in world links (74) 13/11/93 ahead — Boland Bank

By ARI JACOBSON

THERE will be a surge in "international" links with the SA economy from 1994, was the message from Afrikaanse Handelsinstituut (AHI) economist Nick Barnardt yesterday.

Barnardt speaking at Boland Bank's annual economic conference said that between 1994 and the year 2000 there would be "great opportunities to increase exports, imports, tourism and capital transactions".

In other areas he anticipated "fast growth in the transport sector, especially air and sea transport".

Barnardt also pointed to increased activity in basic housing and social amenities as well as rapid electrification.

He added that there would be an explosion of primary school numbers and products related to providing an education.

Barnardt said that the medium term economic strategy should revolve around a "seven point structure" which would include tight financial disciplines and a low inflation rate.

He talked of a consensus economy aimed at social development and less labour conflict — with the swing back to labour intensive production.

Barnardt said that the challenge was to get the economy out of the "fight arena" and ensure that the violence was not perpetuated.

French trade delegation ends SA visit

JOHANNESBURG. — A delegation of the National Council of French Employees has left South Africa after a three-day fact-finding mission to explore business opportunities.

Council president Francois Perigot told an African National Congress delegation at ANC headquarters in Johannesburg yesterday he believed the political progress made in this country would lead to economic growth and development.

He added that his organisation wanted to be a part of the growth and development either through normal trade relations or through partnership. — Sapa

(74) ARCT 13/11/93

Finrand could go after the election

Star 15/11/93
■ BY CLAIRE GEBHARDT

The finrand could be abolished soon after next year's election, says an ANC spokesman.

Neil Morrison, the ANC's coordinator on monetary and fiscal policy, told a conference on "The World Bank and South Africa" last week that foreign capital flowing into the stock exchange did nothing to help reserves because of the finrand constraint. (74)

"After the elections, there is a strong possibility we could remove the finrand, if the political situation settles."

Morrison said the World Bank had an important role to play as pressure intensified to deliver a better quality of life to the majority of people — "the rub is that they demand a hands-on approach".

"But we'll have to take the money because it's cheap and good.

"At the same time we have to avoid conditionality because the World Bank is not God, they make huge mistakes."

Morrison hoped the World Bank's International Finance Corporation (IFC) would take equity in black-owned business to help redress income inequalities.

He said the ANC was considering ways of funding SA's "huge" deficit at the least possible cost, and would look at the role of the Public Invest-

ment Commissioners (PIC).

"They have a fiduciary responsibility to pensioners and also to finance the Budget at the least possible cost.

"In April, they deliberately went to the market and raised money to finance the deficit when interest rates were high.

"Now that interest rates have come down, we're paying the price."

Morrison said the mandates of the Small Business Development Corporation (SBDC), the Development Bank of SA (DBSA), the Industrial Development Corporation (IDC) and many para-statal bodies would be "revisited".

"We are concerned that 70 percent of the SBDC's loan book is to whites."

"We also wonder whether the IDC's provision of capital to both the Community Bank and to Alusaf, is evidence of a consistent and clear mandate."

Morrison said the ANC had trouble with vast organisations going to the international capital markets.

"We may need a more centralised approach to lower the cost of borrowing if it is done in the name of the Republic of South Africa."

The ANC was also very troubled about the erosion of tax morality and was considering mechanisms to attract more qualified staff to the office of the Receiver of Revenue.

BUSINESS

GATT failure 'will hurt SA'

CAPE TOWN — Failure of the Uruguay Round of GATT talks would adversely affect SA as it was not a member of any of the major trading blocs, Trade & Industry export promotion director Piet Verwey said at a Bureau for Economic Research conference yesterday.

Verwey said SA could not benefit from tighter trade blocs where power, instead of rules, governed.

"As a small open economy, SA had no alternative but to tailor a tariff offer which was acceptable to the international trading powers. While the dismantling of tariffs will expose SA to severe foreign competition, the country cannot afford to be denied access to the world's largest and most prosperous markets."

Verwey believed that solving the anti-export bias in the SA economy was the most urgent task of SA's international trade policy and one which would have to be dealt with by

Reports by
LINDA ENSOR

tariff reductions. Current instruments to deal with the problem such as duty drawback schemes, subsidies and export processing zones were inadequate and would have to be replaced by tariff reductions (74)

He said the final GATT position on subsidies would not affect government's commitment in terms of the General Export Incentive Scheme (GEIS) to assist exporters with off-shore capital projects until they were completed — even if the scheme had been terminated in the interim.

"In view of its function GEIS cannot simply be removed in isolation. It will be amended in time to come to remedy some problems, including budgetary constraints, and phased out over a number of years. Exporters unnerved by this thought should bear in mind that the import tariff reform will over the same period

gradually remove the anti-export bias."

The problem with GEIS was that it was expensive, abused and in conflict with GATT.

Verwey said SA's traditional, inward-orientated development policy had produced an anti-export bias. "Import controls and restrictions make local sales more lucrative than international sales and allow firms to raise prices in the domestic market above those that would prevail under free-trade conditions. Protection also increases the costs of inputs, thus making export firms less competitive internationally."

SA's future depended on outward-looking, export-orientated industries.

He noted that SA's new trading partners held exciting export prospects for the country. For instance, eight years ago 14% of SA exports went to Asia; in 1992 the figure was 24%. This was expected to increase.

© See Page 19

Trade surplus spurred by export growth

By AUDREY D'ANGELO
Business Editor

THE trade surplus bounced up by an encouraging 22,9% in October to R1,70bn after falling by R449,5m in September to R1,38bn. It was R0,78bn in October last year.

Exports rose to R7,62bn — the highest ever in nominal rand terms — compared with R6,88bn in September and R5,58bn in October last year.

But imports rose too, to R5,91bn from R5,50bn in September and R4,80bn in October last year.

Exports for the first 10 months of this year totalled R65,87bn — well ahead of the R56,44bn achieved in the same period last year.

Imports totalled R49,51bn compared with R43,69bn in the first 10 months of last year, leaving a surplus of R16,36bn compared with R12,75bn by October last year.

Economists welcomed the improvement but pointed out that, with the end of the recession, imports were likely to continue to rise. This, combined with a continued outflow of capital, would put pressure on the balance of payments (BoP).

Nedbank chief economist Edward Osborn commented: "These figures are quite astonishing. Such an enormous jump in exports is really quite fantastic."

But, Osborn said, although exports were up in several sectors it was a little disappointing that the main increase was not in manufactured products but in minerals and unclassified products.

The rise in mineral exports was basically due to coal and base metals, mainly iron and steel products. Unclassified products included gold and platinum.

Southern Life economist Sandra Gordon said it was encouraging that the improvement in the trade balance was due to a 17,3% rise in exports so far this year.

The 22,2% rise in unclassified exports over the 10 months had been helped by the improvement in the rand gold price. Exports of base metals had risen by only 5,3%, reflecting lower commodity prices, but exports of machinery and mechanical products had risen nicely by 30,4%.

Imports of machinery had risen by 13,2% to date and vehicle imports by 32,1%. Vehicle imports, however, were distorted by the fact that they included planes bought by South African Airways (SAA).

Although the rise in imports in October could be a sign of the end of the recession, it could also be a seasonal factor due to the approach of Christmas.

Sanlam economist Pieter Calitz said a comparison between the trade surplus and the 4,2% rise in SA's gold and foreign reserves in October, to R7,1bn, indicated a slowdown in the outflow of capital.

Calitz said the rise in unclassified exports could include sales of military equipment. He hoped that, with the election of a new government, the unclassified category would be done away with and there would be more transparency in the export figures.

74
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CT 18/11/93

When the sharpies have to go

ARLT 20/11/93

74

IF South African business needed to be jolted into action to reverse an ominous slide in its ranking among global trade rivals, the alarm has been rung by the 1993 edition of the authoritative World Competitiveness Report.

South Africa, freshly out of political isolation, made its debut in the annual country-by-country comparisons of economic muscle a year ago. The results shook South African business to the core.

Among the 36 rival nations listed in the 1992 study, South Africa was ranked as low as 30th, sandwiched between Mexico and Venezuela.

At the time, however, it was widely assumed that a rapid climb to higher status was virtually guaranteed with the removal of the sanctions blockade and trade handicaps.

The optimism has been dashed. In the 1993 survey South Africa has skidded still lower in the international rankings, now down to 32nd out of 37.

South Africa's ranking among world trade rivals is slipping. The Competition Board wants far wider powers to crack down on business scams and sharp practices that hamstring economic performance.

Weekend Argus
Correspondent
MICHAEL CHESTER
reports.

Nor can South Africa moan about the disadvantage of a relatively small economy. Judgments, it is stressed by the authors, are based on economic fitness tests — regardless of size.

Clearing any suspicions of unfairness by comparison with such economic giants as Japan and the United States, listed as "advanced industrial nations", the survey has placed South Africa among 15 smaller global players under "newly emerging industrial nations".

Even here, South Africa is shuffled down to a lowly 11th slot, among the bottom one-third and far outclassed by Far East tiger cubs like Singapore, Hong Kong, Taiwan and Malaysia.

The alarm signals are also being used by Pierre Brooks, chairman of the Competition Board, to reinforce arguments that the board needs far wider powers to enforce new rules on business practices — and oil the wheels to encourage a faster economic tempo.

Insiders believe Brooks has been well groomed to draft the rule book with the experience of five years at the helm of the Competition Board — on special secondment from the post of Professor of Mercantile Law at the University of South Africa.

In fact, he has already delivered his proposals to the government on the framework of new legislation that he hopes will win consensus among all the main business and political players before going to parliament for approval and implementation as new competition policy.

Strong growth seen for US/SA trade

TOM HOOD
Business Editor

COMBINED trade between South Africa and the United States reached nearly R15,6 billion last year in spite of sanctions, says the American ambassador, Princeton Lyman.

That accounted for about 60 000 jobs in the US and the same here.

"With the ending of sanctions we anticipate a significant growth in trade," he told the SA Institute of International Affairs in Cape Town last night.

Mr Lyman said the Clinton administration was moving fast to respond to South Africa's new beginnings.

US Secretary of Commerce Ron Brown would shortly lead a delegation of high-level economic officials and CEOs to South Africa.

"This will not be a public relations mission but a solid results-orientated trip designed to set in motion a reinvigorated American economic support mission here," said Mr Lyman.

"During this mission we expect to begin discussions on the details of a government-to-government agreement that will allow our Overseas Private Investment Corporation (OPIC) to offer political risk and other insurance to American companies that invest here.

"The availability of OPIC insurance is a high priority for American companies investing overseas."

A special working group had been set up in the State Department to co-ordinate with local government agencies and private businesses on economic support

for South Africa.

This working group would also help in the effort to lift sanctions at the state and local level.

"A new tax treaty and a civil aviation agreement are among the instruments we are contemplating."

Mr Lyman said there was much talk about investment "but extremely important in our economic relationship will be trade".

South Africa had a complex and often highly protective trade regime and this had to change for the country's own benefit.

It must open up to new technologies, to competition and to a more export-oriented set of policies if it was to achieve the growth so demanded by the country's internal needs.

74 ART 23/11/93

'US trade visit imminent'

Staff Reporter

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CT 23/11/93

US Secretary of Commerce Mr Ron Brown will soon lead a delegation of high level officials and business chief executive officers to South Africa on a "results-oriented trip", US ambassador Mr Lyman Princeton said last night.

The trip was designed to set in mo-

tion a "reinvigorated American economic support presence", he said.

Discussions would start on a "government-to-government agreement that will allow our Overseas Private Investment Corporation (OPIC) to offer political risk and other insurance to American companies that invest here".

SA 'safe to lend to and invest in'

74
CT 24/11/93

From MATTHEW CURTIN

JOHANNESBURG. — SA is a safer country for investment than Argentina, Mexico, the Philippines, Poland and Venezuela, according to the London-based Economist Intelligence Unit.

Unit service director Mina Toksoz said yesterday SA's rating was likely to improve in the fourth quarter from its 50-point rating in the three months to September, unchanged from the June quarter.

Iraq (100 points) was rated as having the highest risk. Hungary and Indonesia were less risky than SA with Singapore (5 points) being the safest.

SA was in the same category as Greece, Turkey, India, Egypt and Tunisia. The category suggested it was safe to lend to and invest in, but doubts existed about economic policy or political stability.

The unit's imminent reassessment of SA's riskiness follows a sharp fall in the premium SA paper earns on German capital markets. It fell to 2% from 2,75% last week. Industrial Development Corporation (IDC) senior GM Malcolm Macdonald said the fall in the premium was the best indication yet that the successful conclusion of constitutional talks last week was having an impact on investors' assessment of SA.

IDC contacts with US bankers confirmed the relatively large investment US institutions were prepared to make in SA, visible in the spurt of foreign buying of SA equities and gilts this month.

Toksoz said the unit assessed the riskiness of 82 countries using 27 criteria ranging from debt, current account balance, economic policy and political conditions.

SA was well ahead of Nigeria, Kenya and Ivory Coast. Latin America was the most volatile region, with a recovery in Peru matched by mounting problems facing Argentina and Brazil.

JOHANNESBURG. — Trans-Hex reported a slightly better performance in the six months ended September 1993 as the mining group benefited from a lower tax rate.

Attributable profit of R18,9m compared with R16,8m in the previous six months translated into earnings of 125,3c (111,7c) a share. The interim dividend of 30c (27c) a share has already been declared.

Turnover rose to R111m (R106m) and net income was almost unchanged at R36,5m (R36,7m). The interest bill was up four-fold at R506 000 (R123 000) but payments to the Receiver were down at R17,1m (R19,3m).

In the accompanying statement, the group said operating results

Trans-Hex profits edge up

from the Orange River projects had resulted in the revision of long-term plans.

It was decided to increase earth moving requirements to maintain an acceptable balance between exploration, mine development and mining.

"Production will be maintained at current levels."

An exploration programme assessing pre-Karoo diamond bearing occurrences, as well as kimberlites, had been launched in Zimbabwe.

— Sapa

SA/India trade tour 'a great success'

74

CT 25/11/93

PRETORIA. — The recent week-long South African trade mission to India was "an unqualified success," the Department of Trade and Industry said on Tuesday.

The mission, the first official trade visit to India since the lifting of sanctions, was led by the deputy minister of Trade and Industry, David Graaff.

In Bombay, Graaff met the governor of Maharashtra, the mayor of the city and two vice presidents of the Central Bank of India. The delegation met the Indian Merchants' Chamber and held individual talks with members of the Chamber and Exim Bank.

The itinerary in New Delhi included Graaff meeting K Ahmed, State Minister of Trade and P Mukerjee, Minister of Trade.

The delegation met businessmen of the Federation of Indian Export Organisations, the State Trading Corporation, various chambers of commerce and the Joint India/South

African Business Council. They also paid a visit to the International Trade Exhibition.

Talks with political leaders offered the opportunity to provide information about current political and economic events in South Africa, including the posting of South African economic representatives in New Delhi and Bombay and South Africa's possible participation in the Indian International Trade Fair in New Delhi next year.

"The mission was an unqualified success. Not only are there manifold opportunities for South African exporters in India, but there are also many opportunities for collaboration between South Africa and Indian businessmen on a variety of issues — a matter which will be followed up by members of the delegation. The interest of Indian businessmen in export opportunities to South Africa is virtually boundless," DTI said. — Sapa

Export group wants support

Sowetan 25/11/93

By Mzwandile Jacks

SOUTH African Export and Import Association has pulled out of the State President's Award for export achievement because the Department of Trade and Industry refuses to recognise them.

The award is presented annually to encourage and acknowledge outstanding achievement in the field of exports.

SAEIA chief executive Mr Nathan Motsa says the department only recognises the South African Foreign Trade Organisation which has traditionally enjoyed Government support.

He says over R5 million is paid to Safto every year in subsidies.

"When we asked Safto for financial assistance we got nothing. The problem is that international trade has been regarded as white turf for a long time in South Africa," he said.

Companies from abroad who wanted to trade with South African organisations were sending their requests to Safto and that organisation tells them they already have white people doing the job better," he adds.

To overcome this, the SAEIA has formed a steering committee to lobby for a specific role for black exporters in post-apartheid South Africa.

‘The problem is that international trade has been regarded as white turf for a long time in South Africa’

"We will become a force in the future and at least then, the Government will be sensitive to our demands," he said.

The organisation, says Motsa, has made slow progress and some inroads into the neighbouring countries in terms of trade.

He lashed out at the Department of Trade and Industry as conservative and hostile to the SAEIA.

"We are bitter because we feel we are not given a chance and we are capable of creating opportunities for small business people in this trade," Motsa said.

Presently, the SAEIA is financially assisted by the United States Agency for International Development, Nedbank and Standard Bank.

At the time of going to press the Department of the Trade and Industry had not responded to Sowetan's questions faxed to them.

SA gets top rating on world markets

CLAIRE GEBHARDT

ARG 29/11/93 74
THE United States will classify South Africa as one of the world's top 10 emerging markets, bringing incalculable benefits in investment trade.

The classification was announced last night at an American Chamber of Commerce dinner in Johannesburg by US Secretary for Commerce Ron Brown who is heading the America's first trade and investment mission to South Africa since President Bill Clinton lifted all remaining sanctions.

Mr Brown also listed 11 developments that would begin the process of revitalising South Africa's economy and speeding up black economic empowerment.

He predicted the country could become the powerhouse of Africa.

Developments included:

■ The signing of an Overseas Private Investment Corporation agreement with Finance Minister Derek Keys tomorrow to encourage and support US investment in South Africa.

■ An Economic Co-operation Initiative focusing on southern Africa.

After a 14-year absence, Exim Bank was processing a request from Nedcor Bank for \$63 million in financing to purchase American-made Boeing aircraft.

If approved this will bring Exim's total investment in South Africa since

February 1992 to \$253 million.

■ The opening of an International Business Advocacy Centre.

■ A US National Export strategy to reduce export controls in key hi-tech sectors and the creation of one-stop shops to house key government agencies under one roof whose expertise South Africa could draw on.

■ A promise to review tax and tariff barriers to American goods.

■ To match up US and South African companies eager to do business with one another.

■ To discuss a bilateral tax treaty with the South African Government.

■ To encourage emerging black-owned businesses.

■ The announcement that New Africa Advisors, a black-owned asset management firm had created a \$2 billion investment fund and that others among the delegation had similar plans to direct investment towards South Africa.

■ The appointment of a senior economic diplomat to signal Clinton's strong commitment to SA.

"We stand on the verge of a great triumph of the human spirit.

"A triumph of political and economic freedom that will make South Africa a soaring example of what nations can become: a source of hope and growth that will spread throughout Africa and around the world."

Spirited gain for Aroma

MARC HASENFUSS
Business Staff

ARG 29/11/93
AROMA Liquor Holdings showed a spirited 25 percent gain at bottom line to R183 000 in the half year to end August — thanks mainly to a marked reduction in the interest bill.

However, the group's market share offensive dried up profit margins, transforming a 25 percent sales gain (no interim figures disclosed) into a 10 percent drop to R379 000 at operating level.

Bottom line was saved by an improved cash flow — which cut the interest bill by 31 percent to R184 000. Long term borrowings now stand at a more manageable R474 000 (previously R818 000).

Earnings a share came in at 1,1c (previously 1c). No interim dividend was declared.

Directors said the difficult trading conditions were likely to persist until year end, with the prospects for increased tourism over the festive season less than encouraging.

They predicted increased turnover and improved market share for the balance of the year.

■ Saambou Bank's attributable earnings have soared by 212 percent to R7,8 million (R2 million) for the half year to end September.

An abbreviated income statement showed net operating profit before taxation up 65 percent to R14 million (R8,9 million).

This was achieved after a R5 million general provision for any possible change in operating risk caused by the socio-political scenario. (Last year a provision of R6 million was made for the same purpose)

Earnings a share came in at 6,2c (2c), making for an interim dividend of 1c a share.

Managing director Johan Myburgh said Saambou was continuing with the process of converting non-performing assets to better quality assets.

"The ratio of productive assets to non-productive assets for the same period rose from 82,9 percent to 84,5 percent which has had a positive effect on our margins."

He said Dinkum Save boosted liquidity in the period under review. The popular savings product grew by 59,4 percent.

Proposed GATT tariffs lowered

BEATRIX PAYNE

MAXIMUM tariffs on agricultural imports to be submitted to GATT have been reduced by an average of 20 percentage points from the original proposals submitted in July. (74)

Agriculture Department deputy director Rod Blondin said maximum tariffs had been revised. They were 68% for maize, 120% for wheat, 215% for milk and 124% for sugar. Meat tariffs were unchanged.

The final draft of the Agriculture Department's proposals to GATT would be discussed by the National Economic Forum tomorrow, Blondin said. GATT had rejected the July package as it did not liberalise farm trade sufficiently.

The draft would be discussed by the Trade and Agriculture Ministers before it would be presented to the final round of Uruguay talks. Clarity was needed on the continued provision of export subsidies and the quantitative amount to be subsidised.

Blondin expected agricultural export subsidies to be phased out — in conjunction

with the phasing out of GEIS — by the time GATT regulations were introduced globally, expected to be the beginning of 1995.

Attempting to boost economic growth through subsidising exports was a short-term measure that would not lead to long-term economic growth, Blondin said, adding that export subsidies should be phased out gradually. 20/11/93

SA Agricultural Union commodity services deputy director Hans van der Merwe said calculations of maximum import tariffs had taken place in consultation with the various producer boards who had been happy with the result.

However the phasing out of financial assistance would "be detrimental to agriculture and all export industries", he said. Subsidisation of producer costs or indirect forms of compensation would be necessary if export subsidies were phased out.

● See Page 7

Business delegates pledge support

MICHAEL MORRIS, Political Correspondent

TOP-RANKING business people accompanying United States Secretary of State for Commerce Ronald Brown on his five-day visit to South Africa are enthusiastic about the country's trade prospects.

Mr Brown, who is leading a high-level trade and investment mission to South Africa, said after a meeting with African National Congress president Nelson Mandela: "The business delegation is enthused about the economic potential in South Africa."

The mission, which had been "very encouraged" by the results of meetings so far, was "historic and important".

"It comes several days after President Clinton signed the lifting of Federal sanctions, and we felt we wanted to keep the momentum going and show that we would stand shoulder to shoulder with South Africa."

Mr Brown added: "It is our view, and President Clinton's view, that those of us who sided with the majority in their fight for political rights, must be here now for the also difficult fight for economic growth and opportunity for all South Africans."

"I know that Mr Mandela shares our view that political rights without economic opportunity will not have the kind of impact on the real lives of real South Africans that justice dictates."

74
APR 30/11/93

'SA links with Africa gaining strength'

THERE is "a rising level of economic interaction between SA and the rest of Africa," John Maree, chairman of Eskom, Iscor and Denel, said at the Sub-Sahara Oil and Minerals Investment Conference yesterday.

"These now span the continent, literally from Capé to Cairo. There are very few countries where linkages of some form do not yet exist.

"Visible and invisible trade relations, flows of labour and the development of infrastructures are increasingly binding us together.

"And, resented or not, the leading role played by the SA economy is increasingly evident.

"In Africa, as elsewhere, the creation and maintenance of cross-border economic linkages have involved considerable investment of both private and public resources."

Electricity to townships cut

CT 2/12/93

Municipal Reporter

ELECTRICITY supplies to Langa, Guguletu, Nyanga and New Crossroads were cut selectively yesterday by the Cape Town City Council to pressure the CPA into paying the debts of black local authorities.

Cape Town is the bulk supplier of electricity to all those areas. Their collapsed local authority, the IKapa Town Council, owes millions to Cape Town for the supply of electricity. Some IKapa officials are involved in a corrup-

tion probe.

Supplies to domestic homes have not been affected by Cape Town's carefully targeted electricity switch-off. But street lights are off, and community centres, sports facilities and administrative offices have no electricity.

The electricity supply to essential facilities like sewerage pumping stations has not been cut.

Irritation

Mr Fanle Naudé, the administrator of IKapa, said the power cut would disrupt the payment of social pensions, scheduled to

take place over the next six days. The council has also decided to reduce the water supply to IKapa suburbs by instituting the "trickle system", again because of payment arrears.

It is understood the cut-off would affect households.

An IKapa spokesman expressed great irritation yesterday against the Cape Town City Council, saying a series of meetings was already being held in an attempt to sort out the issue.

Exco chairman Mr Clive Keegan said at a council meeting on Tuesday that Cape Town could not wait for an outcome of these meetings.

Joint body to boost US/S/A ventures

CT 2/12/93

Own Correspondent

JOHANNESBURG. — A joint committee on commerce and trade will be set up to boost joint ventures and US investment in South Africa, US Commerce Secretary Mr Ron Brown said yesterday.

The committee, at an official level, would actively assist US firms to move into the South African market.

"It is vital that South Africa tackles the gulf between those who have succeeded economically and those who have not had a chance to participate. This will be achieved only by foreign and local investment."

Announcement

"The Overseas Private Investment Corporation agreement signed on Tuesday is an important move for American investor confidence. We believe the commercial relationship between South Africa and the US will now far surpass that which existed before sanctions," he said.

Speaking at the end of a four-day trade mission to South Africa, Mr Brown said he would brief President Bill Clinton on his return, and hinted that there would be a significant announcement on trade between the two countries within weeks.

Palestinian attack kills peace effort

EL BIREH, West Bank. — Palestinians shot dead an Israeli woman and wounded two other Israelis in the occupied West Bank yesterday.

The shooting incensed Jewish settlers and shattered hopes of restoring peace after Israel called off a manhunt for PLO militants on Tuesday in an attempt to calm the Gaza Strip.

The attack followed the worst day of clashes in Gaza since the Israel-PLO peace deal was

Gqozo 'ordered Sebe to be shot on sight'

CT 2/12/93

Own Correspondent

BISHO. — The state closed its case yesterday against Ciskei ruler Brigadier Oupa Gqozo and Sergeant-Major Thozamile Vellfi, for the murders of Mr Charles Sebe and Colonel Onward Guzana.

Their counsel asked the Supreme Court for a postponement till Monday when they would apply for their clients' discharge. Earlier yesterday transcripts of two

radio interviews with Brig Gqozo were handed in as evidence.

In the first Brig Gqozo confirmed his soldiers had been instructed to shoot Mr Sebe on sight. In the second he said anyone who wanted to stage a coup in Ciskei would suffer the same fate as Mr Sebe and Col Guzana.

Asked to comment on complaints that Mr Sebe was unarmed, Brig Gqozo said his officers were told to shoot Mr Sebe when they found him because he was dangerous.

Funds inflow to boost SA upturn

ET 3/12/93 (74) (10)

By AUDREY D'ANGELO
Business Editor

PROSPECTS for a recovery in SA's economy "have further brightened", with the possibility of substantial capital inflows in a short time, says Board of Executors economist and senior portfolio manager Rob Lee.

He forecasts a growth rate of 2% or more next year and says in his Investment Outlook for December that "potential growth rates of 4% plus are achievable in 1995/96".

Sanctions

"Domestic economic prospects have improved further in recent weeks.

The ending of sanctions, and the negotiated agreement at the World Trade Centre, have awakened enormous international interest in the SA economy and investment markets.

"The equity market, and particularly the bond market, have already been powerfully affected by foreign buying.

"Effective economic and political management could conceivably produce the 'problem' of excessive capital inflows rather than outflows within a relatively short period."

Lee points out that the Reserve Bank has been able to maintain the recent stability of the exchange rate,

indicating that improvements on capital accounts have continued.

"The passage of the Transitional Executive Council legislation should ensure access to the International Monetary Fund \$850m loan by year-end. Present indications are that additional foreign loans will be available to offset the bullet repayment of \$500m required in early 1994 in terms of our foreign debt agreement."

Lee forecasts an average inflation rate of 7% in 1994. "Combined with improvements on the capital account and a record high current account surplus this gives scope for further reductions in interest rates.

"We expect the prime rate to be 2% lower by mid-1994, with the timing of cuts dependent upon the degree of access to foreign loans at reasonable interest rates.

Investment

"There are an impressive number of large private sector investment projects planned or already underway, amounting to more than R30bn to be spent over the next few years.

"Increased public sector investment in infrastructure and housing can also be expected under a new government. We are therefore increasingly confident of an investment-led recovery."

**SA commercial
office for Gulf**

CT 6/12/93

(74)

ABU DHABI. — SA is planning to open a commercial office in the Gulf's main economic centre of Dubai in the United Arab Emirates (UAE) to boost exports to the region, Dubai officials said yesterday.

The office will be set up after SA and the UAE establish diplomatic relations, said Abdullah Abu al-Houl, public relations director at the Dubai chamber of commerce and industry. — Sapa-AFP

SA opens up slowly as GATT deadline nears

ST Times (Buss)

12/12/93

74

By CIARAN RYAN

WITH agreement on GATT only one day away, SA is preparing to throw open its doors to international competitors after decades of isolation.

The country's import tariffs took a step closer to harmonising with the rest of the world this week as the Uruguay Round of GATT draws to a close after seven years of negotiations.

The GATT accord is expected to be signed next week, ushering in a new era of international trade and competition. European and US negotiators are working through the weekend to reach an accord on the final stumbling block — tariffs on services, such as shipping, the financial sector and films.

For SA, the walls of tariff protection built to protect the siege economy during sanctions will come crumbling, rather than tumbling, down. Several industries managed to secure eight-year adjustment periods instead of the customary five.

Because of the political transition SA has been classified as an economy in transition, which lets some industries off the hook by allowing them longer adjustment

periods. In broad terms, SA tariff levels will fall by a third in five equal stages over five years, although there are numerous exceptions. SA has until tomorrow to finalise its offer.

The industries likely to suffer the most are textiles, clothing and motor assembly, but overall the agreement has been hailed as "workable" by trade experts.

"The situation is very fluid and negotiations will continue over the weekend," said the Department of Trade and Industry's deputy director-general, Gerrie Breyt. "But the only real outstanding issue is that of clothing and textiles."

Years of protectionism contributed to the country's lack of competitiveness in a broad range of industries from chemicals to textiles. The Uruguay Round will force industries to rationalise and improve efficiencies.

One study suggests that the GATT offer will benefit developing nations with strong manufacturing industries and low labour costs. The agreement could add \$230-billion a

year to global trade.

The main objections to SA's revised tariff offer came from the US.

SA held out for 65% maximum tariffs on clothing and 45% on textiles, which was rejected by trading partners who want a unified tariff of 35% on clothing and textiles. SA's GATT negotiators in Geneva are continuing to plead for leniency as negotiations continue today. A compromise solution appears likely.

But the future for the clothing and textiles industry looks bleak under virtually any scenario, fueling fears that tens of thousands of workers will lose their jobs as cheap fabric imports from the Far East flood the SA market.

ANC economic planning department head Trevor Manuel says clothing would feature strongly in a future industrial policy but with GATT virtually a fait accompli, the fate of the industry appears sealed.

An IDC study suggests that labour-intensive industries such as clothing will suffer most from the new tariff offer.

The motor industry is preparing for sweeping rationalisation following its decision to accept import tariffs of 50% on fully built-up cars

after an eight-year adjustment period. The present tariff levels are 115%. The number of models produced by the industry will drop to less than 20 from the current 35 as assemblers are encouraged to end production of low volume models.

Some industries, such as tyres, managed to secure higher tariffs through the replacement of formula duties with ad valorem duties.

Europe and the US settle longstanding differences over agricultural subsidies in the last few days, paving the way for a breakthrough in the talks.

The Uruguay Round means an average 33% drop in industrial tariffs and 36% in agricultural tariffs, although SA's agricultural offer to GATT has not yet been finalised. The GATT agreement also means the general export incentive scheme will have to be phased out, and some 12 800 tariff lines will be pared down to about 1 000.

SA managed to secure longer phasing-in periods for sensitive industries such as textiles, clothing, motor vehicles and tyres.

"Where we were unable to offer lower tariffs, we secured longer adjustment periods," says Mr Breyt.

Trade boost

CT 16/12/93 (74)

Economy set to surge next year

By ARI JACOBSON

THE South African economy is set to boom — buoyed by a record trade surplus of R7 billion forecast for this year.

The surplus is expected to provide a "cushion" for paying back government debts and will help finance imports to further boost the economy next year.

Economists have already forecast a 2% growth in the economy next year and the trade boom may mean even greater gains for producers.

The record surplus comes at a time when the local share market is soaring to all-time highs, driven by foreign demand and, more recently, aided by the belief that commodity prices worldwide are set for an upward turn.

All this is good news for South Africa as a leading supplier and exporter of commodities.

The trade surplus, derived from figures released yesterday by the Department of Customs and Excise, reflects the income from exports less payments made for imports.

'Fantastic'

The trade surplus was at a favourable R2bn cash inflow in November and, with one month's figures still to be released, economists are confident that all trade records will be broken this year.

Experts said "the fantastic trade situation for 1993" had been helped by the end of the drought, more exports of manufactured goods, higher gold bullion prices and better sales of minerals and precious stones.

The improved trade position in November was helped by imports falling by 11% to R5,3bn, while exports were only 3,6% lower at R7,3bn.

Old Mutual's economist Miss Ursula Maritz said yesterday that "seasonally" the trade balance fell in November and that the rise had come as "a surprise".

"A record trade surplus of R7bn is now virtually in the bag," she said.

The SA Foreign Trade Organisation's economist, Mr Carlos Teixeira, said the trade surplus could even exceed the R7bn mark for 1993.

● Leaders optimistic about economy — Page 2



BURNING TOURIST ATTRACTION . . . A Waterfront Harbour Tours boat filled with tourists glides past a burning trawler, the Lupin, at South Arm, Table Bay harbour yesterday. Firemen battled all day to control the blaze, the cause of which is unknown. Report Page 5.

Picture: CLIVE SMITH

Indians ⁽⁷⁴⁾
eye Durban
potential

ARG 22/12/93
The Argus
Correspondent

DURBAN. — A high-powered business delegation from India — headed by a cabinet minister — will be in Durban next month to discuss trade and Durban's role as an entry point to the markets of sub-Saharan Africa and as a staging post to South America.

The delegation will be headed by Kamaluddin Ahamed, Minister of Commerce, who will have with him about 100 leading businessmen representing a cross-section which includes pharmaceuticals and chemicals, textiles and clothing, food products, hand and machine tools and vehicle parts.

They will explore the possibility of joint ventures with South African businessmen, including the finishing of semi-processed goods for export into Africa, and on to South America, as well as the warehousing that would be required.

The delegation will be in South Africa from January 23 to February 1.

Trade mission to qualify for export subsidy

ET 23/12/93 (74)
Business Editor

CAPE Town Chamber of Commerce is planning a trade mission to Sweden and Denmark in May and June.

This follows the success of missions to other European countries in the past two years, and the lifting of sanctions against SA by the Scandinavian countries.

The chamber's current newsletter says a survey among members "has shown considerable interest in trading with Scandinavia".

Arrangements are being made for the mission to leave on May 21 and return on June 5. It will visit Stockholm, Goteborg and Copenhagen, returning by way of London "to give members the opportunity of visiting existing clients there.

"Members are also free to break away during the trip to visit other centres nearby like Oslo, Helsinki and Hamburg and may stay on after June 5.

"The trade mission will qualify for the export marketing assistance subsidy from the Department of Trade and Industry.

"This includes the payment of half the price of an economy airfare and R400 a day for a maximum of 15 days."

Dumping fears grow in SA

Own Correspondent

JOHANNESBURG. — Fears that trade liberalisation in terms of GATT will leave SA vulnerable to dumping of cheap goods are expected to place anti-dumping measures in the spotlight early next year.

SA's existing legislation has come under fire from industrialists and ANC aligned economists, who have described it as too discretionary, unclear and inconsistent with GATT.

Trade and Industry director-general Stef Naude agreed the legislation needed "sprucing up". The issue is on the agenda of the trade task force of the National Economic Forum.

A Board on Tariffs and Trade spokesman said the board believed that legislative changes would be needed to counteract dumping by non-market economies, such as China and some of the reforming economies in central and eastern Europe.

At present, low-priced exports from a non-market economy were regarded as dumping if they were priced lower than the comparable price at which similar goods were being exported to SA or the common customs area. This was, however, a problem if comparable exports to SA could not be found.

The definition should be changed so that the export price

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was compared to the cost of producing the goods. The costs would be measured in a "surrogate country".

The BTT, however, believed it was an oversimplification to say SA's measures were not consistent with GATT. "Basically, the SA definitions of dumping comply with GATT — the principal deviation being that SA does not feel itself bound by the sequence in which GATT requires its definitions to be applied."

UCT's Trade Monitor, edited by ANC trade consultant Alan Hirsch, noted that this deviation from GATT was likely to result in uncertainty among exporters and importers.

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Doubts over 'anti-dumping'

Reg Rumney reports on cautions about South Africa's 'anti-dumping' system

SOUTH Africa's "anti-dumping" system is not what it seems, writes Tshediso Matona in the latest *Trade Monitor*. The country's anti-dumping duties are recent and replace the complicated formula duties designed to counteract "disruptive competition", he says in the publication, put out by the Trade Policy Monitoring Project at the University of Cape Town.

As part of South Africa's continuing reintegration into the world economy, they were intended to bring South Africa into line with other leading countries as well as placing the country in a better position to comply with the General Agreement on Tariffs and Trade (Gatt).

The new anti-dumping system, he says, is a short-term measure designed to defend protected South African industries from increasing competition as the normal *ad valorem* protection is reduced and formula duties fall away.

The problem is with the emotionally loaded notion of "dumping". Matona says economic analysis of dumping suggests that under certain circumstances it may inflict injury to domes-

tic industry — but only where it involves predatory pricing and is intermittent.

"It has been suggested that failure to make a distinction between predatory and other kinds of dumping (eg discount sales below domestic prices as profit-maximising 'normal dumping') is a major defect of both Gatt and national anti-dumping provisions." In practice, predation is rare and anti-dumping duties tend to be used where

dumping is unlikely to be harmful, he says.

Matona dismisses the idea that anti-dumping measures simply "defend" domestic industry against "unfair" foreign pricing. Recent studies suggest anti-dumping duties are likely to reinforce cartels or oligopolies by forcing foreign firms to adopt "full-cost pricing" which domestic firms they are competing against don't have to do. Matona also suggests South Africa's

anti-dumping measures do not fit in with Gatt and pressure can be expected on the country to revise them. South Africa is not alone in using anti-dumping to replace high *ad valorem* duties. In some countries, says Matona, particularly developed countries, the active use of anti-dumping laws has been called "new protectionism".

Matona says South Africa's present anti-dumping system will cause uncertainty, won't cope with short-term surges in imports and will provoke Gatt and South Africa's trading partners. Anti-dumping measures should be designed for the longer term. Other options should be explored to protect local industry, like escape clauses in Gatt.